

NEW ISSUE – BOOK-ENTRY ONLY

**INSURED RATING: S&P: “AAA”
UNDERLYING RATING: S&P: “A+”
(See “RATINGS.”)**

In the opinion of Pillsbury Winthrop Shaw Pittman LLP, Century City, California, Bond Counsel, 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. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel expresses 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.”

**\$12,575,000
CITY OF OXNARD FINANCING AUTHORITY
WASTEWATER REVENUE BONDS
(HEADWORKS PROJECT)
SERIES 2006**

Dated: Date of Delivery

Due: June 1, as shown below

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

The City of Oxnard Financing Authority Wastewater Revenue Bonds (Headworks Project), Series 2006, in the aggregate principal amount of \$12,575,000 (the “Bonds”), are being issued by the City of Oxnard Financing Authority (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, and the provisions of an Indenture, dated as of May 1, 2006 (the “Indenture”), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The proceeds of the Bonds will be used (i) to finance the cost of certain capital improvements to the City’s wastewater system, as more fully described herein, (ii) to obtain a qualified reserve fund surety bond in lieu of the required deposit to the reserve fund established for the Bonds under the Indenture, and (iii) to finance certain costs of issuance related to the Bonds. See “THE BONDS – Estimated Sources and Uses of Bond Proceeds,” “SECURITY FOR THE BONDS – Reserve Fund” and “– Reserve Fund Surety Bond,” “RESERVE FUND SURETY BOND,” and “THE PROJECT.” Capitalized terms used on this cover page and not otherwise defined shall have the meanings ascribed to them elsewhere in this Official Statement. See in particular “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Selected Definitions.”

The Bonds will be delivered as fully registered bonds without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only in the principal amount of \$5,000 or integral multiples thereof for each maturity. 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 will be made by the Trustee to DTC, which will in turn remit such interest to its participants for subsequent disbursement to beneficial owners of the Bonds as described herein. Interest on the Bonds is payable semiannually on each June 1 and December 1, commencing December 1, 2006, 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 and mandatory sinking account redemption prior to their stated maturities, as described herein.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, simultaneously with the delivery of the Bonds.

Ambac

The Bonds are limited obligations of the Authority, payable solely from (i) Revenues, consisting of Installment Payments to be made by the City pursuant to an Installment Purchase Agreement, dated as of May 1, 2006 (the “Installment Purchase Agreement”), by and between the Authority and the City of Oxnard (the “City”), and the interest or profits from the investment of moneys in certain of the funds established under the Indenture, and (ii) all moneys in the funds and accounts established under the Indenture (other than amounts on deposit in the Rebate Fund and the Costs of Issuance Fund). The Installment Payments are a limited obligation of the City, payable from and secured by a pledge of and lien on all Net System Revenues. Pursuant to the Installment Purchase Agreement, the City may incur Additional Obligations secured by Net System Revenues on a parity with the Installment Payments to the extent the City can provide evidence that the Net System Revenues will be sufficient to meet certain debt coverage requirements as described herein. See “SECURITY FOR THE BONDS – Limitations Regarding Additional Obligations.”

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES PLEDGED THEREFOR UNDER THE INDENTURE. 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 INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT 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 INSTALLMENT PAYMENTS CONSTITUTE 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.

[Maturity Schedule set forth on inside cover]

The Bonds are offered when, as, and if delivered to and received by the Underwriter, subject to the approval of legality by Pillsbury Winthrop Shaw Pittman LLP, Century City, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney and by Disclosure Counsel, Pillsbury Winthrop Shaw Pittman LLP, Century City, California. It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York, on or about May 11, 2006.

M L
STERN
Investment Securities
M.L. Stern & Co., LLC

Dated: April 27, 2006

MATURITY SCHEDULE

Maturity Date (June 1)	Principal Amount	Interest Rate	Price/ Yield	CUSIP ⁽¹⁾ No.	Maturity Date (June 1)	Principal Amount	Interest Rate	Price/ Yield	CUSIP ⁽¹⁾ No.
2007	\$185,000	3.500%	100.000%	691878 AK8	2017	\$315,000	4.250%	100.000%	691878 AV4
2008	225,000	3.550	100.000	691878 AL6	2018	330,000	4.300	4.380	691878 AW2
2009	235,000	3.600	100.000	691878 AM4	2019	345,000	4.350	4.430	691878 AX0
2010	240,000	3.650	100.000	691878 AN2	2020	360,000	4.400	100.000	691878 AY8
2011	250,000	3.750	100.000	691878 AP7	2021	375,000	4.450	100.000	691878 AZ5
2012	260,000	4.000	3.850	691878 AQ5	2022	390,000	4.500	100.000	691878 BA9
2013	270,000	4.000	3.950	691878 AR3	2023	410,000	4.500	4.550	691878 BB7
2014	280,000	4.000	100.000	691878 AS1	2024	430,000	4.500	4.630	691878 BC5
2015	295,000	4.000	4.100	691878 AT9	2025	445,000	4.550	4.650	691878 BD3
2016	305,000	4.000	4.200	691878 AU6	2026	470,000	4.600	4.700	691878 BE1

\$2,705,000 5.000% Term Bond Due June 1, 2031 – Yield: 4.680% ⁽²⁾ (CUSIP ⁽¹⁾ No. 691878 BF8)

\$3,455,000 5.000% Term Bond Due June 1, 2036 – Yield: 4.700% ⁽²⁾ (CUSIP ⁽¹⁾ No. 691878 BG6)

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(2) Priced to optional redemption date of June 1, 2016, callable at par.

No dealer, broker, salesperson, or other person has been authorized by the City, the Authority, or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds, nor shall 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 Official Statement is not to be construed to be a contract with the purchasers of the Bonds. Statements contained in this Official Statement 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 Official Statement 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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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 OFFERING, THE UNDERWRITER 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 Official Statement 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*
Andres Herrera, *Mayor Pro Tem*
Dean Maulhardt, *Councilmember*
John C. Zaragoza, *Councilmember*
Timothy B. Flynn, *Councilman*

GOVERNING BOARD OF THE AUTHORITY

Tom Conway, *Chairman*
Charles Covarrubias, *Vice Chairman*
Francisco J. Dominguez, *Board Member*
Patricia Maki, *Board Member*
Kaye Mirabelli, *Board Member*

CITY OFFICIALS

Edmund F. Sotelo, *City Manager*
Karen R. Burnham, *Assistant City Manager*
Ken Ortega, *Director of Public Works*
Gary L. Gillig, *City Attorney*
Daniel Martinez, *City Clerk*
Dale Belcher, *City Treasurer*
Marcie Medina, *Finance Director*
Michael J. More, *Financial Services Manager*
Beth Vo, *Financial Analyst III*
Mark S. Norris, *Wastewater Superintendent*
Robert Montgomery, REHS, *Environmental/Safety Manager*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel
Pillsbury Winthrop Shaw Pittman LLP
Century City, California

Trustee
Wells Fargo Bank, National Association
Los Angeles, California

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OFFICIAL STATEMENT

\$12,575,000
CITY OF OXNARD FINANCING AUTHORITY
WASTEWATER REVENUE BONDS
(HEADWORKS PROJECT)
SERIES 2006

INTRODUCTION

General

This Official Statement, which includes the cover page, Table of Contents, and Appendices (the “Official Statement”), provides certain information concerning the sale and delivery of the City of Oxnard Financing Authority Wastewater Revenue Bonds (Headworks Project), Series 2006, being issued in the aggregate principal amount of \$12,575,000 (the “Bonds”). 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 Official Statement 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 Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Selected Definitions.”

The City

The City of Oxnard (the “City”) was incorporated under the general laws of the State of California in 1903. The City is located in western Ventura County, approximately 62 miles northwest of the City of Los Angeles. The City has an estimated current population of approximately 188,941. The City’s wastewater system (the “Wastewater System”) serves the entire City, as well as a small unincorporated area of Ventura County. For information concerning the Wastewater System, see “THE WASTEWATER SYSTEM.”

Authorization

The Bonds are being issued by the City of Oxnard Financing Authority (the “Authority”), a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California, pursuant to the Marks-Roos Local Bond Pooling Act of 1985, Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the “Act”), and the provisions of an Indenture, dated as of May 1, 2006 (the “Indenture”), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”).

Purpose of Issuance

The proceeds of the Bonds will be used (i) to finance certain improvements to the City’s Wastewater System, as more fully described herein (the “Project”), (ii) to obtain a qualified reserve fund surety bond in lieu of the required deposit to the reserve fund established for the Bonds under the Indenture (the “Reserve Fund”), and (iii) to pay certain costs of issuance related to the Bonds. See “THE PROJECT,” “THE BONDS – Estimated Sources and Uses of Bond Proceeds,” “SECURITY FOR THE

BONDS – Reserve Fund” and “– Reserve Fund Surety Bond,” and “RESERVE FUND SURETY BOND.”

Registration, Date, and Maturity of Bonds

The Bonds will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, which will act as securities depository for the Bonds. The Bonds will be dated the date of their initial delivery and will mature on the dates and in the principal amounts set forth on the cover page hereof.

Payment of Bonds

Interest on the Bonds is payable semiannually on June 1 and December 1, commencing December 1, 2006 (each, an “Interest Payment Date”), and will be paid by check, mailed by first class mail to the registered owners thereof (each, an “Owner”) as of the fifteenth day of the calendar month preceding the applicable Interest Payment Date (each, a “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. Principal of and any redemption premium with respect to each Bond will be 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.”

Redemption of Bonds

Optional Redemption of Bonds. The Bonds are subject to redemption prior to their respective Principal Payment Dates (as defined in the Indenture) upon the exercise by the City of its right to cause the redemption of Bonds in accordance with the Installment Purchase Agreement, from and to the extent of any source of available funds, or in accordance with the Indenture, from excess amounts, if any, in the Project Fund, as a whole or in part on any Interest Payment Date on or after June 1, 2016, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued by unpaid interest to the redemption date, without premium. Any moneys on deposit in the Project Fund after all Project Costs have been paid will be used to optionally redeem Bonds on the earliest permissible redemption date. See “THE BONDS – Optional Redemption of Bonds.”

Mandatory Sinking Account Redemption of Bonds. The Bonds maturing on June 1, 2031 and June 1, 2036, are subject to redemption prior to their stated maturity, in part, from Mandatory Sinking Account Payments, on the first Business Day of each June, commencing June 1, 2027, and June 1, 2032, respectively, at the principal thereof, plus accrued interest thereon to the date fixed for redemption, without premium. See “THE BONDS – Mandatory Redemption of Bonds.”

Security for the Bonds

Bonds Payable from Revenues. The Bonds are limited obligations of the Authority and are payable solely from Revenues (defined below) received by the Trustee pursuant to the Indenture. Such Revenues are derived from the Installment Payments to be made by the City to the Authority pursuant to the Installment Purchase Agreement and the interest or profits from the investment of moneys on deposit in certain funds held under the Indenture (collectively, the “Revenues”). The Installment Payments are payable solely from Net System Revenues (as defined in the Installment Purchase Agreement), which are comprised of System Revenues less Maintenance and Operation Costs of the Wastewater System (as such terms are defined in the Installment Purchase Agreement). The obligation of the City to make Installment Payments is secured by a pledge of and lien on the Net System Revenues. Pursuant to the Installment

Purchase Agreement, the City may incur Additional Obligations secured by the Net System Revenues on a parity with the Installment Payments to the extent the City can provide evidence that the Net System Revenues will be sufficient to meet certain debt coverage requirements as described herein.

Additional Obligations. The City believes that the proceeds of the Bonds will be sufficient to pay the remaining costs for the construction, acquisition, and improvement of the Project. If additional moneys are required to pay for such construction, acquisition, and improvement, however, such moneys shall be obtained either by the issuance of Additional Obligations or from other available moneys of the City. If Additional Obligations are issued, the Authority and the City shall enter into a separate installment purchase agreement with respect to such Additional Obligations. See “SECURITY FOR THE BONDS – Limitations Regarding Additional Obligations.”

Outstanding Parity Obligations. Upon the issuance of the Bonds, the following obligations payable on a parity and *pro rata* basis from separate installment payments secured by Net System Revenues will be outstanding: (i) the Bonds, (ii) the City of Oxnard Financing Authority Wastewater Revenue Refunding Bonds, Series 2003, issued by the Authority on April 1, 2003, in the aggregate principal amount of \$43,785,000, of which \$33,045,000 are currently outstanding (the “2003 Refunding Bonds”), (iii) the City of Oxnard Financing Authority Wastewater Revenue Bonds (Redwood Trunk Sewer and Headworks Project), 2004 Series A, issued by the Authority on June 22, 2004, in the aggregate principal amount of \$80,000,000, all of which are currently outstanding (the “2004 Series A Bonds”), and (iv) the City of Oxnard Financing Authority Wastewater Revenue Bonds (Redwood Trunk Sewer and Headworks Project), 2004 Series B, issued by the Authority on November 18, 2004, in the aggregate principal amount of \$23,975,000, all of which are currently outstanding (the “2004 Series B Bonds”). The City may incur Additional Obligations payable on a parity with the Installment Payments that secure payment of the Bonds, subject to certain limitations and conditions set forth in the Installment Purchase Agreement. The Installment Payments that secure payment of the Bonds constitute Additional Obligations in relation to the respective installment payments that secure payment of the 2004 Series A Bonds, the 2004 Series B Bonds, and the 2003 Refunding Bonds, and are also subject to such limitations and conditions. See “SECURITY FOR THE BONDS – Net System Revenues” and “– Limitations Regarding Additional Obligations.”

Reserve Fund and Reserve Fund Surety Bond. Pursuant to the Indenture, the City will be required to maintain amounts on deposit (or obtain one or more qualified reserve fund insurance policies or surety bonds in lieu of or guaranteeing such 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 (as defined herein). In accordance with the terms of the Indenture, the Authority has arranged to have delivered to the Trustee, concurrently with the issuance of the Bonds, from the Bond Insurer (as defined herein), a municipal bond debt service reserve fund surety bond (the “Reserve Fund Surety Bond”), guaranteeing certain payments into the Reserve Fund with respect to the Bonds. See “SECURITY FOR THE BONDS – Reserve Fund” and “– Reserve Fund Surety Bond,” “RESERVE FUND SURETY BOND,” and “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Indenture.”

Bond Insurance. Concurrently with the issuance of the Bonds, Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company (the “Bond Insurer”), will issue its financial guaranty insurance policy (the “Bond Insurance Policy”) insuring payment of the principal of and interest on the Bonds as the same shall become due (other than by reason of acceleration or advance redemption), as further described herein. See “BOND INSURANCE POLICY” and “APPENDIX F – Specimen Bond Insurance Policy.”

Rate Covenant

The Installment Purchase Agreement provides that the City will fix, prescribe, and collect rates and charges for the Wastewater System that will be at least sufficient to yield during each Fiscal Year Net System Revenues equal to the sum of (a) one-hundred percent (100%) of the “Debt Service” (defined in the Installment Purchase Agreement as principal, interest, and redemption premiums) due with respect to all outstanding Obligations, which include debt service payable with respect to all outstanding Bonds, 2004 Series A Bonds, 2004 Series B Bonds, 2003 Refunding Bonds, and other Additional Obligations, if any, for such Fiscal Year and the amounts, if any, then due and owing to the Bond Insurer under the Reserve Fund Surety Bond, plus (b) the amount by which the amount on deposit in the Wastewater Revenue Fund on the last day of the immediately preceding Fiscal Year was less than twenty-five percent (25%) of Maximum Annual Debt Service as of such day. The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net System Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements described above. See “SECURITY FOR THE BONDS – Rate Covenant.”

Continuing Disclosure

In connection with the issuance of the Bonds, the Authority will covenant in the Continuing Disclosure Agreement, dated as of the date of delivery of the Bonds, by and between the Authority and the Trustee, as dissemination agent (the “Continuing Disclosure Agreement”), to provide certain financial information and operating data relating to the City and the Authority and notices of certain events, if material. Such information and notices will be filed by the Authority with certain Nationally Recognized Municipal Securities Repositories. See “CONTINUING DISCLOSURE” and “APPENDIX E – Form of Continuing Disclosure Agreement.”

Limited Obligations

The Bonds are limited obligations of the Authority payable solely from and secured solely by the Revenues pledged therefor under the Indenture. 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 Installment Payments under the Installment Purchase Agreement 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 Installment Payments constitute 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. For certain financial information with respect to the City and the Wastewater System, see “THE WASTEWATER SYSTEM.”

Forward-Looking Statements

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

“budget,” “anticipate,” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption “THE WASTEWATER SYSTEM.” Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

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 Official statement 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.

THE BONDS

Authorization and Payment of Bonds

The Bonds are being issued pursuant to the Act and the provisions of the Indenture. The Bonds will be dated the date of their initial delivery and will mature on the dates and in the principal amounts set forth on the cover page hereof. Interest on the Bonds will be paid semiannually on each Interest Payment Date to Owners recorded in the registration books kept by the Trustee as of the applicable Record Date. Interest will be computed on the basis of a 360-day year comprised of twelve, 30-day months.

The Bonds will be issued as fully registered bonds in the denomination of \$5,000 each or any integral multiple thereof (“Authorized Denominations”). Principal of and redemption premium, if any, on each Bond will be 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 will be payable by check, mailed to the Owners of the Bonds 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 of Bonds will be paid by wire transfer to such account within the United States as such Owner shall have specified in writing prior to the applicable Record Date to the Trustee for such purpose. 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.”

Optional Redemption of Bonds

The Bonds are subject to redemption prior to their respective Principal Payment Dates, upon the exercise by the City of its right to cause the redemption of Bonds in accordance with the Installment Purchase Agreement, from and to the extent of any source of available funds, or in accordance with the Indenture, from excess amounts, if any, in the Project Fund, as a whole or in part on any Interest Payment

Date on or after June 1, 2016, of such maturities or portions of maturities as shall be directed by the City in accordance with the Installment Purchase Agreement if less than all of the Bonds are to be called for prior redemption and by lot within any such maturity if less than all of the Bonds are to be redeemed, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued by unpaid interest to the redemption date, without premium. Any moneys on deposit in the Project Fund after all Project Costs have been paid will be used to optionally redeem Bonds on the earliest permissible redemption date.

Mandatory Redemption of Bonds

Mandatory Sinking Account Redemption of Bonds. The Bonds maturing on June 1, 2031, are subject to redemption prior to their stated maturity, in part, from Mandatory Sinking Account Payments, on each June 1, commencing June 1, 2027, at the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium. The principal amount of such Bonds to be so prepaid and the dates therefor shall be as follows:

<u>Redemption Date</u> <u>(June 1)</u>	<u>Principal Amount</u>
2027	\$490,000
2028	515,000
2029	540,000
2030	565,000
2031 (maturity)	595,000

The Bonds maturing on June 1, 2036, are subject to redemption prior to their stated maturity, in part, from Mandatory Sinking Account Payments, on each June 1, commencing June 1, 2032, at the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium. The principal amount of such Bonds to be so prepaid and the dates therefor shall be as follows:

<u>Redemption Date</u> <u>(June 1)</u>	<u>Principal Amount</u>
2032	\$625,000
2033	655,000
2034	690,000
2035	725,000
2036 (maturity)	760,000

The amount of Bonds of the foregoing maturities to be redeemed from Mandatory Sinking Account Payments on any date shall be reduced proportionately in the event and to the extent of any optional or other mandatory redemptions, as described above.

Notice of Redemption of Bonds; Effect of Notice

Whenever redemption is authorized or required and sufficient funds are deposited with the Trustee for such purposes as provided in the Indenture, the Trustee will mail a notice of such redemption, in form and substance as prescribed in the Indenture, to affected Owners not less than thirty (30) days nor more than sixty (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 Bonds will be initially delivered in the form of one fully registered Bond for each of the maturities of the Bonds, registered in the name of Cede & Co., as nominee of DTC, as Owner of all the Bonds. 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 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 securities that its participants (the “Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants (“Direct Participants”) include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission (“SEC”).

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 (each, a “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, but Beneficial Owners are 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 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 Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions and defaults. 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 notices be provided directly to them.

REDEMPTION NOTICES SHALL BE SENT BY THE TRUSTEE 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. 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 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 (or 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 shall be the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services 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 Indenture.

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 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 OFFICIAL STATEMENT.

Estimated Sources and Uses of Bond Proceeds

The following table details the estimated sources and uses of Bond proceeds.

TABLE 1
ESTIMATED SOURCES AND USES OF FUNDS

Estimated Sources:

Principal Amount of Bonds	\$12,575,000.00
Plus: Net Original Issue Premium	120,542.65
Less: Underwriter's Discount	<u>(108,773.75)</u>
Total Sources	\$12,586,768.90

Estimated Uses:

Transfer to Bond Insurer ⁽¹⁾	\$ 75,062.35
Deposit to Costs of Issuance Fund ⁽²⁾	107,300.00
Deposit to Project Fund ⁽³⁾	<u>12,404,406.55</u>
Total Uses	\$12,586,768.90

⁽¹⁾ Comprised of the \$59,069.95 premium for the Bond Insurance Policy and the \$15,992.40 premium for Reserve Fund Surety Bond.

⁽²⁾ Moneys in the Costs of Issuance Fund are expected to be used to pay the fees and expenses of Bond Counsel, Disclosure Counsel, and the Trustee, as well as printing and other miscellaneous costs.

⁽³⁾ Moneys in the Project Fund will be used to acquire, construct, and improve the Project.

Debt Service on Outstanding Parity Obligations

Principal of and interest on all obligations payable on a parity and *pro rata* basis from separate installment payments secured by Net System Revenues and outstanding as of the date of issuance of the Bonds, which obligations include the Bonds, the 2004 Series A Bonds, the 2004 Series B Bonds, and the 2003 Refunding Bonds, are scheduled to be paid as shown in the following table.

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TABLE 2
DEBT SERVICE SCHEDULE

Payment Date	Principal of Bonds	Interest on Bonds	Principal of 2004 Series A Bonds	Interest on 2004 Series A Bonds	Principal of 2004 Series B Bonds	Interest on 2004 Series B Bonds ⁽¹⁾	Principal of 2003 Refunding Bonds	Interest on 2003 Refunding Bonds	Total Debt Service
June 1, 2006				\$ 2,043,862.50		\$ 563,412.50	\$ 1,885,000.00	\$ 892,506.25	\$ 5,384,781.25
December 1, 2006		\$ 320,993.06		2,043,862.50		563,412.50		858,806.25	3,787,074.31
June 1, 2007	\$ 185,000.00	288,893.75		2,043,862.50		563,412.50	1,950,000.00	858,806.25	5,889,975.00
December 1, 2007		285,656.25		2,043,862.50		563,412.50		815,806.25	3,708,737.50
June 1, 2008	225,000.00	285,656.25		2,043,862.50		563,412.50	2,035,000.00	815,806.25	5,968,737.50
December 1, 2008		281,662.50		2,043,862.50		563,412.50		782,781.25	3,671,718.75
June 1, 2009	235,000.00	281,662.50		2,043,862.50	\$ 820,000.00	563,412.50	2,100,000.00	782,781.25	6,826,718.75
December 1, 2009		277,432.50		2,043,862.50		544,142.50		746,031.25	3,611,468.75
June 1, 2010	240,000.00	277,432.50		2,043,862.50	840,000.00	544,142.50	2,175,000.00	746,031.25	6,866,468.75
December 1, 2010		273,052.50		2,043,862.50		524,402.50		713,406.25	3,554,723.75
June 1, 2011	250,000.00	273,052.50		2,043,862.50	865,000.00	524,402.50	2,240,000.00	713,406.25	6,909,723.75
December 1, 2011		268,365.00		2,043,862.50		504,075.00		657,406.25	3,473,708.75
June 1, 2012	260,000.00	268,365.00		2,043,862.50	885,000.00	504,075.00	2,355,000.00	657,406.25	6,973,708.75
December 1, 2012		263,165.00		2,043,862.50		483,277.50		598,531.25	3,388,836.25
June 1, 2013	270,000.00	263,165.00		2,043,862.50	915,000.00	483,277.50	2,470,000.00	598,531.25	7,043,836.25
December 1, 2013		257,765.00		2,043,862.50		461,775.00		536,781.25	3,300,183.75
June 1, 2014	280,000.00	257,765.00		2,043,862.50	940,000.00	461,775.00	2,595,000.00	536,781.25	7,115,183.75
December 1, 2014		252,165.00		2,043,862.50		439,685.00		468,662.50	3,204,375.00
June 1, 2015	295,000.00	252,165.00		2,043,862.50	965,000.00	439,685.00	2,730,000.00	468,662.50	7,194,375.00
December 1, 2015		246,265.00		2,043,862.50		417,007.50		397,000.00	3,104,135.00
June 1, 2016	305,000.00	246,265.00		2,043,862.50	995,000.00	417,007.50	2,875,000.00	397,000.00	7,279,135.00
December 1, 2016		240,165.00		2,043,862.50		393,625.00		325,125.00	3,002,777.50
June 1, 2017	315,000.00	240,165.00		2,043,862.50	1,025,000.00	393,625.00	3,015,000.00	325,125.00	7,357,777.50
December 1, 2017		233,471.25		2,043,862.50		369,537.50		249,750.00	2,896,621.25
June 1, 2018	330,000.00	233,471.25		2,043,862.50	1,050,000.00	369,537.50	3,170,000.00	249,750.00	7,446,621.25
December 1, 2018		226,376.25		2,043,862.50		344,862.50		170,500.00	2,785,601.25
June 1, 2019	345,000.00	226,376.25		2,043,862.50	1,085,000.00	344,862.50	3,325,000.00	170,500.00	7,540,601.25
December 1, 2019		218,872.50		2,043,862.50		319,365.00		87,375.00	2,669,475.00
June 1, 2020	360,000.00	218,872.50		2,043,862.50	1,110,000.00	319,365.00	3,495,000.00	87,375.00	7,634,475.00
December 1, 2020		210,952.50		2,043,862.50		293,280.00			2,548,095.00
June 1, 2021	375,000.00	210,952.50	\$ 4,075,000.00	2,043,862.50	735,000.00	293,280.00			7,733,095.00
December 1, 2021		202,608.75		1,941,987.50		276,007.50			2,420,603.75
June 1, 2022	390,000.00	202,608.75	4,275,000.00	1,941,987.50	760,000.00	276,007.50			7,845,603.75
December 1, 2022		193,833.75		1,835,112.50		258,147.50			2,287,093.75
June 1, 2023	410,000.00	193,833.75	4,490,000.00	1,835,112.50	780,000.00	258,147.50			7,967,093.75
December 1, 2023		184,608.75		1,722,862.50		239,817.50			2,147,288.75
June 1, 2024	430,000.00	184,608.75	4,715,000.00	1,722,862.50	805,000.00	239,817.50			8,097,288.75
December 1, 2024		174,933.75		1,604,987.50		220,900.00			2,000,821.25
June 1, 2025	445,000.00	174,933.75	4,950,000.00	1,604,987.50	825,000.00	220,900.00			8,220,821.25
December 1, 2025		164,810.00		1,481,237.50		201,512.50			1,847,560.00
June 1, 2026	470,000.00	164,810.00	5,200,000.00	1,481,237.50	850,000.00	201,512.50			8,367,560.00
December 1, 2026		154,000.00		1,351,237.50		181,537.50			1,686,775.00
June 1, 2027	490,000.00	154,000.00	5,460,000.00	1,351,237.50	870,000.00	181,537.50			8,506,775.00
December 1, 2027		141,750.00		1,214,737.50		161,092.50			1,517,580.00
June 1, 2028	515,000.00	141,750.00	5,730,000.00	1,214,737.50	900,000.00	161,092.50			8,662,580.00
December 1, 2028		128,875.00		1,071,487.50		139,942.50			1,340,305.00
June 1, 2029	540,000.00	128,875.00	6,015,000.00	1,071,487.50	925,000.00	139,942.50			8,820,305.00
December 1, 2029		115,375.00		921,112.50		118,205.00			1,154,692.50
June 1, 2030	565,000.00	115,375.00	6,320,000.00	921,112.50	950,000.00	118,205.00			8,989,692.50
December 1, 2030		101,250.00		755,212.50		95,880.00			952,342.50
June 1, 2031	595,000.00	101,250.00	6,650,000.00	755,212.50	980,000.00	95,880.00			9,177,342.50
December 1, 2031		86,375.00		580,650.00		72,850.00			739,875.00
June 1, 2032	625,000.00	86,375.00	7,000,000.00	580,650.00	1,005,000.00	72,850.00			9,369,875.00
December 1, 2032		70,750.00		396,900.00		49,232.50			516,882.50
June 1, 2033	655,000.00	70,750.00	7,365,000.00	396,900.00	1,035,000.00	49,232.50			9,571,882.50
December 1, 2033		54,375.00		203,568.75		24,910.00			282,853.75
June 1, 2034	690,000.00	54,375.00	7,755,000.00	203,568.75	1,060,000.00	24,910.00			9,787,853.75
December 1, 2034		37,125.00							37,125.00
June 1, 2035	725,000.00	37,125.00							762,125.00
December 1, 2035		19,000.00							19,000.00
June 1, 2036	760,000.00	19,000.00							779,000.00
Totals	\$12,575,000.00	\$11,339,959.31	\$80,000,000.00	\$93,521,925.00	\$23,975,000.00	\$18,214,027.50	\$38,415,000.00	\$15,708,431.25	\$293,749,343.06

(1) Estimated at an average interest rate of 4.70% for purposes of comparison (the 2004 Series B Bonds bear interest at a variable rate).
Source: M. L. Stern & Co., LLC.

SECURITY FOR THE BONDS

The Authority will enter into a Sale Agreement with City, dated as of May 1, 2006 (the “Sale Agreement”), pursuant to which the City will sell to the Authority the Project. The Authority proposes to complete the construction, acquisition, and improvement of the Project by appointing the City as its agent to complete said construction, acquisition, and improvement pursuant to an Agency Agreement, dated as of May 1, 2006 (the “Agency Agreement”), by and between the Authority and the City. The Authority will enter into the Installment Purchase Agreement, pursuant to which the Authority will sell the Project to the City. See “THE PROJECT” and “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents.”

Installment Payments

Pursuant to the Installment Purchase Agreement, the City has covenanted to pay the Authority, solely from Net System Revenues and from no other sources, the Purchase Price for the Project in Installment Payments in the amounts and on the dates as set forth in the Installment Purchase Agreement. The obligation of the City to make the Installment Payments solely from Net System Revenues is absolute and unconditional (subject to the parity lien of any Additional Obligations; see “– Net System Revenues” and “– Limitations Regarding Additional Obligations” below) and, until such time as the Purchase Price shall have been paid in full, the City shall not discontinue or suspend any Installment Payments required to be made by the Installment Purchase Agreement.

The Bonds are limited obligations of the Authority, issued pursuant to the Indenture, and payable solely from (i) Revenues, consisting of Installment Payments to be made by the City pursuant to the Installment Purchase Agreement and the interest or profits from the investment of moneys in certain of the funds established under the Indenture, and (ii) all moneys in the funds and accounts established under the Indenture (other than amounts on deposit in the Rebate Fund and the Costs of Issuance Fund). Pursuant to the Indenture, the Installment Payments are required to be made in amounts that are sufficient, but no more than sufficient, to pay the scheduled payments of principal of and interest on the outstanding Bonds. The Installment Payments are secured by a pledge, charge, and lien upon, and are payable solely from, the Net System Revenues of the City’s Wastewater System. **Neither the full faith and credit nor the taxing power of the City, the County, the State, or any political subdivision of the State is pledged to the payment of the Bonds.**

Net System Revenues

The City’s obligation to make Installment Payments under the Installment Purchase Agreement is secured by a pledge of and lien on the Net System Revenues. In order to carry out and effectuate its pledge of Net System Revenues, the City has agreed and covenanted in the Installment Pledge Agreement to deposit all System Revenues when and as received into the Wastewater Revenue Fund, which fund the City agrees and covenants to maintain so long as any Installment Payments remain unpaid. All moneys in the Wastewater Revenue Fund will be held in trust and applied and used solely as provided in the Installment Purchase Agreement.

The Installment Purchase Agreement includes the following definitions:

“Net System Revenues” means System Revenues less the Maintenance and Operations Costs of the Wastewater System.

“System Revenues” means, for any Fiscal Year or other period, all rates, fees, and charges received for, and all other income and receipts derived by the City from, the operation of the Wastewater System or arising from the Wastewater System, including all proceeds of insurance covering business interruption loss relating to the Wastewater System, investment earnings on such amounts and all other money howsoever derived by the City from the operation of the Wastewater System or arising from the Wastewater System; provided, however, that System Revenues includes fees and charges collected during such Fiscal Year or other period, but only to the extent such fees and charges could be properly expended on a Wastewater System Project (i.e. any additions, betterments, extensions, or improvements to the Wastewater System), for which the proceeds were used or are available to be used. Notwithstanding the foregoing, “System Revenues” shall not include any Wastewater System-related “development fees” or “connection fees” payable by the applicable developer to the City in connection with the development of the following development projects: (i) the “RiverPark Project” (approximate aggregate fees payable: \$10,200,000), (ii) the “SeaBridge” project (approximately aggregate fees payable: \$2,651,460), or (iii) the “El Rio Neighborhood” project (approximate aggregate fee payable: \$7,000,000).

“Maintenance and Operation Costs of the Wastewater System” means, for any Fiscal Year or other period, the reasonable and necessary costs spent or incurred by the City for maintaining and operating the Wastewater System, calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and including Administrative Costs (as defined below), salaries and wages of employees, payments to employee retirement systems (to the extent paid from System Revenues), overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers, insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Bonds, the Installment Purchase Agreement, or any Additional Obligations, including any amounts required to be deposited in the Rebate Fund pursuant to the Tax Certificate, but excluding in all cases (i) depreciation and replacement and obsolescence charges or reserves therefore, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of capital additions, replacements, betterments, extensions, or improvements to the Wastewater System, which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, (iv) charges for the payment of principal of and interest on any general obligation bond heretofore or hereafter issued for Wastewater System purposes, and (v) charges for the payment of any debt service on the Obligations or on any obligation subordinate to the Obligations.

“Additional Obligations” means Obligations other than the Installment Payments.

“Administrative Costs” means the ordinary and necessary administrative costs and incidental expenses related to the Bonds, the Indenture, the Installment Purchase Agreement, and any Additional Obligations, including, but not limited to Trustee fees (including any fees and expenses of its counsel) and indemnification payable by the Authority pursuant to the Indenture and fees incurred in connection with the calculation of arbitrage rebate due to the federal government with respect to the Bonds.

“Obligations” means City Bonds and Contract Payments.

“Contract Payments” means the Installment Payments due and payable under the Installment Purchase Agreement or the installment or lease payments of interest and principal or,

if there are no separate payments of interest and principal, the installment or lease payments, scheduled to be paid by the City under and pursuant to the Contracts.

“Contracts” means the Installment Purchase Agreement and all contracts or leases of the City, the installment or lease payments under which are payable from the Net System Revenues and secured on a parity with the Installment Payments.

“City Bonds” means all revenue bonds or notes of the City that are payable from the Net System Revenues and secured on a parity with the Installment Payments.

All Net System Revenues are pledged on a parity and *pro rata* basis to the payment of the Installment Payments and all Additional Obligations. Upon the issuance of the Bonds, the following obligations payable on a parity and *pro rata* basis from separate installment payments secured by Net System Revenues will be outstanding: (i) the Bonds, (ii) the 2004 Series A Bonds, (iii) the 2004 Series B Bonds, and (iv) the 2003 Refunding Bonds. The City may incur Additional Obligations payable on a parity with the Installment Payments that secure payment of the Bonds, subject to certain limitations and conditions set forth in the Installment Purchase Agreement. The Installment Payments that secure payment of the Bonds constitute Additional Obligations in relation to the respective installment payments that secure payment of the 2004 Series A Bonds, the 2004 Series B Bonds, and the 2003 Refunding Bonds, and are also subject to such limitations and conditions. See “Limitations Regarding Additional Obligations” below.

The City shall not be required to advance any moneys derived from any source of income other than Net System Revenues and the other funds provided in the Installment Purchase Agreement for the payment of the Installment Payments or for the performance of any agreements or covenants required to be performed by it contained in the Installment Purchase Agreement. The City may, however, but in no event shall it be obligated to, advance moneys for any such purpose so long as such moneys are derived from a source legally available therefor. See “Limitations Regarding Additional Obligations” below and “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents.”

The obligation of the City to make the Installment Payments is a limited obligation of the City payable solely from Net System Revenues and other funds provided for in the Installment Purchase Agreement, and does not constitute a debt 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.

Rate Covenant

The City has covenanted in the Installment Purchase Agreement to fix, prescribe, and collect fees, rates, and charges for the Wastewater System that will be at least sufficient to yield, during each Fiscal Year, Net System Revenues equal to the sum of (a) one-hundred percent (100%) of the Debt Service for such Fiscal Year and the amounts, if any, then due and owing to the Bond Insurer under the Reserve Fund Surety Bond, plus (b) the amount by which the amount on deposit in the Wastewater Revenue Fund on the last day of the immediately preceding Fiscal Year was less than twenty-five percent (25%) of Maximum Annual Debt Service as of such day. The City may make adjustments from time to time in the rates and charges described above and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net System Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements described in this paragraph. See “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents.”

The Installment Purchase Agreement includes the following definitions:

“Debt Service” means, for any Fiscal Year or other period, the sum of (i) the interest payable during such Fiscal Year or other period on all outstanding City Bonds, assuming that all outstanding serial City Bonds are retired as scheduled and that all outstanding term City Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any City Bonds), (ii) that portion of the principal amount of all outstanding serial City Bonds maturing on any principal payment date that falls in such Fiscal Year or other period, (iii) that portion of the principal amount of all outstanding term City Bonds required to be redeemed or paid on any redemption date that falls in such Fiscal Year or other period (together with the redemption premiums, if any, thereon), and (iv) that portion of the Contract Payments required to be made in such Fiscal Year or other period (all subject to certain assumptions set forth in the Installment Purchase Agreement).

“Maximum Annual Debt Service” means, at any point in time, with respect to Obligations then outstanding, the maximum amount of Debt Service on the Obligations in the then current or any future Fiscal Year or other period, calculated by the City or by an Independent Certified Public Account and provided to the Trustee.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the City.

Reserve Fund

Pursuant to the Installment Purchase Agreement, the City is required to maintain or cause to be maintained the Reserve Fund, which is pledged to the payment of principal of and interest on the Bonds, at the Reserve Requirement. Pursuant to the Indenture, the Trustee is required to annually set aside from the Payment Fund and deposit in the Reserve Fund from amounts received from the City pursuant to the Installment Purchase Agreement an amount of money which, together with the amount already on deposit therein, will be equal to the Reserve Requirement. The term “Reserve Requirement” is defined in the Indenture as being equal to the least of (i) ten percent (10%) of the aggregate principal amount of the Bonds originally issued, (ii) the Maximum Annual Debt Service on the Bonds, and (iii) one hundred twenty-five percent (125%) of the Average Annual Debt Service on the Bonds. No deposit need be made in the Reserve Fund so long as there shall be on deposit therein a sum equal to at least the Reserve Requirement for the succeeding Bond Year. The Trustee is required to promptly notify the City and the Authority if the amount on deposit in the Reserve Fund is less than the Reserve Requirement.

Pursuant to the Indenture, all money in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of, or redemption premiums, if any, on the Bonds in the event that no other money of the Authority is lawfully available therefor, or for the retirement of all Bonds then outstanding. All interest income received by the Trustee on investment of moneys in the Reserve Fund shall be retained in the Reserve Fund so long as amounts on deposit in the Reserve Fund are less than the Reserve Requirement for the following Bond Year.

In lieu of funding the Reserve Fund with cash, the Authority, at its option, may fund all or any portion of the Reserve Requirement by providing to the Trustee (a) an irrevocable, unconditional letter of credit approved in writing by the Bond Insurer and issued by a bank or other financial institution approved in writing by the Bond Insurer and whose long-term uncollateralized debt obligations are rated in one of the two highest rating categories by Standard & Poor’s Credit Markets Services, a Division of The McGraw-Hill Companies, Inc. (“S&P”), or Moody’s Investors Service (“Moody’s”), or (b) a Qualified Reserve Fund Policy. The Reserve Requirement with respect to the Reserve Fund will initially be

satisfied with the Reserve Fund Surety Bond, as described below. The Reserve Fund Surety Bond is a Qualified Reserve Fund Policy.

Reserve Fund Surety Bond

Concurrently with the issuance of the Bonds, the Bond Insurer will issue its Reserve Fund Surety Bond for the purpose of funding the Reserve Fund with respect to the Bonds. See “RESERVE FUND SURETY BOND.”

Bond Insurance Policy

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under the Bond Insurance Policy, to be issued concurrently with the delivery of the Bonds by the Bond Insurer. For a more detailed description of the Bond Insurance Policy and the Bond Insurer, see “BOND INSURANCE POLICY” and “APPENDIX F – Specimen Bond Insurance Policy.”

Limitations Regarding Additional Obligations

The City may at any time incur Additional Obligations payable from Net System Revenues and secured on a parity with the payment by the City of the Installment Payments; provided:

- (1) There shall not have occurred and be continuing an Event of Default under and as defined in the Installment Purchase Agreement or the Indenture; and
- (2) The City obtains or provides a certificate or certificates prepared by a Consultant showing that (i) the Net System Revenues as shown by the books of the City for the twelve (12) calendar months ending prior to the incurring of such Additional Obligations shall have amounted to at least one hundred percent (100%) of Debt Service for such twelve (12) calendar month period, plus the amount by which the amount on deposit in the Wastewater Revenue Fund on the date prior to the first day of such twelve (12) calendar month period was less than twenty-five percent (25%) of Maximum Annual Debt Service; (ii) the estimated Net System Revenues for the twelve (12) calendar months following the date of incurring such Additional Obligations will be at least equal to one hundred percent (100%) of Debt Service on all Obligations to be outstanding immediately after the incurring of such Additional Obligations; and (iii) the amount on deposit in the Wastewater Revenue Fund on the date of incurring such Additional Obligations is at least equal to twenty-five percent (25%) of Maximum Annual Debt Service as of the date of incurring of such Additional Obligations.

The determination of Net System Revenues for use in the calculation described above is more fully described in the Installment Purchase Agreement and in “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Installment Purchase Agreement – Additional Obligations.”

The certificate or certificates described above shall not be required if the Additional Obligations being incurred are for the purpose of refunding then outstanding Obligations and at the time of the incurring of such Additional Obligations a certificate of an Authorized City Representative shall be delivered showing that Maximum Annual Debt Service on all outstanding Obligations after the incurring of such Additional Obligations will not exceed Maximum Annual Debt Service on all Obligations outstanding prior to the incurring of such Additional Obligations.

Upon the issuance of the Bonds, the following obligations payable on a parity and *pro rata* basis from separate installment payments secured by Net System Revenues will be outstanding: (i) the Bonds, (ii) the 2004 Series A Bonds, (iii) the 2004 Series B Bonds, and (iv) the 2003 Refunding Bonds. The Installment Payments that secure payment of the Bonds constitute Additional Obligations in relation to the respective installment payments that secure payment of the 2004 Series A Bonds, the 2004 Series B Bonds, and the 2003 Refunding Bonds, and are therefore subject to the limitations described above. The City has obtained a certificate from Red Oak Consulting, a Division of Malcolm Pirnie, Inc., certifying that such limitations have been met in connection with the issuance of the Bonds.

The City believes that the proceeds of the Bonds will be sufficient to pay for the remaining costs of construction, acquisition, and improvement of the Project. If additional moneys are required to pay for such construction, acquisition, and improvement, however, such moneys shall be obtained either by the issuance of Additional Obligations or from other available moneys of the City. If Additional Obligations are issued, the Authority and the City shall enter into a separate installment purchase agreement with respect to such Additional Obligations. See “SECURITY FOR THE BONDS – Limitations Regarding Additional Obligations” and “THE PROJECT.”

Insurance

Pursuant to the Installment Purchase Agreement, the City is required to procure and maintain or cause to be procured and maintained insurance on the Wastewater System with responsible insurers, or provide self insurance reserves (which may be provided in the form of risk sharing pools), in such amounts and against such risks as are usually covered in connection with wastewater systems similar to the Wastewater System. The City is also required to procure and maintain such other insurance that it shall deem advisable or necessary to protect its interests and the interests of the Authority with respect to the Wastewater System.

All policies of insurance required to be maintained herein shall, to extent reasonably obtainable, provide that the Authority and the Trustee shall be given thirty (30) days written notice of any intended cancellation thereof or reduction of coverage provided thereby. The City will certify to the Trustee annually on or before July 1 of each Fiscal Year that it is in compliance with such insurance requirements. See “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Installment Purchase Agreement – Covenants of the City – Insurance.”

Action On Default

Upon the happening and continuance of any Event of Default as defined in the Indenture, the Owners of not less than 25% in aggregate principal amount of the Bonds then outstanding have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by a written instrument executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture with respect to such Bonds; provided that, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Bonds or the Trustee for the benefit of such Owners under the Indenture. See “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents.”

Investment of Moneys

Amounts held in any fund or account held under the Indenture will be invested in Permitted Investments, subject to the conditions provided for in the Indenture. All investment earnings on monies

on deposit in any fund or account held under the Indenture will be transferred to the Payment Fund, subject to the obligation of the City or the Authority 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 the Principal Legal Documents – The Indenture.”

RESERVE FUND SURETY BOND

The Bond Insurer has supplied the following information for inclusion in this Official Statement. No representation is made by the Authority or the Underwriter as to the accuracy or completeness of this information.

The Indenture requires the establishment of a Reserve Fund in an amount equal to the Reserve Requirement. The Indenture authorizes the Authority to obtain one or more qualified reserve fund insurance policies or surety bonds in place of fully funding the Reserve Fund. Accordingly, application has been made to the Bond Insurer for the issuance of the Reserve Fund Surety Bond for the purpose of funding the Reserve Fund. The Bonds will only be delivered upon the issuance of such Reserve Fund Surety Bond. The premium on the Reserve Fund Surety Bond is to be fully paid at or prior to the issuance and delivery of the Bonds. The Reserve Fund Surety Bond provides that, upon the later of (i) one (1) 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 the 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 Reserve Fund Surety Bond.

Pursuant to the terms of the Reserve Fund 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 Reserve Fund Surety Bond and the Authority is required to reimburse the Bond Insurer for any draws under the Reserve Fund Surety Bond with interest at a market rate. Upon such reimbursement, the Reserve Fund 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 is subordinate to the Authority’s obligations with respect to the Bonds.

In the event the amount on deposit, or credited to, the Reserve Fund exceeds the amount of the Reserve Fund Surety Bond, any draw on the Reserve Fund 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 Reserve Fund 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 Reserve Fund Surety Bond and the Additional Funding Instrument shall be made on a *pro rata* basis to fund the insufficiency. The Indenture will provide that the Reserve Fund shall be replenished in the following priority: (i) principal and interest with respect to the Reserve Fund Surety Bond and on the Additional Funding Instrument, if any, shall be paid from first legally available funds of the Authority 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 Reserve Fund Surety Bond and the Additional Funding Instrument, if any, shall be deposited from next legally available funds of the Authority.

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

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

BOND INSURANCE POLICY

The Bond Insurer has supplied the following information for inclusion in this Official Statement. No representation is made by the Authority or the Underwriter as to the accuracy or completeness of this information.

Payment Pursuant to Bond Insurance Policy

The Bond Insurer has made a commitment to issue the Bond Insurance Policy relating to the Bonds effective as of the 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 Insurance Trustee on the later of the date on which such principal and interest become 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 will extend for the term of the Bonds and, once issued, cannot be canceled by the Bond Insurer.

The Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking account payment 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 principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking account 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.

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 registered owner by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered 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 defined 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 account redemption) or as a result of any other advancement of maturity.
2. Payment of any redemption, prepayment, or acceleration premium.
3. Nonpayment of principal or interest caused by the insolvency or negligence of the Trustee or the 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 Bond owner entitlement to interest payments and an appropriate assignment of the Bond owner's right to payment to the Bond Insurer.

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

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.

Ambac Assurance Corporation

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 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 \$8,994,000,000 (unaudited) and statutory capital of \$5,649,000,000 (unaudited) as of December 31, 2005. Statutory capital consists of the Bond Insurer's policyholders' surplus and statutory contingency reserve. S&P, Moody's, and Fitch Ratings have each assigned a triple-A financial strength rating to the Bond Insurer.

The Bond Insurer has obtained a ruling from the Internal Revenue Service (the "IRS") 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 its Bond Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Bonds.

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, the Official Statement other than the information supplied by the Bond Insurer and presented under the headings "RESERVE FUND SURETY BOND" and "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 (the "Exchange Act"), 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 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 in accordance with statutory accounting standards are available from the Bond Insurer. The address of the Bond Insurer's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (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 Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and filed on March 13, 2006; and
2. The Company's Current Report on Form 8-K dated and filed on April 26, 2006.

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

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 payable solely from Revenues and amounts held in certain funds and accounts established under the Indenture. Consequently, the payment of principal of and interest on the Bonds will be dependent upon the availability and sufficiency of such Revenues. The Bonds do not constitute an obligation of the Authority for which the Authority must levy or pledge any form of taxation or for which the Authority has levied or pledged any form of taxation. The Installment Payments do not constitute an obligation of the City for which the City must 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 Installment Payments constitute a debt or 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.

System Demand

There can be no assurance that the local demand for the services provided by the Wastewater System will be maintained at levels described in this Official Statement. Because of changes in demographics within the boundaries of the City, it is possible for the demand for wastewater services to decline over the term of the Bonds. A significant decline in demand might create a situation in which the City could not increase rates sufficiently to offset the decrease in subscribers or usage. This would reduce the City's ability to make Installment Payments, which could in turn adversely impact the Authority's ability to make repayments of the principal or interest on the Bonds.

Increased Regulations

The adoption by federal or state agencies of more regulations could adversely affect Net System Revenues. A significant change in effluent standards for wastewater treatment imposed by law or regulation might cause the City to incur greater expenses of operation, thus creating a temporary or permanent inability to support the Installment Payments due under the Installment Purchase Agreement, which would in turn adversely impact the Authority's ability to pay the principal of and interest on the Bonds when due. It is not possible to predict the timing or nature of more stringent operating standards that may be imposed upon the City over the term of the Bonds.

Increased System Expenses

Changes in technology, increases in the cost of energy, chemicals, or other expenses could reduce Net System Revenues, which could in turn require substantial increases in rates or charges in order to comply with the rate covenant in the Installment Purchase Agreement. The City's ability to make its required Installment Payments may be adversely affected until such time as the City is able to increase rates and charges to pay for such increased costs.

Seismic Activity; Flood Plain; Limited Insurance

The Installment Purchase Agreement does not require the City to maintain earthquake or flood insurance on the Wastewater System. 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 Wastewater System were subject, have been designed to reduce the risk to the public and adequately mitigate seismic hazards.

There are no known major faults within the City; however, there are several active faults located within a radius of approximately fifty (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 the Wastewater System or portions of it. In such a case, under certain circumstances, the Net System Revenues could possibly be reduced or eliminated if the City was unable to provide wastewater services to its customers, or if large amounts of System Revenues were required to be applied to make extensive repairs to the Wastewater System. Such a reduction or elimination of Net System Revenues could impair the ability of the City to make Installment Payments, which in turn would impair the ability of the Authority to make payments of principal of and interest on the Bonds when due.

The chance that the occurrence of severe seismic activity in the area of the Wastewater System could result in substantial damage and interference with the City's right to use all or a portion of the Wastewater System, and thereby result in a reduction or elimination of Net System Revenues, is mitigated by the City's standards for development.

The components of the Wastewater System are located in a flood insurance rate zone designated by the Federal Emergency Management Agency ("FEMA") as "Zone B." 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. 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.

Limited Recourse on Default

If the City defaults on its obligation to make Installment Payments, the Trustee, as assignee of the Authority, has the right to accelerate the total unpaid principal amount of the Installment Payments. However, in the event of a default and such acceleration, neither the Bond Insurance Policy nor the Reserve Fund Surety Bond guarantee the payment of any accelerated amounts and there can be no assurance that the City will have sufficient Net System Revenues to pay the accelerated Installment Payments.

Limitations on Available Remedies

The enforceability of the obligations of the City and the rights and remedies of the Owners of the Bonds may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equitable principles that may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Absence of Market for the Bonds

There can be no assurance that there will ever 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

California law imposes various taxing, revenue, and appropriations limitations on public agencies such as the City. See “CONSTITUTIONAL PROVISIONS AFFECTING WASTEWATER SYSTEM REVENUES AND EXPENDITURES” below for a discussion of these limitations.

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS,” interest on the Bonds could become included in gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City or the Authority in violation of their respective covenants in the Indenture and the Installment Purchase Agreement.

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 and/or international level may

adversely affect investment risk generally. Such conditional changes may include (but are not limited to) 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 PROVISIONS AFFECTING WASTEWATER SYSTEM REVENUES AND EXPENDITURES

California Constitution Article XIII B Limitations

Article XIII B of the California Constitution limits the annual appropriations of the State and of any city, county, school district, authority, or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the government entity. The “base year” for establishing this appropriations limit is the 1978-79 fiscal year, and the limit is adjusted annually to reflect changes in population, consumer prices, and increases or decreases in the cost of services provided by these public agencies.

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

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates that without discretion require an expenditure for additional services or that unavoidably make the providing of existing services more costly. The City believes that its charges for sewer service and wastewater treatment do not exceed the costs it reasonably bears in providing such services and, therefore, are not subject to the limitations of Article XIII B. The City has covenanted in the Installment Purchase Agreement that it will, in each year, prescribe rates and charges sufficient to provide for payments of the Bonds each year.

California Constitution Article XIII C and Article XIII D Limitations

On November 5, 1996, the voters of the State approved Proposition 218, the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State 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. These provisions could adversely affect the financial condition of the City, its ability to comply with its covenants under the Installment Purchase Agreement, and/or the Authority’s ability to pay principal of or interest on the Bonds. In such event, there can be no assurance that remedies will be available to fully protect the interests of the holders of the Bonds. See “RISK FACTORS – Limitations on Available Remedies” above.

Article XIIID contains several new provisions affecting the ability of local governments to impose or increase “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 user fees or charges for a property related service”; provided, however, that Article XIIID specifically provides that it shall not be construed to “affect existing laws relating to the imposition of fees or charges as a condition of property development.” The City believes that its connection fee charges related to the Wastewater System is a fee or charge as a condition of property development within the meaning of Article XIIID, although no assurance can be given that a court would not determine otherwise. “Property related service” means a public service having a direct relationship to property ownership (which term may include tenancies). All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges that (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) with respect to any parcel or person exceed the proportional cost of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) 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. Although the City believes that its sewer service charges are not property related fees or charges within the meaning of Article XIIID, the City further believes that its sewer service charges, if determined to be such property related fees or charges, would satisfy all of these requirements. However, in any legal action contesting the validity of a fee or charge, the City will have the burden of proving exemption from or compliance with Article XIIID and no assurance can be given that a court would not determine otherwise. 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. The City is unable to predict whether the imposition or increase of any fee and charge, including any increase in its sewer service charge, will be prevented by such a majority protest.

Moreover, Article XIIID also provides that, except for fees or charges for sewer, 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. The City believes that its sewer service charges are charges for sewer service within the meaning of Article XIIID, although no assurance can be given that a court would not determine otherwise.

Article XIIID states that, beginning July 1, 1997, all “fees” or “charges” must comply with its provisions. It is unclear how the provisions of Article XIIID will be applied to fees or charges established prior to such date. The City does not plan to conduct any new hearings, elections, or other proceedings with respect to any of its existing sewer-related fees or charges.

In addition to the provisions described above, Article XIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Consequently, the voters of the City could, by future initiative, repeal, reduce, or prohibit the future imposition or increase of any local tax, assessment, fee, or charge. “Assessment,” “fee,” and “charge” are not defined in Article XIIC and it is unclear whether the definitions of such terms contained in Article XIIID (which are generally property-related as described above) apply with respect to Article XIIC. No assurance can be given that the voters of the City will not, in the future, approve initiatives that repeal, reduce, or prohibit the future imposition or increase of assessments, fees, or charges. The City believes that the initiative power cannot

be used to alter covenants in the Installment Purchase Agreement concerning the imposition of the City's charges or reduce or repeal such charges to the extent that the City could not meet its obligation to make Installment Payments. In addition to the foregoing, the City's general financial condition may be affected by other provisions of Article XIIC and Article XIID, including (A) provisions of Article XIIC (i) requiring taxes for general governmental purposes to be approved by a majority vote and taxes for specific purposes, even if deposited into general fund, to be approved by a two-thirds vote, (ii) subjecting all taxes, assessments, fees, and charges to reduction or repeal at any time through the initiative process (as mentioned above), and (iii) provisions of Article XIID that could reduce the ability of the City to fund certain services or programs that it may be required or choose to fund from its general fund, such as provisions (1) adding requirements making it generally more difficult to levy and maintain "assessments," defined to mean a levy or charge upon real property for a particular and distinct benefit to the property over and above general benefits conveyed to property located in the district or to the public at large, (2) requiring any imposition or increase of property related fees or charges other than for sewer, water and refuse collection services or fees for electrical or gas service (which are not treated as property related for purposes of Article XIID) to be approved by "majority of the property owners" subject to the fee or charge or, at the option of the local government, two-thirds vote of the electorate residing in the affected area.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Future Initiatives

Articles XIIB, XIIC, and XIID of the Constitution were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Wastewater System revenues or the City's ability to generate or expend revenues.

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 Powers Agreement, dated as of October 8, 1991, as amended on April 21, 1992 (the "JPA"), by and among the City, the Oxnard Community Development Commission, 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 are listed below:

<u>Name</u>	<u>Office</u>
Tom Conway	Chairman
Charles Covarrubias	Vice Chairman
Francisco J. Dominguez	Board Member
Patricia Maki	Board Member
Kaye Mirabelli	Board Member

The Authority is also served by the officers listed below who, in the case of the Authority Controller and General Counsel, serve in these capacities by virtue of their duties as Finance Director and City Attorney, respectively or, in the case of the Authority Secretary, is appointed by the Board and serves at the pleasure of the Board. The officers are:

<u>Name</u>	<u>Position</u>
Marcie Medina	Controller
Gary L. Gillig	General Counsel
Lyn Susan Bennett	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 Installment Payments by the City under the Installment Purchase Agreement, or with respect to the performance of the City of other covenants made by it in the Installment Purchase Agreement.

THE PROJECT

The City is purchasing the Project from the Authority with Installment Payments pursuant to the Installment Purchase Agreement. The Project is comprised of a portion of the Oxnard Wastewater Treatment Plant Headworks Project (the “Headworks Project”), which is currently being implemented to address master-planned increases in sewer capacity needs, to meet the City's commitment to serve these needs in the north and northwest portions of the City, and to correct existing Wastewater System deficiencies. The City has represented that the Headworks Project has been engineered, and the construction of such project will be staged, to ensure uninterrupted service to existing Wastewater System customers.

A portion of the proceeds from the sale of the Bonds will be used to pay a portion of the costs of the Headworks Project. The City believes that the proceeds of the Bonds will be sufficient to pay for the remaining costs of construction, acquisition, and improvement of the Project. If additional moneys are required to pay for such construction, acquisition, and improvement, such moneys shall be obtained either by the issuance of Additional Obligations or from other available moneys of the City. If Additional Obligations are issued, the Authority and the City shall enter into a separate installment purchase agreement with respect to such Additional Obligations. See “SECURITY FOR THE BONDS – Limitations Regarding Additional Obligations” and “THE PROJECT.”

The Oxnard Wastewater Treatment Plant (“OWTP”) is a secondary treatment plant located at southwest portion of the City. The OWTP has an average dry weather flow (“ADWF”) design capacity of 31.7 million gallons per day (“MGD”) with provision for an ultimate ADWF design capacity of 39.7 MGD and corresponding ultimate peak weather flow of 75.4 MGD.

The new Headworks Project will be located on the City property north of the OWTP. The Headworks Project facilities will be designed to meet the City's ultimate average dry weather flow of 39.7 MGD and ultimate peak weather flow of 75.4 MGD. The Headworks Project is expected to maintain the OWTP capacity while substantially enhancing process reliability, performance, and operability. These improvements are attained by providing process and mechanical equipment redundancy throughout key elements of the new Headworks Project facility, and upgrading stand-by power and odor control support systems.

The key features of the Headworks Project facility are described below:

- A. *Inlet Junction Structure:* A below-grade, reinforced concrete Inlet Junction Structure, 12 feet by 33 feet, to collect tributary sewer flows.
- B. *Influent Channels:* Wastewater will flow from the influent junction structure to the mechanical bar screen facility by means of influent channels. A total of six channels will be constructed, four of which are 4.5 feet wide and 9.5 feet deep, two of which are 5 feet wide and 9.5 feet deep.
- C. *Mechanical Bar Screens:* Four (4) mechanical bar screens and two (2) manual bar screens will be located in the influent channels. The mechanical bar screens will be approximately 4.5 feet wide and 50 feet tall, constructed of stainless steel; the manual bar screens will be approximately 5.5 feet wide and 9.5 feet tall. Two of the four mechanical screens will operate, while the additional two will function as standby. The two (2) manual bar screens will be used for bypassing the mechanical screens, when needed. The screenings collected from the mechanical bar screens will be conveyed to the grit/screenings building for storage in a truck roll-off bin, prior to disposal in a landfill.
- D. *Grit Chamber:* A 45.5 feet by 45 feet bifurcated, below-grade, reinforced concrete aerated grit chamber with concrete walls that extend 4 feet above grade will be located at the new Headworks Project. The grit chamber will be divided to allow half of the chamber to be taken out of service for maintenance and will be provided with aerated bypass channels to allow the entire chamber to be taken out of service. In an aerated grit chamber system, air is introduced by means of an electric blower, which provides a spiral roll in the sewage flow, resulting in the most efficient removal of grit particles. Two 540-cubic feet per minute electric centrifugal blowers will be installed, with one functioning as standby. As wastewater flows into the grit chamber, grit particles gradually settle to hoppers at the bottom of the tank. Grit materials include particles of sand, gravel, other mineral matter, and organics such as coffee grounds, eggshells, fruit rinds, and seeds.
- E. *Grit Removal and Dewatering Facilities:* Grit collected at the bottom of the grit chamber in hoppers will be pumped to a grit cyclone and classifier located in the grit/screenings building. This equipment will wash, dewater, and then convey the grit to storage in a truck roll-off bin prior to disposal in a landfill.
- F. *Influent Pump Station:* A wet/dry pit reinforced concrete influent pump station will be located at the new Headworks project site. The pump station will be sized to house six 450-horse power motor-driven influent pumps. Only three of the six pumps are needed during peak flows. The remaining three pumps will function as standby.
- G. *Odor Control:* Air from beneath the covers within the inlet junction structure, influent channels, grit chamber, influent wet well, and grit/screenings building will be continuously ventilated to remove the odorous atmosphere and hydrogen sulfide gases. The influent junction structure, grit chamber, influent channels, and influent wet well will be ventilated at the rate of nine (9) air changes per hour. The grit/screenings building will be ventilated at the rate of seventeen (17) air changes per hour.
- H. *Emergency Standby Generator:* A diesel fueled 1500 kilowatt-ampere (“kVA”) emergency generator will be located adjacent to the Headworks Project to provide power to the critical loads, including the influent pumps, if the Southern California Edison electrical feeder fails. This set will be completely enclosed in a metal housing 25 feet in

length by 16 feet 4 inches in width by 15 feet in height. The metal housing will then be enclosed by a reinforced concrete open-top structure 31 feet in length by 22 feet in width by 15 feet in height. A permit to construct and a permit to operate this generator will be submitted to the Ventura County Air Pollution Control District.

- I. *Southern California Edison Substation:* Electrical power to the new Headworks Project will be provided by the existing Southern California Edison substation at the south end of OWTP. Underground conduit duct banks will feed two 10 feet in length by 5 feet in width by 6' in height switch and fuse units. Such units will be completely enclosed and painted Southern California Edison green. Two transformers, also completely enclosed, will step down the 16 kilowatt (kV) feeder voltage to 480 volts.

THE WASTEWATER SYSTEM

Background and Organization

The City's Wastewater System provides wastewater collection and treatment services for the residents of Oxnard, the neighboring City of Port Hueneme and the Naval Base Ventura County (Port Hueneme and Point Mugu). Its principal facilities consist of the Treatment Plant, approximately 400 miles of sewer pipelines and 16 wastewater pump stations. The City maintains two accounting funds for the Wastewater System, a Wastewater Conveyance Fund, the primary sources of revenue for which are comprised of the monthly user charges paid by the existing residents of the City and connection fee income generated by new development within the City, and a Wastewater Treatment Plant Fund, the primary revenue sources for which are comprised of regional user charges and connection fee income generated by new development within the City. The Wastewater Conveyance Fund and the Wastewater Treatment Plant Fund together comprise the Wastewater Revenue Fund, as defined in the Installment Purchase Agreement.

Prior to 1977, the City had owned and operated a local sewage treatment and disposal system, financing the acquisition and construction of a collection system, treatment plant and ocean outfall through various bond issues commencing in 1905. In 1976, following an action by the Los Angeles Regional Water Quality Control Board calling for the regional consolidation of wastewater treatment at the City's treatment plant, the City and the City of Port Hueneme formed the Oxnard - Port Hueneme Regional Wastewater Treatment Authority ("OPHRWTA") by means of a Joint Exercise of Powers Agreement dated August 17, 1976. OPHRWTA, through a combination of Federal and State grants and an issue of lease revenue bonds, undertook a major reconstruction and expansion of the Oxnard Wastewater Treatment Plant that resulted in the Treatment Plant's then reported design capacity of 22.6 MGD.

In 1976, the City entered into a contract whereby the Treatment Plant was to be operated by the Ventura County Regional Sanitation District. In 1986, the City cancelled that contract and established an organization for direct City operation of the facility. Following the defeasance of the lease revenue bonds, OPHRWTA was dissolved.

In 1991, the City completed Phase I of the Treatment Plant Expansion Project which included the addition of a new secondary treatment system and several improvements to the existing treatment processes. This project increased the Treatment Plant's design capacity from 22.6 mgd to 31.7 mgd.

Service Area

The Treatment Plant currently serves a population of approximately 225,000 with an average flow of about 24.5 mgd. The following table shows a five-year history of flow through the Treatment Plant, broken down according to its four major user groups.

TABLE 3
OXNARD WASTEWATER TREATMENT PLANT
AVERAGE DAILY FLOW (MILLIONS OF GALLONS PER DAY)

<u>Year</u>	<u>Oxnard</u>	<u>Port Hueneme</u>	<u>Naval Base Ventura County – Port Hueneme</u>	<u>Naval Base Ventura County – Point Mugu</u>	<u>Total</u>
2001	18.47	2.32	0.79	0.31	21.89
2002	18.42	2.01	0.68	0.23	21.34
2003	18.26	2.38	0.85	0.21	21.70
2004	19.15	2.12	0.88	0.19	22.34
2005	21.06	2.17	0.98	0.30	24.51

Source: City of Oxnard.

As of December 31, 2005, the Wastewater System had 35,031 active service accounts, of which 32,685 were residential, 2,329 were commercial, and 17 were industrial. The following table shows the annual growth in the number of the Wastewater System's active service accounts since December 31, 1998.

TABLE 4
WASTEWATER SYSTEM
ACTIVE SERVICE ACCOUNTS

<u>Date</u>	<u>Residential Accounts</u>	<u>Commercial Accounts</u>	<u>Industrial Accounts</u>	<u>Total Accounts</u>	<u>% Increase</u>
12/31/98	28,425	2,013	21	30,459	-
12/31/99	28,826	2,067	18	30,911	1.5%
12/31/00	29,514	2,097	18	31,629	2.3
12/31/01	30,304	2,153	18	32,475	2.6
12/31/02	30,730	2,199	17	32,946	1.4
12/31/03	31,701	2,235	17	33,953	3.0
12/31/04	32,121	2,279	16	34,416	1.3
12/31/05	32,685	2,329	17	35,031	1.8

Source: City of Oxnard, Finance and Management Services Department, Billing Division.

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The Wastewater System's ten largest wastewater customers in order of billing for the twelve-month period ending December 31, 2005, are listed in the following table:

TABLE 5
WASTEWATER SYSTEM
TEN LARGEST CUSTOMERS BY ORDER OF BILLING
FOR TWELVE-MONTH PERIOD ENDING DECEMBER 31, 2005

<u>Customer Name</u>	<u>Twelve-Month Billing Through December 31, 2005</u>	<u>Percent of Total Revenue</u>
Procter & Gamble	\$1,329,572.45	7.42%
City of Port Hueneme (Regional User)	971,750.56	5.42
Construction Battalion (Regional User)	396,699.12	2.21
Willamette Industries	279,530.13	1.56
Coastal Green Foods	242,220.72	1.35
Gills Onions	183,734.91	1.03
J. M. Smucker	138,304.21	0.77
Point Mugu (Regional Sewer)	93,051.39	0.52
St. John's Medical Center	90,931.44	0.51
Santa Clara Wastewater	85,024.08	0.47

Source: City of Oxnard, Finance and Management Services Department, Billing Division.

Sources of Wastewater System Revenues

The Wastewater System has two main sources of revenues: (i) monthly wastewater user charges billed and paid according to separate rate schedules for residential, commercial and industrial accounts and (ii) wastewater connection fees billed and paid prior to the issuance of any building permit for the construction of new residential, commercial or industrial structures in the City.

Wastewater Rates and Charges

The Wastewater System's monthly wastewater usage rates and charges are adopted annually by the City Council of the City prior to the commencement of each fiscal year and are not subject to review by any state or local governmental agency. Residential usage rates are levied on the basis of a flat monthly fee, currently \$24.85 per month for single family detached residential units as adopted by the City Council of the City for fiscal year 2005-06. This figure represents an increase of five percent (5%) over the monthly rate that was approved for fiscal year 2004-05. There are no proposed increases for fiscal year 2006-07. These increases were deemed to be necessary by the City for the funding of various capital improvements to the Wastewater System.

Commercial usage rates are based on metered water use with a different rate per unit of flow applied to the three categories of commercial users: regular commercial, restaurant commercial and laundry commercial. The flow rates approved by the City Council for fiscal year 2005-06 for each of these three categories of commercial users were increased by 5% over those adopted for fiscal year 2004-05. Each of the Wastewater System's 20 industrial wastewater formula users is monitored individually for its usage and billed separately for its flow and its concentrates (Biological Oxygen Demand ("BOD") and Suspended Solids ("SS")). These rates were increased by 5%, respectively, by the City Council for fiscal year 2005-06.

The following table summarizes the City's fiscal year 2005-06 monthly wastewater usage rate structure for the Wastewater System's commercial and industrial customers:

TABLE 6
CITY OF OXNARD MONTHLY WASTEWATER USAGE RATES
COMMERCIAL AND INDUSTRIAL CUSTOMERS

COMMERCIAL

<u>Category</u>	<u>Rate (Per 100 Cubic Feet of Flow)</u>
Regular Commercial	\$2.077
Restaurant Commercial	3.292
Laundry Commercial	2.156

INDUSTRIAL FORMULA

<u>Category</u>	<u>Rate</u>
Flow Rate	\$1,783.830 per Million Gallons
BOD Rate	248.948 per Thousand Pounds
SS Rate	343.647 per Thousand Pounds

Source: City of Oxnard, Public Works Department.

The following table shows the history of monthly wastewater usage rates from fiscal year 1987-88 to fiscal year 2006-07 for single family detached-unit residential customers in Oxnard:

TABLE 7
CITY OF OXNARD MONTHLY WASTEWATER USAGE RATES FOR
SINGLE FAMILY DETACHED-UNIT RESIDENTIAL CUSTOMERS
FISCAL YEARS 1987-88 TO 2006-07

<u>Fiscal Year</u>	<u>Monthly Usage Rate</u>
1987-88	\$11.93
1988-89	13.13
1989-90	14.03
1990-91	15.02
1991-92	17.44
1992-93	20.86
1993-94	20.94 ⁽¹⁾
1994-95	20.64
1995-96	20.64
1996-97	20.64
1997-98	20.64
1998-99	20.64
1999-00	20.64
2000-01	20.64
2001-02	21.88
2002-03	21.88
2003-04	22.76
2004-05	23.67
2005-06	24.85
2006-07	24.85

⁽¹⁾ Rate changed from 20.94 to 20.64 in January 1994.
Source: City of Oxnard, Public Works Department.

The following table shows how the City's 2005-06 monthly wastewater usage rate for single family detached-unit residential customers compared with the monthly rates of some of its neighboring cities as of July 1, 2005:

TABLE 8
WASTEWATER SYSTEM
COMPARABLE MONTHLY WASTEWATER USAGE RATES FOR
AVERAGE SINGLE FAMILY DETACHED-UNIT RESIDENTIAL CUSTOMER

<u>City</u>	<u>Rate</u>
Camarillo	\$22.10
Ojai	37.40
Oxnard	24.85
Port Hueneme	16.50
Santa Paula	24.13
Simi Valley	23.24
Thousand Oaks	25.45
Ventura	25.11 to 53.55 ⁽¹⁾
Fillmore	27.10

(1) The City of Ventura charges rates based upon six tiers, ranging from \$25.11 to \$53.55.
Source: City of Oxnard, Public Works Department.

The City attributes the fact that its rate for the average residential customer is higher than the comparable rates in its neighboring cities to two things: (i) the cost of capital improvements to the Wastewater System's facilities, including the Treatment Plant, and (ii) the higher operating expenses incurred by the City resulting from the relatively flat terrain in the Wastewater System's service area which makes frequent sewer cleaning and the use of pump stations necessary.

Wastewater Connection Fees

The City Council of the City also periodically establishes wastewater connection fees which are also not subject to review by any state or local government agency. These fees consist of a wastewater treatment plant component (Treatment Facility Related Infrastructure Fee) and a wastewater conveyance system component (Conveyance Facility Related Connection Fee). By Ordinance No. 2,709 adopted on November 22, 2005, and effective December 6, 2005, the City Council adopted the following schedule of wastewater connection fees, which have not been revised since their effective date:

TABLE 9
WASTEWATER SYSTEM
SCHEDULE OF CONNECTION FEES
METER EQUIVALENCY FACTORS

<u>Meter Size</u>	<u>Meter Equivalency Factor</u>
5/8", 3/4"	1
1"	2
1-1/2"	3
2"	5
3"	11
4"	17
6"	33
8"	53
10"	113
12"	180

- A. Treatment Facility Related Infrastructure Fee shall be paid which shall be the sum of the Flow, Biological Oxygen Demand (BOD) and Suspended Solid (SS) charges, based upon the following schedule:

1. Flow Charges (Utilizing Equivalency Factors for Water Meter Size)

<u>Volume</u>	<u>Rate</u>
All Users Meter Equivalency X	\$1,627.00

2. Biological Oxygen Demand (BOD) Charges (Utilizing Equivalency Factors for Strength and Meter Size)

	<u>Strength</u>	<u>Rate</u>
Detached Single Family Residential	1 X Meter Equiv. Factor X	\$1,235.00
Commercial:		
Other	1 X Meter Equiv. Factor X	\$1,235.00
Laundries	1.6 X Meter Equiv. Factor X	\$1,235.00
Restaurants	2 X Meter Equiv. Factor X	\$1,235.00
Industrial	2 X Meter Equiv. Factor X	\$1,235.00

3. Suspended Solids (SS) Charges (Utilizing Equivalency Factors For Strength and Meter Size)

	<u>Strength</u>	<u>Rate</u>
Detached Single Family Residential	1 X Meter Equiv. Factor X	\$936.00
Commercial:		
Regular	1.3 X Meter Equiv. Factor X	\$936.00
Laundries	1 X Meter Equiv. Factor X	\$936.00
Restaurants	3.2 X Meter Equiv. Factor X	\$936.00
Industrial	3.4 X Meter Equiv. Factor X	\$936.00

4. Meter Equivalency Factors for Residential Other Than Detached Single Family Dwellings for Which a Common Meter is Permissible

For residential units which can be serviced with a common meter, the fees shall be according to an average occupancy factor as follows.

Mobile Home Parks - 1.9/3.3 X number of mobile home spaces plus equivalency factor for meter that would be required for common facilities that require wastewater service.

Apartments - 2.4/3.3 X number of service connections plus equivalency factor for meter that would be required for common facilities that require wastewater service.

- B. In addition to the above, the Conveyance Facility Related Connection Fee shall be charged as follows:

For All Connections

For any connection to the wastewater conveyance system, the fee shall be determined by the size of the water meter needed to serve the development, based on a charge of \$936.00 per water meter equivalency factor as described in Section A and as noted below for all but mobile homes, and apartments:

Meter Equivalency Factors for Residential Other than Detached Single-Family Dwellings for Which a Common Meter is Permissible

For residential units which can be serviced with a common meter the fees shall be according to a calculated factor as follows.

Mobile Home Parks - $1.9/3.3 \times$ number of mobile home spaces plus equivalency factor for meter that would be required for common facilities that require wastewater service.

Apartments - $2.4/3.3 \times$ number of service connections plus equivalency factor for meter that would be required for common facilities that require wastewater service.

Source: City of Oxnard, Public Works Department.

In accordance with the above schedule, the wastewater connection fee for a detached single family residential dwelling unit would be computed as follows:

<u>Treatment Related Infrastructure Fee</u>	<u>Fee</u>
Flow Component	\$1,627
BOD Component	1,235
SS Component	<u>936</u>
Total	\$3,798
Conveyance Facility Related Infrastructure Fee	<u>1,458</u>
TOTAL WASTEWATER CONNECTION FEE	\$5,256

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Actual and Projected Operating Results

The table below shows a four-year historical summary of the Wastewater System's operating results for fiscal years 2001-02, 2002-03, 2003-04, and 2004-05, together with the projected figures for fiscal years 2005-06 through 2008-09:

TABLE 10
CITY OF OXNARD
WASTEWATER SYSTEM
HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE

FISCAL YEAR ENDING JUNE 30	<i>(Actual)</i> <u>2001-02</u>	<i>(Actual)</i> <u>2002-03</u>	<i>(Actual)</i> <u>2003-04</u>	<i>(Actual)</i> <u>2004-05</u>	<i>(Projected)</i> <u>2005-06 (1)</u>	<i>(Projected)</i> <u>2006-07</u>	<i>(Projected)</i> <u>2007-08</u>	<i>(Projected)</i> <u>2008-09</u>
OPERATING REVENUES								
Charges for Services	\$17,560,149	\$17,084,791	\$18,678,342	\$19,943,033	\$22,507,800	\$23,183,034	\$23,878,525	\$24,594,881
Connection Fees/Development Fees (2)	2,536,389	4,660,271	2,541,801	12,920,641	3,564,053	2,692,155	2,692,155	2,692,155
Interest Income	1,171,437	1,385,031	1,250,151	3,182,974	2,173,500	2,536,500	2,602,449	2,966,792
Other Revenues (3)	398,502	385,697	712,162	845,645	540,000	540,000	540,000	540,000
Subtotal	\$21,666,477	\$23,515,790	\$23,182,456	\$36,892,293	\$28,785,353	\$28,951,689	\$29,713,129	\$30,793,828
Less: Connection Fees from RiverPark, Seabridge, and El Rio Neighborhoods	--	--	--	(12,805,420)	--	--	--	--
Total Operating Revenues	\$21,666,477	\$23,515,790	\$23,182,456	\$24,086,873	\$28,785,353	\$28,951,689	\$29,713,129	\$30,793,828
OPERATING EXPENSES (4)	\$15,177,123	\$20,249,079	\$16,726,322	\$18,424,423	\$18,977,156	\$19,546,470	\$20,132,864	\$20,736,850
(Less: Depreciation)	(3,729,002)	(3,803,498)	(3,768,194)	(3,709,347)	(3,820,627)	(3,935,246)	(4,053,304)	(4,174,903)
Total Operating Expenses	\$11,448,121	\$16,445,581	\$12,958,128	\$14,715,076	\$15,156,528	\$15,611,224	\$16,079,561	\$16,561,948
NET SYSTEM REVENUES	\$10,218,356	\$7,070,209	\$10,224,328	\$9,371,797	\$13,628,825	\$13,340,465	\$13,633,568	\$14,231,880
ANNUAL DEBT SERVICE								
(A) Series 1993 Bonds (5)	\$4,409,278	\$1,194,976	--	--	--	--	--	--
(B) Series 2003 Refunding Bonds								
Series 2004 New Money Bonds	--	2,130,619	\$3,667,613	\$3,667,613	\$3,670,013	\$3,667,613	\$3,666,613	\$3,665,563
(C) Fixed Rate Portion, Series A	--	--	--	3,849,274	4,087,725	4,087,725	4,087,725	4,087,725
(D) Variable Rate Portion, Series B	--	--	--	267,214	653,693	1,082,407	1,082,407	1,902,407
(E) The Bonds	--	--	--		800,000	800,000	800,000	800,000
(A+B+C+D+E) Total Annual Debt Service (6)	\$4,409,278	\$3,325,595	\$3,667,613	\$7,784,101	\$9,211,431	\$9,637,745	\$9,636,745	\$10,455,694
DEBT SERVICE COVERAGE RATIO (7)	2.32	2.13	2.79	1.20	1.48	1.38	1.41	1.36

- (1) Based on preliminary revenue projections assuming 3% annual growth in usage. While under a reasonable set of assumptions it is not expected that additional rate increases resulting from operating requirements will be needed during the forecast period, additional capital needs, if identified, could require rate increases in order to be adequately funded.
- (2) Based on budgeted revenues from 2005-06 and 2006-07.
- (3) "Other Revenues" include income derived from rents, payment penalties, damage reimbursements, and pro-rata debt service payments received from the City of Port Hueneme for the Series 1993 Bonds (through FY 2003-04). As a measure of conservatism, such Other Revenues for FY 2005-06 through FY 2008-09 are not projected to increase until FY 2009-10 during the forecast period.
- (4) FY 2005-06 and FY 2006-07 operating expenses are based on the budget for that year. Amounts shown for FY 2007-08 are projected to increase annually by 3%. Decreases in operating expenses from FY 2002-03 to FY 2003-04 and from FY 2003-04 to FY 2004-05 are due to approximately \$2.2 million in nonrecurring expenses in FY 2002-03 and \$0.9 million in nonrecurring expenses in FY 2003-04. Projected amounts in FY 2005-06 and FY 2006-07 differ from conservatively budgeted expenditures in Table 11.
- (5) Debt service payments owed on the \$59,530,000 City of Oxnard Financing Authority Wastewater Revenue Refunding Bonds, Series 1993 (the "Series 1993 Bonds") through December 1, 2002. The Series 1993 Bonds were called in full and defeased on June 1, 2003.
- (6) Totals may not add due to rounding.
- (7) The debt service coverage ratio is calculated by dividing net revenues by the total annual debt service. The debt service coverage ratio does not take into consideration the balance in the Wastewater Revenue Fund for purposes of satisfaction of the City's rate covenant.

Source: City of Oxnard Finance Department.

Fiscal Year 2006-07 Wastewater System Budget

The City Council of the City has adopted a budget for the Wastewater System for fiscal year 2006-07. The summary totals of that budget, broken down according to the Wastewater Conveyance Fund and the Wastewater Treatment Plant Fund, are as follows:

TABLE 11
CITY OF OXNARD
WASTEWATER SYSTEM
FISCAL YEAR 2006-07 OPERATING BUDGET SUMMARY

<u>Classification</u>	<u>Wastewater Conveyance Fund</u>	<u>Wastewater Treatment Plant Fund</u>	<u>Total System</u>
OPERATING REVENUES			
Charges for Services	\$8,853,402	\$14,329,631	\$23,183,033
Connection Fees	812,155	1,880,000	2,692,155
Miscellaneous and Reimbursements	0	0	0
Other Revenues – Adjustments	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Revenues	\$9,665,557	\$16,209,631	\$25,875,188
OPERATING EXPENSES			
Salaries and Wages	\$2,125,103	\$ 4,064,746	\$ 6,189,849
Contractual Services	441,230	815,339	1,256,569
Operating Supplies	605,995	1,929,952	2,535,947
Utilities	415,257	2,039,185	2,454,442
General and Administration	3,820,347	5,379,421	9,199,768
Repairs and Maintenance	<u>2,200,000</u>	<u>1,265,000</u>	<u>3,465,000</u>
Total Operating Expenses	\$9,607,932	\$15,493,643	\$25,101,575
OPERATING INCOME (LOSS)	\$57,625	\$715,988	\$773,613

Source: City of Oxnard, Public Works Department.

Outstanding Debt

Upon the issuance of the Bonds, the outstanding obligations payable on a parity and *pro rata* basis from installment payments secured by Net System Revenues will consist of the respective installment payments that secure payment of the Bonds, the 2004 Series A Bonds, the 2004 Series B Bonds, and the 2003 Refunding Bonds. Upon the issuance of the Bonds, there will be no outstanding obligations of the City or the Authority secured by a lien on Net System Revenues that is senior to the lien on Net System Revenues securing the respective installment payments pertaining to the Bonds, the 2004 Series A Bonds, the 2004 Series B Bonds, and the 2003 Refunding Bonds. See “SECURITY FOR THE BONDS – Net System Revenues” herein.

Plans For Future Indebtedness

The City has no current plans to incur additional indebtedness in connection with its obligations to maintain and operate the Wastewater System. There can be no assurance, however, that the City will not approve and incur Additional Obligations in the future, subject to the limitations described herein. See “SECURITY FOR THE BONDS – Limitations Regarding Additional Obligations” and “THE PROJECT” herein.

The City is currently exploring the ramifications of increasing wastewater connection fees to accommodate future user connections. There can be no assurance that such increases will be implemented. The City has represented, however, that current wastewater rates are adequate to generate sufficient revenues to pay debt service with respect to the Bonds and that a failure to implement such increases will not adversely affect the City’s ability to pay such debt service.

TAX MATTERS

Bond Counsel Opinion

In the opinion of Pillsbury Winthrop Shaw Pittman LLP, Century City, California, Bond Counsel, 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 is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, Bond Counsel observes that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. A copy of the proposed 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 assumes compliance with those covenants. Bond Counsel has not undertaken 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 Indenture, the Installment Purchase Agreement, 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 expresses 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 has not undertaken 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 that

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 has rendered an opinion that interest on the Bonds is excluded from gross income for federal and California State personal income tax purposes, an 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 has 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 "IRS") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, 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 IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures the IRS 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 represents 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, Bond Counsel, nor the Underwriter 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.

RATINGS

It is anticipated that Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies (“S&P”), will assign its municipal bond rating of “AAA” to the Bonds based on the issuance of the Bond Insurance Policy by the Bond Insurer. In addition, S&P has assigned an underlying municipal bond rating of “A+” to the Bonds. There is no assurance that any such ratings will be in effect for any given period of time or that either or both 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 rating agency and an explanation of the significance of any rating may be obtained only from any rating agency furnishing the same.

CONTINUING DISCLOSURE

In connection with the issuance of the Bonds, the Authority will covenant in the Continuing Disclosure Agreement to provide certain financial information and operating data relating to the City and the Authority and notices of certain events, if material. Such information and notices will be filed by the Authority with certain Nationally Recognized Municipal Securities Repositories. The specific nature of the information to be provided is set forth in the Continuing Disclosure Agreement, a form of which is attached hereto as Appendix E. This covenant has been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5), as amended. The Authority has never failed to provide any previous continuing disclosure or notices of material events. See “APPENDIX E – Form of Continuing Disclosure Agreement.”

UNDERWRITING

The Bonds are being purchased by M. L. Stern & Co., LLC (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a price of \$12,586,768.90 (which represents the aggregate principal amount of the Bonds, less an Underwriter’s discount of \$108,773.75, plus a net original issue premium of \$120,542.65).

The contract of purchase pursuant to which the Bonds are being purchased by the Underwriter provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the contract of purchase.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices or yields different from the prices or yields stated on the cover page of this Official Statement. In addition, the offering prices or yields may be changed from time to time by the Underwriters.

Although the Underwriter expects to maintain a secondary market in the Bonds after the initial offering, no guarantee can be made that such a market will develop or be maintained by the Underwriter or others.

LITIGATION

The City and the Authority will certify, and the City Attorney will render opinions on behalf of the City and the Authority upon the issuance of the Bonds to the effect that, there is no action, suit or proceeding known to the City or the Authority to be pending or threatened, restraining or enjoining the execution or delivery of the Bonds, the Installment Purchase Agreement or the Indenture 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 adversely affect the City’s ability to pay Installment Payments when due.

CERTAIN LEGAL MATTERS

Pillsbury Winthrop Shaw Pittman LLP, Century City, California, Bond Counsel, will render an opinion with respect to the Bonds in substantially the form set forth in Appendix D hereto. Copies of such opinion will be furnished to the Underwriter at the time of delivery of the Bonds. Certain legal matters will be passed upon for the City and the Authority by the City Attorney and by Disclosure Counsel, Pillsbury Winthrop Shaw Pittman LLP, Century City, California.

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MISCELLANEOUS

The purpose of this Official Statement 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 Official Statement 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 Official Statement have been authorized by the City.

CITY OF OXNARD FINANCING AUTHORITY

By: /s/ Marcie Medina

Controller

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Indenture, the Installment Purchase Agreement, the Sale Agreement, and the Agency Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to said documents.

SELECTED DEFINITIONS

“Annual Debt Service” means, for any Bond Year, the sum of (1) the interest payable on all Outstanding Bonds in such Bond Year, assuming that all Outstanding serial Bonds are retired as scheduled and that all Outstanding term Bonds, if any, are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), and (2) the principal amount of all Outstanding Bonds maturing by their terms in such Bond Year.

“Average Annual Debt Service” means the amount determined by dividing the sum of all Annual Debt Service amounts due in each of the Bond Years following the date of such calculation by the number of such Bond Years.

“Beneficial Owners” means those individuals, partnerships, corporations, or other entities for which the Participants have caused the Depository to hold Book-Entry Bonds.

“Bond Register” means the registration books referred to in the Indenture.

“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, that the first Bond Year shall commence on the Closing Date and end on June 1, 2007, and that the final Bond Year shall end on the date on which the Bonds are fully paid or redeemed.

“Book-Entry Bonds” means the Bonds registered in the name of the nominee of DTC, or any successor securities depository for the Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Business Day” means any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State are authorized or obligated by law or executive order to be closed, or (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 Trustee or the principal office of the Bond Insurer is located. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture, and, unless otherwise specifically provided in the Indenture, no interest shall accrue for the period from and after such nominal date.

“Certificate of the Authority” means an instrument in writing signed by the Chairman, the Vice Chairman, the Secretary, or the Controller of the Authority, or by any other officer of the Authority duly authorized for that purpose.

“Closing Date” means the date of issuance of the Bonds.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*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 the following June 2 and ending on the following June 1.

“*Costs of Issuance*” means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority relating to the issuance, sale, and delivery of the Bonds and the execution and delivery of the Installment Purchase Agreement, the Sale Agreement, the Agency Agreement, the Continuing Disclosure Agreement, the Indenture, and the preliminary and final official statements pertaining to the Bonds, including administrative fees, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including legal fees), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies or credit ratings, fees for transportation and safekeeping of the Bonds, and charges and fees in connection with the foregoing.

“*Costs of Issuance Fund*” means the fund by that name established pursuant to the Indenture.

“*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 Indenture, 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.

“*Event of Default*” has the meaning given to such term in the Indenture.

“*Independent Counsel*” means an attorney or firm of attorneys of recognized national standing in the field of municipal finance selected by the Authority or 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,” 5250 77 Center Drive, Suite 150, Charlotte, NC 28217, Attention: Called Bonds Department and Standard & Poor’s “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other services providing information with respect to called bonds, or to such services, as the Authority may indicate in a Certificate of the Authority delivered to the Trustee.

“*Mandatory Sinking Account Payment*” means the principal amount of Bonds required to be paid on each applicable June 1 pursuant to the Indenture.

“*Mandatory Sinking Account Payment Date*” means June 1 of each year commencing in 2027 and terminating in 2036.

“*Maximum Annual Debt Service*” means the maximum Annual Debt Service for any Bond Year prior to the maturity of the Bonds.

“*Moody’s*” means Moody’s Investors Service, Inc., and its successors and assigns.

“*Outstanding*,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore or thereupon executed by the Authority and authenticated and delivered by the Trustee pursuant to the Indenture (including Bonds, the principal of and interest on which has been paid by the Bond Insurer pursuant to the Bond Insurance Policy), except --

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of the Indenture; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the Authority and authenticated and delivered pursuant to the Indenture.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal 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 each broker-dealer, bank, and other financial institution from time to time for which the Depository holds Book-Entry Bonds as securities depository.

“*Participating Underwriter*” has the meaning ascribed thereto in the Continuing Disclosure Agreement.

“*Payment Fund*” means the fund by that name established pursuant to the Indenture.

“*Permitted Investments*” means any of the following, provided at the time of investment the investment is a legal investment under the laws of the State of California for the moneys proposed to be invested therein and provided further that such investments are permitted under the Indenture:

- (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* 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

* The following are explicitly excluded from the securities enumerated in clauses 2 and 3:

- (i) All derivative obligations, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes;
- (ii) Obligations that have a possibility of returning a zero or negative yield if held to maturity.
- (iii) 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
- (iv) Collateralized Mortgage-Backed Obligations.

- (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* of the following federal agencies which are not fully guaranteed by the faith and credit of the United States of America:
- (a) Federal National Mortgage Association (“FNMA”) - 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 ten (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 GNMA's, FNMA's, 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 (2) 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 A1 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 A1 by Moody's and A+ by S&P; (iii) domestic insurance companies rated at least A1 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 ten (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 ten (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 (2) 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 (2) 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 ten (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 (1) 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.

(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.

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

"Project Costs" means the contract prices paid or to be paid for the acquisition, construction, or improvement of any portion of the Project and related facilities in accordance with a purchase or construction contract or contracts therefor. Project Costs include any other administrative, engineering, legal, financial, and other costs incurred by the City in connection with the acquisition, construction, or improvement of the Project.

"Project Fund" means the fund by that name established pursuant to the Indenture.

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

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

"Record Date" means the fifteenth (15th) day of the calendar month immediately preceding an Interest Payment Date, whether or not such day is a Business Day.

"Repository" shall have the meaning given to such term in the Continuing Disclosure Agreement.

"Reserve Fund" means the fund by that name established pursuant to the Indenture.

"Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (i) ten percent (10%) of the aggregate principal amount of the Bonds originally issued, (ii) Maximum Annual

Debt Service on the Bonds, or (iii) one hundred twenty-five percent (125%) of the Average Annual Debt Service on the Bonds. As of the Closing Date, the Reserve Requirement is equal to \$799,620.00.

“Revenues” means all Installment Payments made pursuant to the Installment Purchase Agreement and the interest or profits from the investment of money in the funds established under the Indenture (other than the Rebate Fund), subject to the provisions thereof.

“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 Service, 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.

“Supplemental Indenture” means any indenture then in full force and effect that has been duly executed and delivered by the Authority and the Trustee amendatory of the Indenture or supplemental thereto; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“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.

“Written Request of the Authority” means an instrument in writing signed by the Chairman, the Vice Chairman, the Secretary, or the Controller of the Authority, or by any other officer of the Authority duly authorized for that purpose.

“Written Request of the City” means an instrument in writing signed by the Treasurer of the City (or his or her designee) or the Finance Director of the City (or his or her designee), or by any other official of the City duly authorized for that purpose.

“Written Request of the Treasurer” means an instrument in writing signed by the Treasurer of the City (or his or her designee), or by any other official of the City duly authorized for that purpose.

THE INDENTURE

Investment of Moneys in Funds

Moneys in the funds established under the Indenture shall, in accordance with a Written Request of the Treasurer, be invested by the Trustee in Permitted Investments. The Trustee may conclusively rely on any direction contained in a Written Request of the Treasurer to invest in investments that such investments are Permitted Investments. In the absence of a Written Request of the Treasurer, the Trustee shall invest moneys in interest bearing demand or time deposit accounts with the Trustee or in accordance with clause (15) of the definition of Permitted Investments. 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 Indenture. The obligations in which moneys in the Reserve Fund are so invested shall be invested in obligations maturing no later than five (5) years after the date of investment

(exclusive of investment agreements and other Permitted Investments approved in writing by the Bond Insurer); 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. The Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide moneys to meet any payment required under the Indenture. Notwithstanding anything in the Indenture to the contrary, the Trustee shall not be responsible for any loss from investments, sales, or transfers undertaken in accordance with the Indenture. Any interest, income, or profits from the deposits or investments of all funds (except the Rebate Fund and, to the extent required by the Indenture, the Reserve Fund) shall be transferred as follows: (1) prior to completion of the Project, to the Project Fund; and (2) thereafter, to the Payment Fund for the payment of principal or interest on the Bonds on the next Interest Payment Date. For purposes of determining the amount of deposit in any fund held under the Indenture, all Permitted Investments credited to such fund shall be valued at the cost thereof. Investments shall be valued as frequently as deemed necessary by the Bond Insurer, but not less often than, on or about June 30 of each year commencing on June 30, 2007, at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date. Except as otherwise provided in the Indenture, Permitted Investments representing an investment of moneys attributable to any fund and all investment profits or losses thereon shall be deemed at all times to be a part of said fund.

The Trustee may act as principal or agent in the acquisition or disposition of investments and may commingle moneys in funds and accounts for the purpose of investment.

Payment Procedure Pursuant to Bond Insurance Policy

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

(a) At least one (1) 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 Indenture 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 (1) 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 (1st) day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee.

(b) The Trustee shall, after giving notice to the Bond Insurer as provided in (a) 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 Indenture.

(c) 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.

(d) The Trustee shall, at the time it provides notice to the Bond Insurer pursuant to (a) 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.

(e) In the event that the Trustee has notice that any payment of principal of or interest on a Bond which has become Due for Payment (as such term is defined in the Bond Insurance Policy) and which 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 (a) 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 which have been made by the Trustee and subsequently recovered from Owners and the dates on which such payments were made.

(f) In addition to those rights granted the Bond Insurer under the Indenture, 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.

Tax Covenants; Rebate Fund

The Authority 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 Indenture, 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, the Authority shall comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and the Authority specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Authority shall take no 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. The Authority shall make no 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. The Authority shall make no 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 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. The Authority shall make no 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 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. The Authority shall take no 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 shall comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

(g) Rebate Fund. The Trustee shall establish the Rebate Fund and the Authority shall comply with the requirements in the Indenture 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 Indenture 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.

The Trustee

(a) The Trustee shall, prior to an Event of Default and after the curing of all Events of Default that may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied duties or obligations shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default that has not been cured, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) So long as no Event of Default has occurred and is continuing, upon thirty (30) days written notice to the Trustee, the Authority, with 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, may remove the Trustee at any time and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Owners of not less than a majority in

aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency, or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation, or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may resign by giving written notice of such resignation to the Authority, the City, and the Bond Insurer and by giving notice of such resignation by first-class mail, postage prepaid, to the Owners at the addresses listed in the Bond Register. Upon receiving such notice of resignation, the Authority, with 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, shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee acceptable to the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy. If no successor Trustee shall have been appointed and shall have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the Authority, or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority, the Bond Insurer, and its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed, or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties, and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless, at the Written Request of the Authority or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title, and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign, and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties, and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Indenture, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts under the Indenture by first-class mail, postage prepaid, to the Owners at their addresses listed in the Bond Register.

(e) Any Trustee appointed under the provisions of the Indenture 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, 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, and shall otherwise be acceptable to the Bond Insurer. 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 purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of

the Indenture, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

(f) No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder.

(g) The Trustee shall not be responsible for the sufficiency, timeliness, or enforceability of the Revenues, the maintenance of insurance as required by the Installment Purchase Agreement, or the review of any report or certificate required to be provided under the Indenture or the Installment Purchase Agreement.

(h) The Trustee shall not be accountable for the use or application by the Authority, the City, or any other party of any funds that the Trustee has released under the Indenture.

(i) The Trustee may employ attorneys, agents, or receivers in the performance of any of its duties under the Indenture and shall not be answerable for the misconduct of any such attorney, agent, or receiver selected by it with reasonable care.

(j) Notwithstanding any other provision of the Indenture, in determining whether the rights of the Owners will be adversely affected by any action taken pursuant to the terms and provisions of the Indenture, the Trustee shall consider the effect on the Owners as if there were no Bond Insurance Policy.

(k) The Trustee shall notify the Bond Insurer of any failure by the Authority and the City to provide relevant notices, certificates, or other documents required by the Indenture or the Installment Purchase Agreement.

Amendments of the Indenture

The Indenture and the rights and obligations of the Authority, the Trustee, and the Owners, as applicable, may be amended at any time by a Supplemental Indenture, which shall become binding with 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, and the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. Each Rating Agency shall receive a notice of each amendment of the Indenture and shall receive a copy thereof at least fifteen (15) days in advance of the execution or adoption of such amendment. In addition, the Bond Insurer shall be provided with a full transcript of all proceedings relating to the execution of any Supplemental Indenture. No such amendment shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Authority to pay the interest on or principal of or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency provided in the Indenture without the express written consent of the Owner of such Bond, (2) reduce the percentage of principal amount of Bonds owned by Owners whose consent is required for the execution of any Supplemental Indenture, (3) permit the creation by the Authority of any pledge of the Revenues as provided in the Indenture superior to or on a parity with the pledge created hereby for the benefit of the Bonds, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the Authority and of the Owners, as applicable, may also be amended at any time by a Supplemental Indenture, which shall become binding upon adoption without the consent of any Owners or the Bond Insurer but with notice to the Bond Insurer, but only to the extent permitted by law and after receipt of an approving opinion of Independent Counsel and only for any one or more of the following purposes:

(a) to add to the conditions, covenants, and terms contained in the Indenture required to be observed or performed by the Authority other conditions, covenants, and terms thereafter to be observed or performed by the Authority, or to surrender any right reserved in the Indenture to or conferred in the Indenture on the Authority, and that in either case shall not adversely affect the interests of the Owners provided, that the Trustee shall not take the Bond Insurance Policy into consideration in determining whether the rights of the Owners are adversely affected by actions of the Trustee under the Indenture;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing, or supplementing any defective provision contained in the Indenture or in regard to questions arising thereunder that the Authority may deem desirable or necessary and not inconsistent with the Indenture or that may be required by S&P for a rating on the Bonds, and that shall not adversely affect the interests of the Owners; or

(c) to prescribe further limitations and procedures regarding the use of the proceeds of the Bonds and the moneys held under the Indenture in order to comply with any United States Treasury Regulations and any amendments thereto or any federal legislation now pending or hereafter enacted governing the exclusion from gross income for purposes of federal income taxation of the interest on the Bonds.

The Bond Insurer reserves the right to charge the Authority a fee for any consent or amendment to the Indenture while the Bond Insurance Policy or the Reserve Fund 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 Reserve Fund Surety Bond.

Disqualified Bonds

Bonds owned or held by or for the account of the Authority or the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the Indenture, and shall not be entitled to consent to or take any other action provided in the Indenture.

Event of Default and Acceleration of Maturities

If one or more of the following events (each, an “Event of Default”) shall happen, that is to say:

(a) if default shall be made in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; provided, however, that in determining whether a payment default has occurred or whether a payment on the Bonds has been made under the Indenture, no effect shall be given to payments made under the Bond Insurance Policy;

(b) if default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption; provided, however, that in determining whether a payment default has occurred or whether a payment on the Bonds has been made under the Indenture, no effect shall be given to payments made under the Bond Insurance Policy;

(c) if default shall be made by the Authority in the performance of any of the other agreements or covenants required in the Indenture to be performed by the Authority, and such default shall have continued for a period of sixty (60) days after the Authority shall have been given notice in writing of such default by the Trustee;

(d) if any Event of Default (as defined in the Installment Purchase Agreement) shall have occurred and be continuing under the Installment Purchase Agreement; or

(e) if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default the Trustee may, and, upon the written 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 written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, with the consent of the Bond Insurer, shall, by notice in writing to the Authority and the Bond Insurer, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained in the Indenture or in the Bonds to the contrary notwithstanding. This subsection, however, is subject to the condition that if at any time after the Bonds have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay the unpaid principal amount of the Bonds due prior to such declaration and the accrued interest on those of such Bonds as are Bonds, with interest on such overdue installments at the rate or rates applicable thereto in accordance with their terms, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Authority (other than in the payment of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon. In the event of payment default as provided in subsection (a) or (b) above, the Trustee shall notify the Bond Insurer immediately of such default and in the event of all other Events of Default as provided in the Indenture, the Trustee shall notify the Bond Insurer within thirty (30) days of the Trustee's actual knowledge thereof.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Bonds insured by the Bond Insurer or the Trustee for the benefit of the Owners of such Bonds under the Indenture, including, without limitation, the right to declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, as well as the right to rescind and annul such declaration and its consequences. The Bond Insurer shall be entitled to notify the Authority, the Trustee, or any applicable receiver of the occurrence of an Event of Default with respect to the Bonds and request the Trustee or such receiver to intervene in judicial proceedings that affect such Bonds or the security therefor. The Trustee or such receiver shall be required to accept such notice of Event of Default from the Bond Insurer.

Rights of Owners

Anything in the Indenture to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Owners therein, upon the happening and continuance of any Event of

Default, the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses, and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture with respect to such Bonds.

The Trustee may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability.

Restrictions on Owners' Action

In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in the Indenture, no Owner of any of the Bonds shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of any trust under the Indenture, or any other remedy under the Indenture or on said Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as therein provided and unless the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding, or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in the Indenture granted, or to institute such action, suit, or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request, and offer of indemnity are declared in the Indenture in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Indenture or for any other remedy under the Indenture; it being understood and intended that no one or more Owners of the Bonds secured by the Indenture shall have any right in any manner whatever by his or their action to affect, disturb, or prejudice the security of the Indenture, or to enforce any right under the Indenture or under the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner in the Indenture provided, and for the equal benefit of all Owners of Outstanding Bonds; subject, however, to the provisions of the Indenture.

Waiver of Events of Default; Effect of Waiver

The Trustee shall waive any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration upon the written 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 written request of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding. If any Event of Default shall have been waived as provided in the Indenture, the Trustee shall promptly give written notice of such waiver to the Authority and shall give notice thereof by first-class mail, postage prepaid, to all Owners of Outstanding Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver, rescission, and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

No delay or omission of the Trustee, the Bond Insurer, or of any Owner of the Bonds to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and

every power and remedy given by the Indenture to the Trustee, the Bond Insurer, and to the Owners, respectively, may be exercised from time to time and as often as may be deemed expedient.

Defeasance

(a) 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 in the Indenture and therein, the Owners of such Bonds shall cease to be entitled to the pledge of the Revenues as provided in the Indenture, and all agreements, covenants, and other obligations of the Authority to the Owners of such Bonds under the Indenture 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 hereto 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 described in 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 Indenture required or contemplated to be kept, performed, and observed by the Authority or on its part on or prior to that time, then the Indenture 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 Indenture 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 Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture 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 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 Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture 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 Indenture to the contrary, in the event that the principal 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, and the assignment and pledge of the Revenues and all covenants, agreements, and other obligations of the Authority to the Owners of such Bonds 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.

(b) 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 in subsection (a) 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 Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the Indenture, (2) there shall have been deposited with the Trustee either (A) moneys 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 sixty (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 Indenture 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 Book-Entry Bonds, the Trustee shall give notice to the Depository of the redemption of all or part of such Book-Entry Bonds on the date proceeds or other funds are deposited in escrow with respect to such Book-Entry Bonds. In connection with clause (2)(B) above, if a forward supply contract is employed in connection with the refunding of Bonds, (y) the verification report from an independent certified public accountant (as described in such clause (2)(B)) shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract and (z) the applicable escrow agreement or other authorizing document shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and such agreement or other document, the terms of such agreement or other document shall be controlling. Mandatory redemption or purchase in whole must occur no later than the earlier of the first possible tender or redemption date.

(c) After the payment of (i) all the interest of and principal on all Outstanding Bonds as provided in the Indenture and (ii) all other amounts then due thereunder and under or with respect to the Reserve Fund Surety Bond, 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 Indenture, and the Trustee shall pay over or deliver to the Authority all moneys or securities held by it pursuant thereto which 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 Reserve Fund Surety Bond. Notwithstanding the discharge and satisfaction of the Indenture, Owners of Bonds shall thereafter be entitled to payments due under the Bonds pursuant to the Installment Purchase Agreement, but only from amounts deposited pursuant to the Indenture and from no other source.

Unclaimed Moneys

Anything contained in the Indenture to the contrary notwithstanding, the Trustee shall notify the Authority and the Bond Insurer of any money held by the Trustee in trust for the payment and discharge of any of the Bonds that has remained unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee. The Trustee shall at the Written Request of the Authority repay such money to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Authority for the payment of such Bonds.

INSTALLMENT PURCHASE AGREEMENT

Purchase and Sale of Property

Pursuant to the Installment Purchase Agreement, the City will purchase from the Authority, and the Authority will sell to the City, for the Purchase Price, the Project in accordance with the provisions of the Installment Purchase Agreement. All right, title, and interest in the Project sold to the City by the Authority shall immediately vest in the City on the Closing Date without further action on the part of the City or the Authority.

Purchase Price

The Purchase Price to be paid by the City under the Installment Purchase Agreement to the Authority, solely from Net System Revenues and from no other sources, is the aggregate amount of debt service scheduled to be paid on the Bonds, subject to prepayment as provided in the Installment Purchase Agreement.

Installment Payments

(a) The City shall, subject to any rights of prepayment provided in the Installment Purchase Agreement, pay to the Authority, solely from Net System Revenues and from no other sources, the Purchase Price in Installment Payments to June 1, 2036, in the amounts and on the Installment Payment Dates as set forth in the Installment Purchase Agreement. Pursuant to the Indenture, the Installment Payments are to be applied to the payment of the principal of and interest on the Bonds and Installment Payments shall be made in amounts that are sufficient, but no more than sufficient, to pay the scheduled payments of principal of and interest on the Outstanding Bonds. If and to the extent that, on any Installment Payment Date, there are amounts on deposit in the Payment Fund established under the Indenture, which amounts are not being held for the payment of specific Bonds, said amounts shall be credited against the Installment Payment due on such date. If all or a portion of the Bonds are no longer Outstanding as a result of redemption, early retirement through purchase by the City or the Authority, or defeasance of such Bonds, the schedule of Installment Payments set forth in the Installment Purchase Agreement shall be deemed to have been modified so that the Installment Payments are sufficient, but no more than sufficient, to pay the scheduled payments of principal of and interest on the Outstanding Bonds. Upon any such redemption, purchase, or defeasance, the City shall recalculate Installment Payments and shall provide the Trustee with a modified schedule of Installment Payments.

(b) Each Installment Payment shall be paid to the Trustee, as assignee of the Authority, no later than one (1) Business Day prior to the applicable Installment Payment Date, in lawful money of the United States of America, in funds that will be immediately available following payment. In the event the City fails to make any of the payments required to be made by it under the Installment Purchase Agreement, such payment shall continue as an obligation of the City until such amount shall have been fully paid.

(c) The City shall, on or before June 30 of each Fiscal Year, deposit or cause to be deposited, solely from Net System Revenues, in the Reserve Fund such amounts as are necessary to increase the amount on deposit therein to the Reserve Requirement for the Bond Year in which such June 30 occurs. Furthermore, in the event that the Trustee at any time notifies 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, solely from Net System Revenues, 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 Reserve Fund Surety Bond or the Additional Funding Instrument, if any.

(d) The obligation of the City to make the Installment Payments solely from Net System Revenues is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to the Installment Purchase Agreement), the City shall not discontinue or suspend any Installment Payments required to be made by it under the Installment Purchase Agreement when due, whether or not the Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced, curtailed, or terminated in whole or in part, and such Installment Payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Pledge of the Net System Revenues

All Net System Revenues are hereby pledged to the payment of the Obligations as provided in the Installment Purchase Agreement, and the Net System Revenues shall not be used for any other purpose while any of the Installment Payments remain unpaid; provided, however, that out of the Net System Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Installment Purchase Agreement. This pledge shall constitute a first lien on the Net System Revenues for the payment of the Obligations.

Allocation of System Revenues

(a) In order to carry out and effectuate the pledge contained in the Installment Purchase Agreement, the City has agreed and covenanted that all System Revenues shall be received by the City in trust and shall be deposited when and as received in the Wastewater Revenue Fund, which fund the City has agreed and covenanted to maintain so long as any Installment Payments remain unpaid, and all moneys in the Wastewater Revenue Fund shall be so held in trust and applied and used solely as provided in the Installment Purchase Agreement. The City shall disburse System Revenues from the Wastewater Revenue Fund to pay, in the following order of priority, (i) all Maintenance and Operation Costs of the Wastewater System, (ii) to (x) the Trustee, as assignee of the Authority, the Installment Payments as and when due under the Installment Purchase Agreement, and (y) the appropriate entity, the Contract Payments (other than Installment Payments) and principal and interest payments on City Bonds as and when they become due and payable pursuant to the instrument under which they are issued or arise, and (iii) to (1) the Reserve Fund created under the Indenture, any amounts necessary to make up any deficiency in the Reserve Requirement and (2) the reserve fund created with respect to or for the benefit of any other Obligation, any amounts necessary to make up any deficiency in such fund. In the event there are insufficient Net System Revenues to make all of the payments contemplated by clause (ii) of the preceding sentence, then said payments provided shall be made, as nearly as practicable, pro rata, based upon the respective principal amounts of the Installment Payments, City Bonds, and other Contract Payments then due and payable. In the event there are insufficient Net System Revenues to make all of the payments contemplated by clause (iii) of such preceding sentence, then said payments provided shall be made, as nearly as practicable, pro rata, based upon the respective deficient amounts in the applicable reserve funds.

(b) After all of the payments contemplated by the immediately preceding paragraph have been made, any System Revenues remaining in the Wastewater Revenue Fund may from time to time be used to pay for capital expenditures for the Wastewater System or any other Wastewater System purpose, including payments on account of subordinated debt, provided that, after any such payment, there will remain in the Wastewater Revenue Fund an amount at least equal to the amount reasonably estimated by

the City to be needed to provide for the payment of all Maintenance and Operations Costs of the Wastewater System during the next forty-five (45) days.

Additional Obligations

The City may at any time incur Additional Obligations payable on a parity with the payment by the City of the Installment Payments provided:

(a) there shall not have occurred and be continuing an Event of Default under the terms of the Installment Purchase Agreement or the Indenture; and

(b) the City obtains or provides a certificate or certificates prepared by a Consultant showing that:

(i) the Net System Revenues as shown by the books of the City for the twelve (12) calendar months ending prior to the incurring of such Additional Obligations shall have amounted to at least the sum of (x) one hundred percent (100%) of Debt Service for such twelve (12) calendar month period, plus (y) the amount by which the amount on deposit in the Wastewater Revenue Fund on the date prior to the first day of such twelve (12) calendar month period was less than twenty-five percent (25%) of Maximum Annual Debt Service; for purposes of preparing the certificate or certificates described above, the Consultant or Consultants may rely upon financial statements prepared by the City, which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the Fiscal Year or period are not available;

(ii) the estimated Net System Revenues for the twelve (12) calendar months following the date of incurring such Additional Obligations will be at least equal to one hundred percent (100%) of Debt Service on all Obligations to be outstanding immediately after the incurring of such Additional Obligations; and

(iii) the amount on deposit in the Wastewater Revenue Fund on the date of incurring such Additional Obligations is at least equal to twenty-five percent (25%) of Maximum Annual Debt Service as of the date of incurring of such Additional Obligations.

(c) For purposes of the computations to be made as described in clause (ii) above, the determination of the Net System Revenues:

(i) may take into account any increases in rates and charges that relate to the Wastewater System and shall take into account any reduction in such rates and charges that will be effective prior to or at the time of incurring such proposed Additional Obligations;

(ii) may take into account an allowance for any estimated increase in such Net System Revenues from any revenue producing additions to or improvements or extensions of the Wastewater System to be made with the proceeds of such Additional Obligations or with the proceeds of Obligations previously issued, as shown by a certificate of a Consultant;

(iii) for the period contemplated by clause (ii) above, Maintenance and Operation Costs of the Wastewater System shall be deemed to be the same as for the period for which a calculation is done pursuant to clause (i) above, but adjusted, if deemed necessary by the Consultant, for any increased Maintenance and Operation Costs of the Wastewater System that are, in the judgment of the Consultant, essential to maintaining and operating the Wastewater

System, including any additions or betterments thereto to be made with the proceeds of such Additional Obligations; and

(iv) in the event that any amounts are owing and past due under the Reserve Fund Surety Bond to the Bond Insurer, the City shall not incur any Additional Obligations as provided in the Installment Purchase Agreement without the prior written consent of the Bond Insurer.

The certificate or certificates described above shall not be required if the Additional Obligations being incurred are for the purpose of refunding then outstanding Obligations and at the time of the incurring of such Additional Obligations a certificate of an Authorized City Representative shall be delivered showing that Maximum Annual Debt Service on all outstanding Obligations after the incurring of such Additional Obligations will not exceed Maximum Annual Debt Service on all Obligations outstanding prior to the incurring of such Additional Obligations.

Covenants of the City

Compliance with Installment Purchase Agreement. The City shall punctually pay the Installment Payments in strict conformity with the terms of the Installment Purchase Agreement, and shall faithfully observe and perform all the agreements, conditions, covenants, and terms contained therein required to be observed and performed by it, and shall not terminate the Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either, or any failure of the Authority to observe or perform any agreement, condition, covenant, or term contained in the Installment Purchase Agreement required to be observed and performed by it, whether express or implied, or any duty, liability, or obligation arising out of or connected with the Installment Purchase Agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The City shall faithfully observe and perform all the agreements, conditions, covenants, and terms contained in the Indenture required to be observed and performed by it, and it is expressly understood and agreed by and between the parties to the Installment Purchase Agreement that, subject to the Installment Purchase Agreement, each of the agreements, conditions, covenants, and terms contained in each such contract and agreement is an essential and material term of the purchase of and payment for the Project by the City pursuant to, and in accordance with, and as authorized under the laws of the State of California.

Against Encumbrances. The City shall not mortgage or otherwise encumber, pledge, or place any charge upon the Wastewater System or any part thereof, or upon any of the System Revenues, prior to or on a parity with the Obligations, other than the Obligations.

So long as any Obligations are outstanding, the City will not issue any bonds or incur obligations payable from System Revenues or secured by a pledge, lien, or charge upon the System Revenues prior to or on a parity with the Obligations, other than the Obligations.

Nothing in the Installment Purchase Agreement, and particularly nothing in the preceding two paragraphs, shall prevent the City from authorizing and issuing bonds, notes, warrants, certificates, or other obligations or evidences of indebtedness that as to principal or interest, or both, (i) are payable from

System Revenues after and subordinate to the payment from System Revenues of the principal of and interest on the Obligations, or (ii) are payable from moneys that are not System Revenues.

Reserve Fund. The City shall maintain or cause to be maintained the Reserve Fund at the Reserve Requirement. In the event the amount therein falls below the Reserve Requirement, the City shall replenish or cause to be replenished the Reserve Fund up to the Reserve Requirement from the first available Net System Revenues as provided in the Installment Purchase Agreement or as otherwise permitted under the Indenture.

Against Sale or Other Disposition of Property. The City shall not sell, lease, or otherwise dispose of the Wastewater System or any part thereof essential to the proper operation of the Wastewater System or to the maintenance of the System Revenues, except as provided in the Installment Purchase Agreement. The City shall not enter into any agreement or lease that impairs the operation of the Wastewater System or any part thereof necessary to secure adequate Net System Revenues for the payment of the Obligations or that would otherwise impair the rights of the Authority with respect to the System Revenues or the operation of the Wastewater System. Any real or personal property that has become inoperative or that is not needed for the efficient and proper operation of the Wastewater System, or any material or equipment that has become worn out, may be sold if such sale will not materially reduce the Net System Revenues and if the proceeds of such sale are deposited in the Wastewater Revenue Fund.

Against Competitive Facilities. The City shall not, to the extent permitted by existing law, construct, acquire, maintain, or operate and shall not, to the extent permitted by existing law and within the scope of its powers, permit any other public or private agency, authority, district, or political subdivision or any person whomsoever to acquire, construct, maintain, or operate within the City any system competitive with the Wastewater System.

Maintenance and Operation of the Wastewater System; Budgets. The City shall maintain and preserve the Wastewater System in good repair and working order at all times and shall operate or cause to be operated the Wastewater System in an efficient and economical manner and shall pay or cause to be paid all Maintenance and Operation Costs of the Wastewater System as they become due and payable. On or before August 1 of each Fiscal Year, commencing August 1, 2006, the City shall adopt, and, on or before three hundred (300) days after the beginning of the Fiscal Year, file with the Authority, the Bond Insurer, and the Trustee a budget approved by the City Council of the City that appropriates amounts for the payment of Obligations payable during such Fiscal Year.

Amount of Rates and Charges, Operating Reserves. The City shall fix, prescribe, and collect fees, rates, and charges for the Wastewater System that will be at least sufficient to yield during each Fiscal Year Net System Revenues equal to the sum of (a) one hundred percent (100%) of the Debt Service for such Fiscal Year and the amounts, if any, then due and owing to the Bond Insurer under the Reserve Fund Surety Bond, plus (b) the amount by which the amount on deposit in the Wastewater Revenue Fund on the last day of the immediately preceding Fiscal Year was less than twenty-five percent (25%) of Maximum Annual Debt Service as of such day. The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net System Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the Installment Purchase Agreement.

Payment of Claims. The City shall pay and discharge any and all lawful claims for labor, materials, or supplies that, if unpaid, might become a lien on the Net System Revenues or any part thereof or on any funds in the hands of the City or the Trustee that might impair the security of the Installment

Payments, but the City shall not be required to pay such claims if the validity thereof shall be contested in good faith.

Compliance with Contracts. The City shall comply with, keep, observe, and perform all agreements, conditions, covenants, and terms, express or implied, required to be performed by it contained in all contracts for the use of the Wastewater System and all other contracts affecting or involving the Wastewater System to the extent that the City is a party thereto.

Insurance.

(a) The City shall procure and maintain or cause to be procured and maintained insurance on the Wastewater System with responsible insurers, or provide self insurance (which may be provided in the form of risk-sharing pools), in such amounts and against such risks (including accident to or destruction of the Wastewater System) as are usually covered in connection with systems similar to the Wastewater System, exclusive of earthquake and flood insurance. In the event of any damage to or destruction of the Wastewater System caused by the perils covered by such insurance or self insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair, or replacement of the damaged or destroyed portion of the Wastewater System. The City shall begin such reconstruction, repair, or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair, or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair, or replacement so that the same shall be completed and the Wastewater System shall be free and clear of all claims and liens unless the City determines that such property or facility is not necessary to the efficient or proper operation of the Wastewater System and therefore determines not to reconstruct, repair, or replace such project or facility. If such Net Proceeds exceed the costs of such reconstruction, repair, or replacement, then the excess Net Proceeds shall be deposited in the Wastewater Revenue Fund and be available for other proper uses of funds deposited in the Wastewater Revenue Fund.

(b) The City shall procure and maintain such other insurance that it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with systems similar to the Wastewater System; provided that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with systems similar to the Wastewater System and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance required to be maintained in the Installment Purchase Agreement shall, to extent reasonably obtainable, provide that the Authority and the Trustee shall be given thirty (30) days written notice of any intended cancellation thereof or reduction of coverage provided thereby. The City shall certify in a Certificate of the Finance Director to the Trustee annually on or before July 1 of each Fiscal Year that it is in compliance with the insurance requirements hereunder, provided that the Trustee shall not be responsible for obtaining or maintaining insurance as required in the Installment Purchase Agreement. If the City has elected to satisfy any insurance requirement hereunder through self insurance, the City shall provide to the Trustee annually on or before July 1 of each Fiscal Year a certificate of an accredited actuary or the City's Finance Director, at the option of the City, certifying in writing that such self insurance is adequate to meet the particular requirements of the Installment Purchase Agreement.

Accounting Records; Financial Statements and Other Reports.

(a) The City shall keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Wastewater System, which records shall be available for

inspection by the Authority, the Bond Insurer, and the Trustee at reasonable hours and under reasonable conditions. The Trustee shall have no duty to inspect such records.

(b) The City shall prepare and file with the Authority and the Bond Insurer annually within three hundred (300) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2006) financial statements of the City for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

Protection of Security and Rights of the Authority. The City shall preserve and protect the security of the Installment Purchase Agreement and the rights of the Authority to the Installment Payments thereunder and shall warrant and defend such rights against all claims and demands of all persons.

Payment of Taxes and Compliance with Governmental Regulations. The City shall pay and discharge all taxes, assessments, and other governmental charges that may hereafter be lawfully imposed upon the Wastewater System or any part thereof or upon the System Revenues when the same shall become due. The City shall duly observe and comply with all valid regulations and requirements of any governmental authority relative to the operation of the Wastewater System or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Collection of Rates and Charges, No Free Service. The City shall have in effect at all times rules and regulations for the payment of bills for Wastewater Services. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the City may discontinue the service, and such premises shall not thereafter be reconnected to the service except in accordance with City operating rules and regulations governing such situations of delinquency. The City shall not permit any part of the Wastewater System or any facility thereof to be used or taken advantage of free of charge by any authority, firm, or person, or by any public agency (including the United States of America, the State of California, and any city, county, district, political subdivision, or public authority or agency of any thereof).

Eminent Domain Proceeds. If all or any part of the Wastewater System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied to the replacement of the property or facilities so taken, unless the City determines that such property or facility is not necessary to the efficient or proper operation of the Wastewater System and therefore determines not to replace such property or facilities. Any Net Proceeds of such award not applied to replacement or remaining after such work has been completed shall be deposited in the Wastewater Revenue Fund and be available for other proper uses of funds deposited in the Wastewater Revenue Fund.

Tax Covenants. 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 Installment Purchase Agreement, absent an opinion of Bond Counsel that the exclusion from gross income of interest with respect to the Bonds will not be adversely affected for federal income tax purposes, the City shall comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and the City specifically covenants, without limiting the generality of the foregoing, as follows:

1. ***Private Activity.*** The City shall take no 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.

2. Arbitrage. The City shall make no 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.

3. Federal Guaranty. The City shall make no 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.

4. Information Reporting. 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.

5. Hedge Bonds. The City shall make no 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 City 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.

6. Miscellaneous. The City shall take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the City in connection with the issuance of the Bonds and shall comply with the covenants and requirements stated therein and incorporated by reference in the Installment Purchase Agreement.

Further Assurances. The City shall adopt, deliver, execute, and make any and all further assurances, instruments, and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Installment Purchase Agreement and for the better assuring and confirming unto the Authority of the rights and benefits provided to it therein.

Operate Wastewater System. The City shall operate the Wastewater System in an efficient and economical manner, provided that the City may remove from service on a temporary or permanent basis such part or parts of the Wastewater System, so long as the City shall have filed with the Trustee an Engineer’s Report stating that such removal will not materially adversely affect Net System Revenues. Notwithstanding the foregoing, the City may contract with one or more public or private operators to operate and maintain all or any portion of the Wastewater System; provided that said operation is under the supervision of the City and all revenue derived from the operation of the Wastewater System will be deposited in the Wastewater Revenue Fund.

Events of Default and Remedies of the Authority

If one or more of the following Events of Default shall happen, that is to say —

(i) if default shall be made in the due and punctual payment of or on account of any Obligation as the same shall become due and payable;

(ii) if default shall be made by the City in the performance of any of the agreements or covenants required in the Installment Purchase Agreement to be performed by it (other than as specified in (i) above), and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Authority;

(iii) if any Event of Default shall have occurred under the Indenture and shall be continuing;
or

(iv) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default the Authority shall upon the written request of the Owners of twenty-five percent (25%) or more of the aggregate Obligations outstanding, by notice in writing to the City, declare the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained in the Installment Purchase Agreement to the contrary notwithstanding. This subsection, however, is subject to the condition that if at any time after the entire principal amount of the unpaid Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Installment Payments or the unpaid payment of any other Contract or City Bond referred to in clause (i) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable thereto in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Application of Net System Revenues Upon Acceleration

All Net System Revenues received after the date of the declaration of acceleration by the Authority as provided in the Installment Purchase Agreement shall be applied as provided in the Indenture.

Other Remedies of the Authority

The Authority shall have the right, subject to receipt of consent from the Bond Insurer —

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any councilmember, officer, or employee thereof, and to compel the City or any such councilmember, officer, or employee to perform and carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the Installment Purchase Agreement;

(b) by suit in equity to enjoin any acts or things that are unlawful or violate the rights of the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the City and its councilmembers, officers, and employees to account as the trustee of an express trust.

Discharge of Obligations

If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon or if all Outstanding Bonds shall be deemed to have been paid at the times and in the manner stipulated in the Indenture, and if all amounts under the Surety Bond owing to the Bond Insurer shall have been paid, then all agreements, covenants, and other obligations of the City under the Installment Purchase Agreement shall thereupon cease, terminate, and become void and be discharged and satisfied.

Amendments

Each of the Installment Purchase Agreement, the Sale Agreement, and the Agency Agreement may be amended in writing as may be mutually agreed by the City and the Authority, with 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, and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding pursuant to the Indenture, provided that no such amendment shall (a) extend the payment date of any Installment Payment, or reduce the amount of any Installment Payment without the prior written consent of the Owner of each Bond so affected, (b) reduce the percentage of principal amount of Bonds the consent of the Owners of which is required for the execution of any amendment of the Installment Purchase Agreement, or (c) amend the provisions relating to tax covenants contained in the Installment Purchase Agreement without an unqualified opinion of Bond Counsel to the effect that such amendment does not materially adversely affect the exclusion of interest on the Bonds received by the Owners from gross income for federal income tax purposes.

Each of the Installment Purchase Agreement, the Sale Agreement, and the Agency Agreement and the rights and obligations of the City and the Authority thereunder may also be amended or supplemented at any time by an amendment or supplement thereto which shall become binding upon execution by the City and the Authority, without the written consent of any Owners of the Bonds or the Bond Insurer but with notice to the Bond Insurer, but only to the extent permitted by law and only upon receipt of an unqualified opinion of Bond Counsel selected by the City and approved by the Authority to the effect that such amendment or supplement is permitted by the provisions of the Installment Purchase Agreement and is not inconsistent with the Installment Purchase Agreement, the Sale Agreement, or the Agency Agreement, as applicable, and does not adversely affect the exclusion of interest on the Bonds received by the Owners thereof from gross income for federal income tax purposes, and only for any one or more of the following purposes —

(i) to add to the covenants and agreements of the Authority or the City contained in the Installment Purchase Agreement, the Sale Agreement, or the Agency Agreement, as applicable, other covenants and agreements thereafter to be observed or to surrender any right or power therein reserved to or conferred upon the Authority or the City, and that shall not materially adversely affect the interests of the Owners of the Bonds;

(ii) to cure, correct, or supplement any ambiguous or defective provision contained in the Installment Purchase Agreement, the Sale Agreement, or the Agency Agreement, as applicable, or in regard to questions arising under the Installment Purchase Agreement, the Sale Agreement, or the Agency Agreement, as applicable, as the Authority or the City may deem necessary or desirable and that shall not materially adversely affect the interests of the Owners of the Bonds; or

(iii) to make such other amendments or modifications that shall not materially adversely affect the interests of the Owners of the Bonds.

THE SALE AGREEMENT

The Sale Agreement will be entered into by and between the City and the Authority and, pursuant to its terms, the City will sell the Project to the Authority, and the Authority will purchase the Project from the City. Title to the Project shall be deemed conveyed to and vested in the Authority, as provided in the Sale Agreement, without the necessity of any other instrument or document of conveyance. The term of the Sale Agreement shall be concurrent with the term of the Installment Purchase Agreement. The obligations of the Authority to perform and observe the agreements on its part contained in the Sale Agreement shall be absolute and unconditional, and, until such time as the Installment Purchase Agreement shall expire or be terminated in accordance with its provisions therefore the Authority (i) shall perform and observe all of its agreements contained in the Sale Agreement and (ii) shall not terminate the Sale Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of, or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either, or any failure of the City to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with the Sale Agreement.

THE AGENCY AGREEMENT

The Agency Agreement will be entered into by and between the City and the Authority and, pursuant to its terms, the Authority will irrevocably appoint the City as its agent to carry out all phases of the supervision and completion of the Project and the City, as agent of the Authority, will assume all rights, duties, responsibilities, and liabilities of the Authority regarding such supervision and completion of the Project. Under the Agency Agreement and in accordance with its terms, the City, as agent of the Authority, shall enter into any purchase order, construction management agreement, architectural or engineering contract or construction contract required for the construction, acquisition, and improvement of the Project.

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 188,941 in 2005, accounting for over 23% of the County’s population. The City has become a premier center of County industrial activity since 1996 with the start of nine new industrial buildings representing a total of approximately 750,000 square feet of industrial and commercial space, with significant growth and building in the northeast area of the City.

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 2.4% for the past decade.

Population

The City’s population has grown from approximately 152,800 people in 1996 to approximately 188,941 in 2005. The following table shows the approximate changes in population in the City, the County, the State, and the United States for the years 1996 through 2005.

**Population of
City, County, State, and U.S.
1996 through 2005 ⁽¹⁾**

<u>Year</u>	<u>City</u>	<u>Population Percent Change</u>	<u>County</u>	<u>Percent Change</u>	<u>State (000)</u>	<u>Percent Change</u>	<u>United States (000)</u>	<u>Percent Change</u>
1996	152,800	--	707,800	--	31,837	--	269,667	--
1997	153,700	0.59%	716,100	1.17%	32,207	1.16%	272,912	1.20%
1998	156,000	1.50	725,400	1.30	32,657	1.40	276,115	1.17
1999	158,300	1.47	736,000	1.46	33,140	1.48	279,295	1.15
2000	160,300	1.26	750,500	1.97	33,753	1.85	282,193	1.04
2001	177,700	10.85	766,539	2.14	33,873	0.36	285,108	1.03
2002	182,027	2.44	781,199	1.91	35,089	3.59	287,985	1.01
2003	181,800	(0.12)	793,873	1.62	35,691	1.71	290,850	0.99
2004	186,122	2.38	804,524	1.34	36,271	1.63	293,657	0.97
2005	188,941	1.51	813,052	1.06	36,810	1.49	296,410	0.94

Sources: For City: City’s Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2005; for State: California Department of Finance; for U.S.: United States Bureau of the Census.

(1) Unless otherwise noted, estimates for City, County and State as of January 1, and for U.S. as of July 1.

Property Tax Rates

In June of 1978, California voters approved Proposition 13 (the Jarvis-Gann Initiative), which added Article XIII A to the California Constitution. Article XIII A 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 the City's 1969 Storm Drain Bond and an obligation referred to as the "Public Safety Retirement." The 1969 Storm Drain Bond was redeemed and paid as of June 30, 1994. The following table details the City's property tax rates for the last 10 fiscal years.

City of Oxnard Property Tax Rates 1996 through 2005

Year Ended June 30	County Tax	City District (Public Safety Retirement Debt)	School Districts	Water Districts	Total Tax Rates
1996	1.00%	0.0362%	0.0773%	0.3105%	1.4240%
1997	1.00	0.0367	0.0807	0.3328	1.4502
1998	1.00	0.0367	0.1360	0.3449	1.5176
1999	1.00	0.0367	0.1491	0.1212	1.3070
2000	1.00	0.0475	0.1740	0.0979	1.3194
2001	1.00	0.0475	0.1714	0.0977	1.3166
2002	1.00	0.0575	0.1867	0.0723	1.3165
2003	1.00	0.0675	0.1748	0.0817	1.3140
2004	1.00	0.0766	0.2022	0.0509	1.3297
2005	1.00	0.0766	0.1849	0.0480	1.3095

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2005.

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 ten percent (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 one and one-half percent (1-1/2%) 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 one and one-half percent (1-1/2%) 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
1996 through 2005

<u>Year Ended June 30</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as a Percentage of Tax Levy</u>
1996	\$18,296,398	\$16,831,456	91.99%	\$569,431	\$17,400,887	95.11%
1997	18,233,366	17,033,821	93.42	487,301	17,521,122	96.09
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 ⁽¹⁾	100.45	90,164	23,574,731	100.83
2002	25,900,000	25,718,029	99.30	284,711	26,055,636	100.40
2003	30,040,000	29,892,747	99.51	190,546	29,233,880	97.32
2004	35,432,169	35,281,916	99.58	344,390	35,427,088	99.99
2005	44,743,658	49,223,170	110.67	126,250	49,349,420	110.95

(1) Voter-approved tax for \$3,977,315 was transferred from trust and agency to the special revenue fund in fiscal year 2001.
Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2005.

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
1996 through 2005

<u>Year Ended June 30</u>	<u>Real Property Assessed Value</u>	<u>Personal Property Assessed Value</u>	<u>Exemptions</u>	<u>Total Assessed Value</u>
1996	\$6,312,352,104	\$119,814,735	\$667,234,581	\$5,764,932,258
1997	6,307,831,466	101,123,835	720,506,163	5,688,449,138
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	8,107,847,317
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

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2005.

Principal Taxpayers

The following table lists the principal taxpayers in the City as of June 30, 2005.

City of Oxnard Principal Taxpayers			
<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
The Procter & Gamble Paper Products Company	Manufacturing-Paper Products	\$ 260,096,649	2.267%
St. John's Regional Medical Center	Hospital	196,605,247	1.714
SI VIII LLC	Real Estate Development	71,558,454	0.624
Duesenberg Investment Company	Commercial Development	60,254,119	0.525
Weyerhaeuser Company	Processed Paper Manufacturer	56,539,900	0.493
Fred Kavli	Real Estate Development	56,433,705	0.492
Seminis Inc.	Seeds	51,047,509	0.445
Essex Tierra Vista	Real Estate Development	47,214,603	0.412
Centro Watt Operating Partners LLC	Real Estate Development	47,184,000	0.411
First Security Bank/PTI Advanced Technologies	Supplier of Filtration Products	36,594,117	0.319
BMW of North America Inc.	Auto Preparation	35,598,114	0.310
AT&T Credit Corporation Trust	Commercial Credit	34,517,771	0.301
Terminal Freezers	Refrigerated Warehousing	33,620,140	0.293
PEGH Investments LLC	Real Estate Development	32,575,511	0.284
Other Taxpayers	Various	<u>10,453,329,644</u>	<u>91.111</u>
Totals		\$11,473,169,483	100.000%

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2005.

Outstanding Debt

The City uses a variety of tax increment, revenue and lease indebtedness to finance various capital acquisitions. The outstanding balances for indebtedness as of June 30, 2005, are set forth in the following table:

City of Oxnard Outstanding Debt (As of June 30, 2005)	
<u>Type of Debt</u>	<u>Outstanding Balance (as of June 30, 2005)</u>
Tax Allocation Bonds ⁽¹⁾	\$ 18,546,589
Revenue Bonds ⁽²⁾	256,516,076
Capital Leases	3,881,468
Notes and Loans Payable	5,205,852
Certificates of Participation	<u>7,835,000</u>
Total	\$201,084,085

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

(2) Revenue bonds include issues used to finance projects for public parking, civic auditorium, wastewater and treatment 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 City's General Fund.

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2005.

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 (2000 through 2004)				
<u>Year</u>	<u>City</u>		<u>County</u>	
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Labor Force</u>	<u>Unemployment Rate</u>
2004	86,300	7.7%	416,100	5.3%
2003	85,700	8.3	413,100	5.8
2002	84,800	8.3	408,000	5.8
2001	82,600	7.0	399,500	4.9
2000	81,100	6.6	393,000	4.5

Source: State of California, Employment Development Department.

Taxable Retail Sales

Consumer spending in calendar year 2004 resulted in \$2,039,218 \$2,172,606in taxable sales in the City, which is approximately 6.5% above calendar year 2003. Although the taxable sales figures for each type of business are not yet available from the California Board of Equalization for calendar year 2004, the following table sets forth information regarding taxable sales in the City for each type of business for calendar years 2000 through 2003.

City of Oxnard Taxable Retail Sales by Type of Business 2000 - 2003 (000s)				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Apparel stores	\$ 43,441	\$ 46,037	\$ 53,650	\$ 50,399
General merchandise stores	241,410	257,339	273,297	290,338
Food stores	66,134	64,173	67,002	73,061
Eating and drinking places	128,529	133,815	145,771	153,932
Home furnishings and appliances	44,273	54,840	76,151	102,279
Building materials and farm implements	187,530	205,872	200,206	206,417
Auto dealers and auto supplies	345,079	412,761	472,647	513,072
Service stations	87,773	93,812	94,533	113,140
Other retail stores	200,655	197,837	204,148	213,714
Total Retail Outlets	1,344,824	1,466,486	1,587,405	1,716,352
All Other Outlets	275,985	308,660	313,131	322,866
Total All Outlets	\$1,620,809	\$1,775,146	\$1,900,536	\$2,039,218

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 Angeles 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 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. Feeder service to Los Angeles International Airport is provided by United Express and American Eagle. 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 twenty-nine 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 5,700 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 fifty 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 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 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 thirty 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.

APPENDIX C

**CITY OF OXNARD
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2005**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2005

Prepared by
Finance Department
Marcie Medina
Finance Director

City of Oxnard, California

*Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005
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MARCIE MEDINA
Finance Director

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

November 30, 2005

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

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF OXNARD

Submitted for your information and consideration is the Comprehensive Annual Financial Report (CAFR) of the City of Oxnard (City) for the fiscal year ended June 30, 2005. 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 changes in financial position, of the City as measured by the financial activity 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.

The CAFR is organized into three sections:

- The **Introductory Section** is intended to familiarize the reader with the organizational structure of the City, the nature and scope of the services it provides, and the specifics of its legal operating environment. The introductory section includes the letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting, the Certificate of Award for Outstanding Financial Reporting, the City's organizational chart and a list of City officials. The letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it.

- The **Financial Section** is prepared in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34) requirements. It includes the independent auditor's report, MD&A, the audited basic financial statements, notes to the basic financial statements, required supplementary information, supporting statements and schedules necessary to fairly present the financial position and the changes in financial position of the City in conformity with accounting principles generally accepted in the United States. The audited basic financial statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present the financial information of each of the City's major funds, as well as non-major governmental, fiduciary and other funds.
- The **Statistical Section** contains comprehensive statistical data on the City's financial, physical, economic, social, and political characteristics.

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 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 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. 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 estimated to be 188,849 in 2005, accounting for over 23 percent of the County’s population.

ECONOMIC CONDITION AND OUTLOOK

The City’s average unemployment rate for calendar year 2005 was 4.90 percent, which was lower than the statewide average of 5.40 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 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 2004-2005. 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.

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, 2005, the City's special assessment debt outstanding totaled approximately \$55,775,000.

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, 2005, are as follows:

Tax Allocation Bonds	\$ 18,546,589
Revenue Bonds, Net of Unamortized Discount and Gain or Loss on Refunding	256,516,076
Capital Leases	3,881,468
Notes and Loans Payable	5,205,852
Certificates of Participation	7,835,000

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, civic auditorium, 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, 2005, amounted to \$3,881,468.

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, 2005, this limit was \$1,671,493,283.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2004-2005

CITY MANAGER'S OFFICE

Information Systems Division

Accomplishments for Fiscal Year 2004-2005 are outlined below:

- Implemented Interactive Voice Response System Payment Module, allowing a telephone menu-driven system to assist contractors and homeowners with the building permit process
- In anticipation of the downtown renovation, assisted departments in developing document imaging applications to help create a paperless work environment
- Geographic Information Systems (GIS) data became available via paper maps, interactive Internet and Intranet maps, and custom workstation-based applications
- Enterprise GIS has linked software applications for Public Safety, Public Works and Community Development
- Implemented Citywide music on-hold system

- Implemented Voice Over Internet Protocol (VoIP) Phone systems at Del Norte, Water, and IS allowing state-of-the-art applications, including an enterprise call center and new voice mail system
- Added 24 desktop PCs, 22 laptops, and 4 servers to the City Network to meet the demands of our growing City
- Set up remote access to business/animal licensing data
- Deployed the following software applications : Maximus – fleet management for Equipment Maintenance; Primavera Expedition – project management system for Public Works; Click 2 Gov – allows citizens to pay bills online; Chameleon – animal licensing program; SewerCAD – manages the City’s Sewer System In; Graffiti – tracks reporting and removal efforts

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 2004-2005 are outlined below:

- An average of 38,000 utility payments are received each month by mail and in-person payments (over 10,000 per month) at the cashiers’ windows. Additional customer traffic is generated by payments for permits, animal licenses, and revenues received from various departments.
- Cost-effective operations are maintained through continual efforts to streamline and update all processes. Research has been accomplished for future implementation of additional payment methods and on-line payments. A change from PC-based banking program to direct banking service via the internet has allowed more timely access to and retrieval of financial information.
- 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.

COMMUNITY DEVELOPMENT DEPARTMENT

Accomplishments for Fiscal Year 2004-2005 are outlined below:

City-Wide Enhancement Program (CWEP) – Participated in the deployment of the City’s Mobile Satellite City Hall program in the West Village and Lemonwood Neighborhoods and will continue to participate in neighborhood visits scheduled for 2005-2006.

Community Development Department Web Page – Maintained a department web page to provide answers to typical redevelopment questions, provided updates on current projects, and outlined future activities. The web page will also be used to highlight development opportunities throughout the City.

Downtown Code Enforcement/Design Walk-Through, and Public Education Program – Continued the monthly meetings with Planning and Environmental Services Division and Code Enforcement personnel to monitor compliance with zoning and permit requirements. The Development Guidelines for signage, façade, and window treatment produced in 2002 continue to be effective in assisting merchants in understanding the various permit and zone clearance requirements. The Design Guidelines for “signs” was translated into Spanish previously, and the Central Business District (CBD) Design Criteria for Over-the-Counter Downtown Design Review Permits Guide was translated into Spanish this year to better assist some City merchants in understanding the process.

Downtown Façade Improvement Program – Continued development of a new façade improvement program to begin in fall 2005.

Downtown Lighting Improvement Program Phase II – This is the second phase of the Community Development Commission’s (CDC) 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 Fourth and Seventh Streets on the east side of Oxnard Boulevard.

Downtown Maintenance Drive-Through – Continued the monthly drive-through with Solid Waste personnel to record maintenance issues and problems and then assign each problem to the appropriate divisions for follow-up (Streets, Solid Waste, Graffiti Action Program, Parks, Code Enforcement). This has resulted in a visible improvement to the Downtown.

Downtown Maintenance Improvement – Coordinated the selection and purchase of additional trashcans for placement in the Downtown area. This is in anticipation of increased visitors as a result of the 14-screen theater complex that opened in summer 2005, as well as other new retail and restaurant services. Trashcans will include both general litter and recycled material (bottles and cans) containers.

Downtown Parking Lot Improvement Program Phase I – Completed the resurfacing and restriping of 18 downtown parking lots and repaving and/or reconstruction of 13 sections of alley.

Downtown Parking Lot Improvement Program Phase II – The second phase of the Parking Lot Improvement Program will encompass the Meta Street area between Fourth and Seventh Streets on the east side of Oxnard Boulevard. Ten to 15 downtown public parking lots/alleys have been identified for these infrastructure improvements. Construction began in summer 2005.

Downtown Parking Structure – Served as the downtown community liaison during the construction of the four-level, 450-space parking structure, completed in summer 2005.

Downtown Property – 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. Staff has also worked jointly with the PBID to improve communication between the business community and the City to address operational and maintenance issues.

Downtown Residential Development – Completed a Disposition and Development Agreement for the construction of 12 for-sale townhomes at the northwest corner of Seventh and “A” Streets in the Downtown. The proposed homes will include three live/work units to support the retail/professional opportunities in the Downtown, further acting as a catalyst for retail activity.

Downtown Security Assessment – Supported consultant services in the development of a Downtown security assessment for the core Downtown area, the results of which will be utilized in the Downtown Lighting Improvement project and the Façade Improvement Program (specifically the Crime Prevention through Environmental Design [CPTED] elements).

Downtown Tax Credit Revenue Bond (TCRB) – Refinanced the TCRB 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.

Esplanade Shopping Center – Ongoing oversight of the Owner Participation Agreement for the redevelopment of the Esplanade Shopping Center. The project consists of a 500,000 square foot retail “power center” anchored by Home Depot. The first phase was completed in fall 2001. The second phase of construction was completed in spring 2004.

Fundamentals of Redevelopment – Created a PowerPoint presentation on the fundamentals of redevelopment to assist the public with understanding the requirements of California Redevelopment Law and the projects undertaken by the CDC throughout the City. This presentation is available to service groups and other special interest groups who wish to better understand redevelopment efforts in Oxnard.

HERO - Oxnard South Revitalization – More than 45 percent of the 56 total medians to be improved in Saviers, Pleasant Valley and Hueneme Roads have now been completed. Another 6 medians are under construction and 6 additional medians are out to bid. Continued to advance Oxnard South revitalization through participation in community-based organization activities.

HERO – RiverPark – Worked with developer entities on the delivery of affordable housing, commercial retail and hotel development required by the Owner Participation Agreement and amendments thereto. Began work on the delivery of 392 affordable housing units for very low-, low- and moderate-income families. Engaged in retail attraction endeavors to assist in security anchor retail tenants.

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.

Meta Street Apartments – Completed the construction and occupancy of a 24-unit apartment complex, the first farmworker family housing project built in Oxnard. This project is in the Meta Street area, a severely depressed and blighted area. The 27 for-sale units will generate renewed life and interest in the downtown.

Ormond Beach – Completed the sale of 276 acres of jointly owned property by the CDC and the Metropolitan Water District (MWD) to the Nature Conservancy. The sale of the property is an effort to expand and preserve wetlands and wildlife in Ormond Beach. Assisted an energy resources company in securing a permanent easement deed on CDC/MWD jointly owned property for the potential installment of a sewage connection pipe.

Oxnard Factory Outlet – Completed termination of the development agreement allowing new property owner to pursue traditional commercial shopping center tenants. Extensive private rehabilitation of the project which has been renamed “The Palms” has begun. Phase 1 was completed in summer 2004 and Phase 2 began construction in summer 2005. Leasing efforts are underway.

Retail Attraction Efforts – Updated retail attraction brochure, marketing the City and highlighting potential development opportunities. Attended local, regional and national retail trade shows and placed City advertisement in trade show publications. Established new contacts within the commercial development, brokerage and retail communities for follow-up meetings and City tours. Designed a new poster-sized exhibit with images of Oxnard along with informational literature for retail attraction. Updated City retail website providing information on Oxnard properties for lease and for sale, demographics and traffic counts.

Security Lighting and Fencing - Continued to provide homes with security fencing and lighting in the Southwinds Neighborhood to reduce crime, eliminate blight and to enhance the quality of the living environment. Met with Housing and Code Enforcement staff to discuss upgrading the quality and aesthetics of fences provided to residents participating in the security-fencing program.

Southwinds Project Area - Continued to use the private/public Southwinds Team partnership to reduce crime, eliminate blight and to enhance the quality of the neighborhood living environment. Completed rehabilitation of existing residential units and encouraged new residential and commercial development. Seventeen Housing Rehabilitation Loans and 11 Security Lighting and Fencing Grants were made.

Theater Project – Completed Disposition and Development Agreement (DDA) for development of a 14-screen theater and retail complex on CDC-owned property and former Bank of America building in the downtown area. The development is intended to serve as a catalyst for the revitalization of downtown and a proposed downtown marketplace development.

Vineyard/Esplanade Retail – Contacted property owners and retailers in the vicinity of the Esplanade Shopping Center for encouragement to revitalize their properties along the Vineyard/Esplanade corridor. Current activity includes ongoing contact with property owners in the area to encourage further revitalization.

DEVELOPMENT SERVICES

Accomplishments for Fiscal Year 2004-2005 are outlined below:

- The department and the Planning and Environmental Services Division approved several residential and commercial projects either through Planning Commission resolution or the Development Design Review process. The Planning and Environmental Services Division completed the public outreach

phase of the update to the 2020 General Plan by conducting many workshops around the City where residents could participate in determining how the City will change over the next 20 years. The next phase of the project, actual development of a draft document, will begin shortly.

- The California Coastal Commission approved the Seabridge at Mandalay Bay project which represents the buildout of the City's Mandalay Bay Specific Plan envisioned in the 1980s as a master planned community of commercial and residential development around an extension of the inland waterway canals. The Seabridge project includes 708 residential units in a mix of single-family, condominium, live-work and rental units and approximately 200,000 square feet of visitor-serving commercial development. The adjacent project Westport at Mandalay Bay, is under construction and includes 306 single-family, duplex, townhomes and mixed-use residential/commercial development.
- The City has begun preparation of a Specific Plan and an environmental impact report on the Ormond Beach Specific Plan area after receiving applications from property owners on both sides of Hueneme Road. The proposed uses are residential, commercial, schools and parks north of Hueneme Road and industrial uses located south of Hueneme Road and north wetlands and wetlands restoration areas.

HOUSING DEPARTMENT

Accomplishments for Fiscal Year 2004-2005 are outlined below:

- On June 29, 2005, the U.S. Department of Housing and Urban Development (HUD) awarded the Robert L. Woodson Affordable Communities Award to the City of Oxnard, in recognition of Oxnard's broad-based regulatory reforms to reduce the cost of housing and increase the supply of affordable housing in the City. The award was presented in Washington, D.C. The City was one of 14 nationwide recipients.
- The Sonria affordable Housing Project was completed. This public/private partnership between the City and Community Dynamics, Inc., of Santa Monica, produced a mix of 38 affordable and market-priced single-family homes in the El Rio neighborhood. The City provided \$460,000 to acquire the site. These funds were converted to second interest-free loans for the 22 low-income homebuyers. The affordable units sold for \$187,000 and \$197,000, well below market values. The last families moved in during July 2004.
- The Housing Authority again received high performer scores from HUD under Public Housing Assessment System and the Section 8 Management Assessment Program for Fiscal Year 2004-2005.
- In October 2004, HUD awarded an additional \$365,825 in Capital Fund Program bonus funds to the Housing Authority. The bonus funds were awarded because of the Housing Authority's high performer scores. This was the first year that HUD distributed bonus funds.
- The Housing Authority successfully appealed the Annual Adjustment Factor used by HUD in calculating housing assistance funds for the Housing Authority under HUD's Section 8 Housing Program. This successful appeal provided \$346,551 in additional funds to assist needy families under the program.

- Coordinated funding process and submittal of a grant application to HUD under HUD's Supportive Housing Program for Homeless Persons. The application resulted in the award of \$1,561,464, including 10-year funding for 13 Section 8 Moderate Rehabilitation rental assistance vouchers for homeless persons in the amount of \$1,383,720.

HUMAN RESOURCES DEPARTMENT

Accomplishments for Fiscal Year 2004-2005 are outlined below:

- Conducted the most successful and best-attended Service Pin Ceremony for employees who have performed dedicated service to the City for up to 40 consecutive years each.
- Enhanced and conducted the 2004 Health Benefits Fair for all City employees to provide them with necessary information to select the level and type of benefits employees need to take care of themselves and their families.
- Exceeded our goals to coordinate recruitment and testing processes that attract highly qualified candidates to fill more than 100 full-time City positions.
- Provided centralized Human Resources support to all departments and divisions to maximize departmental efficiencies.
- Created and implemented new processes to support departments in meeting their personnel recruitment and retention goals, including an enhanced and streamlined request to fill process, merit increase process, reclassification process and much more.
- Lowered testing costs and improved testing tools through developing strong networks with neighboring competitive service organizations and creating tests within the department through a partnership with the non-profit test question developer, the Western Region Item Bank.
- Reclassified and realigned position to better meet the performance needs of City staff.
- Implemented Employee Identification Badge program and distributed City Identification Badges to employees.
- Conducted trainings with all Police and Fire Personnel on the Workers' Compensation program, prevention and changes in California Workers' Compensation laws.
- Provided customer care and support to over 5,000 internal and external customers.

FIRE DEPARTMENT

Accomplishments for Fiscal Year 2004-2005 are outlined below:

- Five cardiac saves for Fiscal Year 2004-2005, the most in the Tri-Counties. To be counted as a cardiac saves, the patient must walk out of the hospital. We provide assistance to Gold Coast Ambulance paramedics on these responses.
- The “Tall Ship Rescues,” an event that generated worldwide news coverage in which a tall ship ran aground just outside the mouth of the Channel Islands Harbor, stranding crew and student passengers. Oxnard Fire personnel first on scene, effected rescue for 12 people in the water.
- Oxnard Fire personnel assisted in another worldwide news event the "La Conchita Tragedy.” Crews remained on scene for 2 days assisting Ventura County Fire personnel.
- The Department’s retrofit preemption program, “the capture of signalized intersections” by emergency vehicles will be 50 percent completed in the next 6 to 8 months. This program is managed by the City’s Traffic Engineering Division. All newly signalized intersections are equipped with preemption by development agreement. Completion of the retrofit program means that the City will in approximately 2 years have all major arterials equipped with preemption devices. The first City to achieve this status in all of the Tri-Counties. A significant leap in response safety and a reduction in response times for all emergency equipment.
- Of additional significance in the City’s preparedness posture will be the Oxnard Fire Station No. 7. Anticipated to be completed in late summer and operational in late 2005, this Station will provide much better coverage, reduce response times and lessen dependence on neighboring jurisdictions.

POLICE DEPARTMENT

Accomplishments for Fiscal Year 2004-2005 are outlined below:

- A permanent gang injunction has been approved by a Ventura County judge. This civil injunction has helped curb gang-related crime in the City. It is the first such injunction ever approved in Ventura County.
- Crime continued its decade-long decline in the City. The crime rate in Oxnard continues to be lower than the crime rate in Ventura and Santa Barbara. The City now enjoys the fifth lowest crime rate in the nation among the 43 cities with populations between 150,000 and 200,000.
- A significant decline in alcohol-related vehicle crashes continued in Oxnard over the past year. This can be credited to a program which focuses attention on alcohol-related issues in the City, including minimizing problems associated with the sales and service of alcohol and the impact that outlets have on the surrounding neighborhoods. Much attention has also been paid to the availability of alcohol to minors.

- The Police Department continues to forge positive relationships with the youth in the City. These include the Police Activities League, youth academies in the high schools, officers working on school campuses, anti-truancy programs, and education programs for youth stressing the importance of making good choices in their lives.
- A new photo red-light program has been introduced in Oxnard. This program has made Oxnard streets safer for drivers as they travel through the City. This program has had profound effects in reducing red-light collisions at intersections.

OXNARD PUBLIC LIBRARY

Accomplishments for Fiscal Year 2004-2005 are outlined below:

- Since its designation as a U.S. passport acceptance facility in October 2001, the Oxnard Public Library has been a source of information to customers, providing answers to varied questions regarding the application process. In Fiscal Year 2004-2005, the library processed 1,673 passports and earned \$52,128 in gross revenues.
- Approximately 10,000 volunteer hours have been donated to the Oxnard Public Library, contributing to its success.
- A self check-in book return and sorting system was installed at the Main Library in February 2004 to automatically check in returned library books, provide customers with a receipt, and sort the returned items into designated ergonomics bins for shelving.
- The library received the following grants from the California State Library: a \$10,000 Global Languages Materials grant to augment the collection with Spanish language materials, and \$75,000 to establish the Small Business Services Program to provide resources and consulting services to small business owners and entrepreneurs.
- The library was in its fifth year of funding from the California State Library for its Adult Literacy Program, receiving \$56,045.
- The Library Technical Services area cataloged 20,947 new items for the collection in multiple languages and publication formats.
- The library's Historic Photograph Collection is available to the public using the Internet.
- Construction began on the new South Oxnard Branch Library at the corner of Bard and Saviers Roads, with the California State Library providing 65 percent of funds and the City of Oxnard 35 percent. Project funds total \$8,901,170, and the new library is scheduled to open in the summer of 2006.

CARNEGIE ART MUSEUM

Accomplishments for Fiscal Year 2004-2005 are outlined below:

- 37,474 visitors and clients served representing a 6 percent increase over prior fiscal year by developing special education outreach programs at school sites and offering art exhibits of increasing national caliber.
- 764 tours and art education presentations to 156 partnering schools and agencies in Ventura and Northern Los Angeles County including 85 percent of Oxnard elementary/middle school and high school districts.
- Public awareness of exhibits enhanced by articles appearing in four national art publications and two newspapers: Artscene, Art Guide, ARTWEEK, Ceramic Monthly, Ventura County Star, and Los Angeles Times.
- Produced three full-color interpretive exhibit brochures through museum's fundraising partnerships with the Carnegie Art Museum Cornerstones.

PUBLIC WORKS DEPARTMENT

Accomplishments for Fiscal Year 2004-2005 are outlined below:

Administrative Office

- Grand Jury Responses – As part of an interdepartmental team, compiled and submitted the City's official responses to a 2004 Grand Jury Report and 2005 correspondence regarding the River Ridge Golf Club.
- Report of Activities – Published a Report of Activities encompassing the Public Works Department's accomplishments July 1, 2003, through November 1, 2004.
- Transportation Policy Committee – Provided contributions and support to the Committee.
- Mandalay Bay Enhancement Review Committee – Led the formation of an interdepartmental committee to resolve landscape encroachments upon public property by homeowners in the Mandalay Bay Neighborhood.
- City Manager Projects – Liaison to the City Manager's Office and coordination among divisions to respond to customer service or information requests from elected officials and the public.

Engineering Division

Design Section

- Mountain View Avenue Storm Drain – Completed the design and construction (September 2004) of a storm drain system on Mountain View Avenue from Rose Avenue to Pacific Avenue, as part of the drainage improvements required for the Rose Avenue Widening project.
- Hemlock Avenue Storm Drain Phase II – Completed the design and contract procurement for this section in coordination with the Redwood Trunk wastewater project. Construction is in progress.
- Yucca Street Storm Drain, Phase I – Completed the design and contract procurement for Phase I of the Yucca Storm Drain from Saviers Road to “J” Street. Construction is 95 percent complete. Phase II is under design.
- Pleasant Valley Road Improvements/Tree Trimming/Removal – Completed the removal of 41 trees between Olds/Etting to Highway 1, trimmed 14 trees to allow for the street widening along the same limits, and provide improvement to the Masonic and Japanese cemeteries. Completed the design of the street widening project along Pleasant Valley Road from Olds/Etting to Highway 1. Processed and certified the environmental document for the project and currently proceeding with right-of-way acquisition. Project is under construction with completion anticipated in March 2006.
- Cast Iron Pipe Water Main Replacement Projects:

Engineering staff completed the design, contract procurement, contract administration, and construction of the Downtown Water Main Replacement Project south of Third Street to Wooley Road, Oxnard Boulevard and “C” Street, in coordination with Streets Division alley improvements, CDC parking lot improvements, and future theater construction covering the same project limits.

Engineering staff completed the design, contract procurement, contract administration and construction of the Bard Road and “F” Street Cast Iron Pipe Water Main Replacement Project.

Engineering staff completed the design, contract procurement, contract administration, and construction of the Meta Street-Fifth Street to Seventh Street cast iron pipe water main replacement project. This project was a joint venture between the City and Cabrillo Economic Development Corporation.

Survey Section

- Layout of Water Division Administration Building and associated curbs and drainage.
- Layout of Sanford Storm Drain, 6,000 linear feet.

- Layout of Yucca Street Storm Drain.
- Map check of final maps comprising over 1,000 lots, aggregate.

Contract Procurement and Administration Section

- South Oxnard Library Project – Managing this in-process project, started April 11, 2005, and is on pace to be complete April 2006.
- Rose Avenue/Highway 1 Pedestrian Facilities – Managed the design and the construction, completed the project April 2005.
- Emergency Oxnard Beach Cleanup, Phase I – Managed and contracted the work for this FEMA-reimbursable project resulting from the December 2004-January 2005 California severe storms.
- Emergency Oxnard Beach Cleanup, Phase II – Managed and contracted the work for this FEMA-reimbursable project resulting from the February 2005 California severe storms.
- Primavera Expedition – Implemented Primavera Expedition January 2005 as the primary public works project management software. Currently the Contract Administration, Engineering, Facilities, Streets, Wastewater, and Water Divisions are utilizing this software application.
- Del Norte/Highway 101 Interchange - Started the studies for the PSR (Project Study Report) and the PDS (Project Development Support), which are scheduled to be completed and approved by Caltrans Fall 2005. The PR (Project Report), and the ED (Environmental Document) will begin during the first quarter of 2006.
- Project Map Update – Updated three successive times the City Project Map depicting a “snap shot” of all the major public works projects and their status. In addition, monitored and provided guidance to the Public Works construction projects, e.g., Oxnard Boulevard and Highway 101 Interchange Project, Redwood Trunk Phases I and II, Headworks, Americans with Disabilities Act (ADA) accessibility to the Water Division Administration Building, Blending Station No. 3 Pipe Line and Building.

Equipment Maintenance Division

- Procured and implemented an asset management system to better manage repairs and costs associated with maintenance and operation of the City’s \$25 million vehicle fleet. This state-of-the-art system accurately tracks 100 percent of maintenance and operation costs, provides web access to City customers, enables enhanced warranty use to save funding, and lowers overhead costs through advanced automation of previously manual processes.
- Initiated an aggressive program to revamp and improve the City’s compliance with Preventive Maintenance (PM) and Inspection requirements for all classes of vehicles, many of which are subject to regulation by California law. Developed new processes to monitor and track overdue PM

inspections and efficient methods to more quickly return vehicles to users, enhancing their mission accomplishment and customer service. Drove a 65 percent reduction in the overdue PM rate for the 750 vehicle fleet.

- Developed a strong advanced training system for City technicians to ensure currency on complex automotive systems and expanded the division's training program to include forklift certification training for all Public Works employees. The forklift certification training (required by OSHA) trained and certified 38 employees from four departments and ensured safe and legal operation. The advanced technician training was key to reduction of maintenance costs and rapid turnaround of equipment repairs. Nineteen technicians received advanced training in the first six months of the program.
- Developed a night shift for PM inspections and service of critically needed refuse equipment. The night shift allows off-hours service of the Solid Waste Division's 52 refuse vehicles, thereby maximizing availability of equipment during their daytime shift and minimizing driver overtime.
- Successfully modified 6 heavy refuse trucks to reduce diesel emissions and ensure compliance with U.S. Environmental Protection Agency (EPA) Voluntary Retrofit Program and the California Air Resources Board Diesel Risk Reduction Program. These extensive exhaust system modifications reduced hazardous pollutants by 15 to 30 percent.

Parks and Facilities Division

- Addition of new Graffiti Action Program Coordinator and crew.
- Ongoing major beach cleanup at Oxnard Shores area.
- Carty Park Concession/Storage Building Improvements Completed - All construction improvements have been completed for the new concession/storage building at Carty Park. The previous 35-year-old concession building was torn down. The new concession/storage building features masonry block construction and a metal roof with roll up metal counter doors, a new electrical and lighting system and new plumbing. In addition, food counter preparation areas, storage cabinets and separate storage areas for equipment and food needs were installed. The final touches to the building included the installation of refrigerators, grills, fryers and other miscellaneous smaller appliances, each of which were purchased and provided by the Mermaid Softball League. The new Carty Park concession/storage building was a much needed improvement to the park and the building was formally made available to the Mermaid Softball League on March 29, 2005.
- Corporate Yard Improvement Project - In March 2005, the Corporate Yard Improvement Project, Phases I and II, were completed. The improvements included site drainage systems and the addition of a clarifier to meet stormwater quality standards, construction of walls on the north and west sides of the facility to improve security of both City equipment and private vehicles, Americans with Disabilities Act (ADA) accessibility improvements to the three front building entrances, landscape improvements to the front of the facility, improvements to traffic flow through the facility and enhancements to vehicle and equipment parking areas, lighting and heating upgrades to the equipment maintenance bays, construction of additional rest room facilities and improvements to existing facilities including ADA accessibility improvements in three of the buildings, and other building-related improvements.

- Arbor Day - The City celebrated Arbor Day on Wednesday, March 23, 2005, at Johnson Creek Park. Three classes from Larsen Elementary School attended the event. Also present were members of City Council, City staff, State and local government officials. At the end of the ceremony, the students planted small tree seedlings into one-gallon pots they were able to take home with them. Three Tipu trees were planted as part of the ceremony. City also celebrated the twenty-second straight year qualifying as a “Tree City USA” through the National Arbor Day Foundation.
- Acceptance of improvements for the Westport Community Facility District.

Solid Waste Division

- Installation of solid waste management software system to automate and electronically track over 90,000 annual customer service orders. This system will also track equipment and parts inventories, waste and recyclable materials tonnage, daily refuse and recycling routes schedules, and container deliveries. This system allows for standard and custom information reporting in all aspects of solid waste operations.
- On April 5, 2005, City Council adopted a resolution authorizing the issuance of \$25,000,000 Solid Waste Revenue Refunding Bonds for the purpose of refinancing current bonds at a lower interest rate allowing an estimated net savings of \$1,200,000. The net savings and additional funds raised made it possible to utilize this low-interest bond financing for purchasing replacement equipment to improve the Division’s operation and maintenance program.
- The Del Norte Regional Recycling & Transfer Station (Del Norte) has made significant gains in recovering scrap steel and carpet. In Fiscal Year 2004-2005, an estimated 2,800 tons of scrap steel was recovered from the waste stream, up by 185 percent from last year. Recycled metal is in high demand due to China and other overseas countries using steel for building infrastructure. In Fiscal Year 2004-2005, an estimated 800 tons of carpet was diverted from the waste stream and recycled. The recycled carpet was processed into fiber particles that make underlay padding for new carpet. Recycling efforts at Del Norte contributed to meeting California State Assembly Bill 939 that mandates localities to divert materials from the landfills.
- Purchased Voice over Internet Protocol, the latest technology in phone systems and call centers. This new system will vastly increase call-handling capabilities and enhance customer service. The system will be fully operational in Fiscal Year 2005-2006.
- The California Integrated Waste Management Board awarded the City “Most Comprehensive Household Hazardous Waste Management/Used Oil Recycling Program 2005” in the State.

Streets Division

The Streets and Waterways Division provided repair and maintenance services for 465 lane miles of streets and alleys and 3.2 miles of inland waterway. Some of the capital improvement projects were capital improvement plan resurfacing and reconstruction projects, asphalt maintenance, sidewalk, curb and gutter repair, pavement striping and marking, traffic sign maintenance, street sweeping, alley cleanup and inland waterways maintenance.

- New Street Sweeping Frequency: The entire City was rerouted to alternating side street sweeping on June 7, 2005. The frequency provides residents with half the street for parking on street sweeping day and follows the day after solid waste collection. This has proven to make it easier for residents to relate these services and respond appropriately. A pilot route was posted for alternating side street sweeping in February 2004. This routing has reduced the number of citations being issued and allowed streets to be cleaned at a rate of twice per month.
- Mandalay Bay Dredging Project: The project removed approximately 37,900 yards of material from the channels of Mandalay Bay. Approximately 30,000 cubic yards were removed from the eastern portion of the development, which restored the channels to the original designed depth of -8 feet mean low water. The bid was low enough to allow for spot dredging in western Mandalay Bay areas at green belts and channel ends where cleaned. Western Mandalay Bay's channels have a depth range between -6.5 to -7.5 feet mean low water. The residents were very cooperative with moving their boats to accommodate the dredging operation.
- Oxnard Shores Residential Resurfacing Project: Completed the construction at a cost of \$2,327,658. This project reconstructed the residential streets (ways) and provides positive drainage for the storm drain system.
- Bard Road / Hueneme Road Arterial Resurfacing Project: Completed the construction, consisting of 397,950 square feet of arterial and commercial roadway at a cost of \$756,345.
- Initiated a Street Design Methodology: To integrate Geographic Information Systems (GIS), AutoCAD, and the Micropaver Database information to streamline the design process, provide cost savings, and minimize unforeseen conditions causing change orders.

Traffic Engineering Division

- Traffic signals were installed at Hueneme Road and Perkins Road, and Del Norte Boulevard and Sturgis Road.
- Safety enhancements were implemented at the signalized intersections of Rose Avenue and Channel Islands Boulevard, Gonzales Road and Rice Avenue, Gonzales Road and Ventura Road.
- Change out of incandescent light bulbs to LED bulbs was initiated for all traffic signal indications along Rose Avenue corridor.
- Issued 132 Work Orders for the installation or modification of signs and/or striping.
- Reviewed over 100 plans including traffic control, development services, planning and construction.

Transportation Planning

- Oxnard Boulevard interchange improvements on Highway 101 are 65 percent complete.

- Design for the Rice Avenue/Santa Clara Avenue interchange is 100 percent complete, and the City has purchased 31 percent of the required right-of-way.
- Continued management of the Oxnard Transportation Center (OTC) within budget. Previously, significant additional funding was required year after year to operate the center. No additional funding has been required since our division assumed management responsibility two years ago.
- Secured over \$8 million in federal transportation funding for Oxnard's transportation needs.
- Improved efficiency and effectiveness of the Harbor Beaches Dial-a-Ride (HBDAR) transit service.

Wastewater Division

- Headworks Project (design, funding & commencement of construction)
- Redwood Trunk Sewer Project (design, funding & commencement of construction)
- Septic System Conversion Project (design & funding)
- Yucca Street Storm Drain Project (design & commencement & completion of construction)
- Wastewater Collection System SCADA System Upgrade Project (design & commencement & completion of construction)

Water Division

- Administration Building and Emergency Power Building Upgrades. The Water Division completed significant upgrades to its Administration Building and Power Building Number 1, both located at the Blending Station Number 1 site. The upgrades significantly improve the buildings' seismic performance, energy efficiency, and Americans with Disabilities ("ADA") accessibility.
- Distribution System Cast Iron Mains Replacements: With assistance from the Engineering Division, the Water Division replaced over five miles of aging cast iron distribution mains in the neighborhood bounded by Hill Street, Kamala Street, Ventura Road, and "J" Street. The project will greatly improve fire hydrant flows, reduce rusty water problems, and eliminate water outages due to leaks in the neighborhood.
- Automated Meter Reading ("AMR") Conversion: Water Division staff continued to replace existing conventional meters with AMR meters and installed AMR meters on all new water services. Currently, nearly 20,000 AMR meters are in service. Staff has replaced approximately 58 percent of existing meters over the past few years. The AMR meters improve reading accuracy and efficiency.

- **GREAT Desalter:** The Water Division has nearly completed construction of the Permeate Tank, which is the first phase of the Groundwater Recovery Enhancement and Treatment (“GREAT”) Desalter Project, at the Blending Station Number 1 site. The Division is wrapping up design work on the Desalter facility itself, which will remove minerals from local groundwater and produce approximately 7.5 million gallons per day of treated water, improving the quality of the water served to customers. The Desalter Project should be out to bid in fall 2005 and construction completed in early 2007.
- **Relocation of Blending Station No. 3:** The Blending Station Number 3 Relocation Project is a result of the MTBE contamination from a leaking buried gasoline tank at the existing blending station site. The Division has nearly completed construction of the new supply and blended water pipelines to the new site, and has started construction on the new facility itself. The new Blending Station Number 3 should be completed in 2006.
- **Conservation Outreach Programs:** The City became a signatory to the Memorandum of Understanding of the California Urban Water Conservation Council during the fiscal year, and continued to promote responsible stewardship of water resources through the following programs: High-Efficiency Clothes Washer Rebate Program, Ultra Low Flush Toilet Rebate Program, Children’s Science Theater, Molly Cool and Friends School Assemblies, Calendar and Poster Contest, and the Children’s Water Exploratorium.
- **Blending Station Number 5:** The Water Division purchased property and initiated design of Blending Station Number 5, located on Pleasant Valley Road, which will improve fire flows in the southern portion of the City.

RECREATION AND COMMUNITY SERVICES DEPARTMENT

Accomplishments for Fiscal Year 2004-2005 are outlined below:

- 2005 Recipient of the Work/LIFE Employer from the Child Care Planning Council of Ventura County.
- 2005 CPRS District VIII, Outstanding Facility Design Award, Bedford Pinkard Skate Park.
- The City was recognized by the National Recreation & Park Association and Sports Illustrated in the Sports Illustrated 50th Anniversary Sportstown competition.
- City Corps Program received a 2004-2005 Ventura County Science Fair Special Sponsor Award.
- 2004, Oxnard Chamber of Commerce, Young Woman of the Year, Olga Fernandez, Young Man of the Year, Terrel Harrison. Both Mrs. Fernandez and Mr. Harrison work for the Recreation and Community Services Department.
- Colonia Boxing Center received five Gold and two Silver Medals in the Junior Golden Gloves Tournament, three Gold, two Silver and one Bronze Medal in the Blue and Gold Tournaments and three Gold Medals in the Arizona Tournament.

Youth Development Program

- Police Activities League received three National Boxing Champions and one in Olympic trials, two awards for hosting CA PAL State Boxing Tournaments in 2003 and 2004. PAL hosts eight junior high/high school dances a year serving up to 1,000 youth per dance.
- City Corps Program performed 1,255 projects during 2004, completed more than 1,500 projects by June 30, 2005, and worked with 64 agencies and organizations to provide work and service-learning opportunities to youth and adolescents. The Program works with partner agencies to provide training and service activities for 55 gang-oriented youth and adolescents.
- The Southwinds, Durley, and Colonia Center activities included a Summer Lunch Program that served more than 750 free lunches to children and young adults daily for six weeks.
- The Colonia Recreation Pool Program registered over 750 children.

Senior Services Program RSVP(Retired Senior Volunteer Program)

- Provided over 100,000 volunteer hours to 100 work sites. The value invested back into the community is \$1.6 million.

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 ten-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 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. During Fiscal Year 2004-2005, supplemental budget appropriations approximating \$27,766,483 were made.

Another important focus of the City budget was the capital improvement plan (CIP) . Capital improvement projects are closely related to the enterprise funds and numerous other funds throughout the City. In order to ensure that the CIP element received adequate review and scrutiny, the City Council conducted a study session to consider the capital improvements.

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 2004-2005 was \$177,877,329 which earned \$8,314,861, an average rate of 2.76 percent. At June 30, 2005, \$128,429,379 or 36.63 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's Treasury.

Interest earnings on investments for the last three fiscal years are as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental funds	\$ 3,911,106	\$ 4,547,276	\$ 3,858,978
Proprietary funds and internal service funds	4,403,755	2,370,706	2,292,082
Total	<u><u>\$ 8,314,861</u></u>	<u><u>\$ 6,917,982</u></u>	<u><u>\$ 6,151,060</u></u>
Average annual yield	2.76%	3.29%	3.78%

Interest income in Fiscal Year 2004-2005 increased 21.39 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 2004-2005 was \$801,412. The City paid \$305,779 for its excess workers' compensation insurance in Fiscal Year 2004-2005.

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

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, 2004.


This was the sixteenth consecutive year the City has received this prestigious award from GFOA, which reflects 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 possible 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. We wish to express our 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, and department directors for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,


Marcie Medina
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, 2004

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

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2003-04

Presented to the

City of Oxnard

*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2005

William A. Thomas

Bill Thomas, Chair
Professional & Technical Standards Committee



Dedicated to Excellence in Municipal Financial Management

City of Oxnard, California

CITY COUNCIL



ANDRES HERRERA
Mayor Pro Tem



DEAN MAULHARDT
Councilmember



DR. THOMAS E. HOLDEN
Mayor



JOHN C. ZARAGOZA
Councilmember

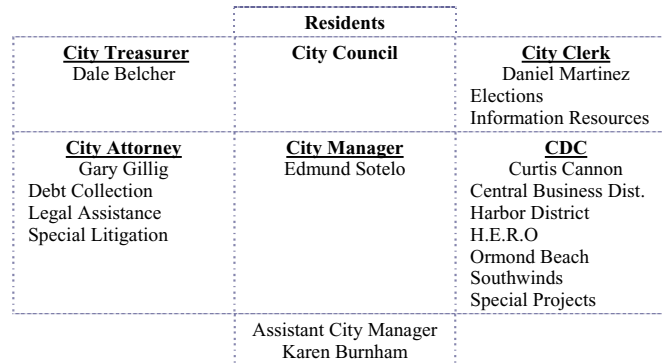


TIMOTHY B. FLYNN
Councilman



EDMUND F. SOTELO
City Manager

City of Oxnard Organizational Chart



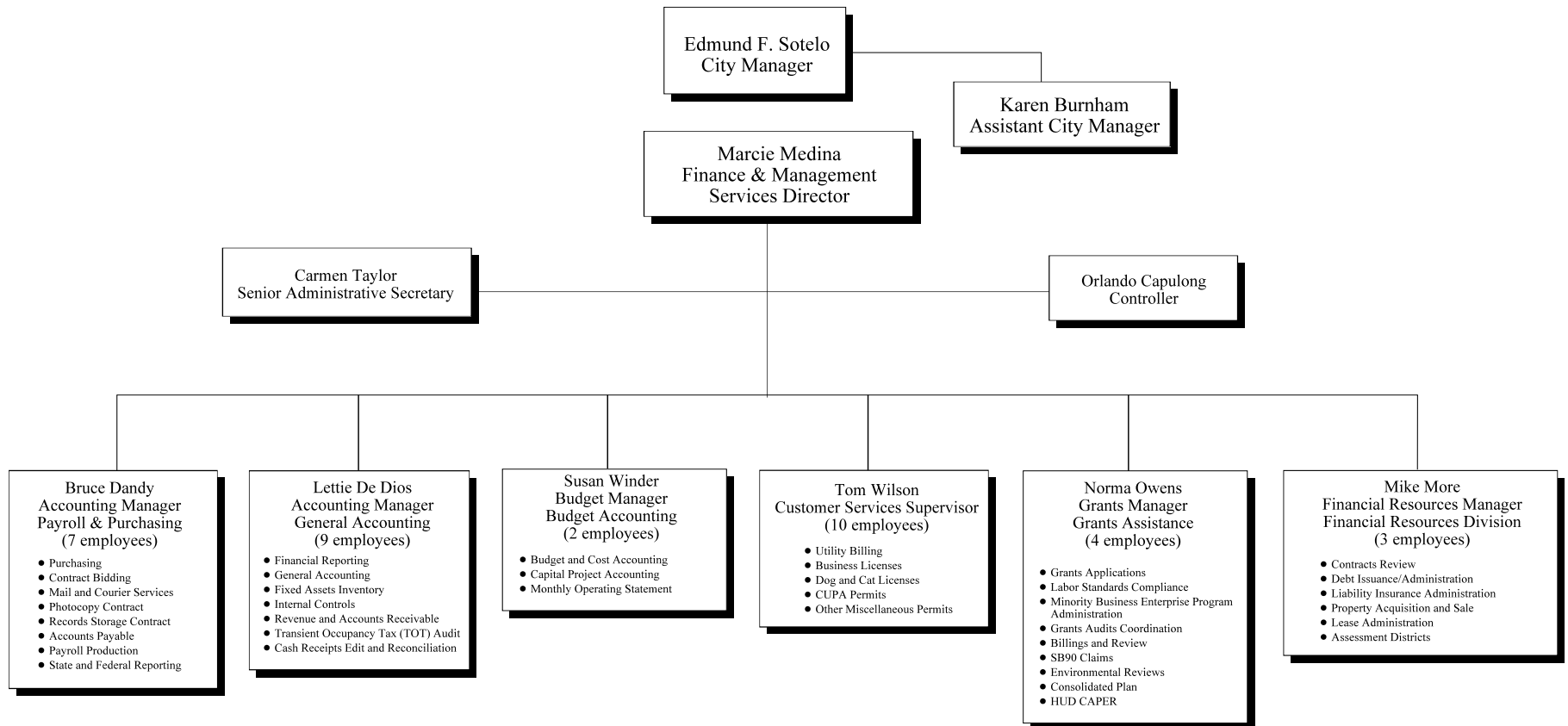
KAREN BURNHAM
Assistant City Manager

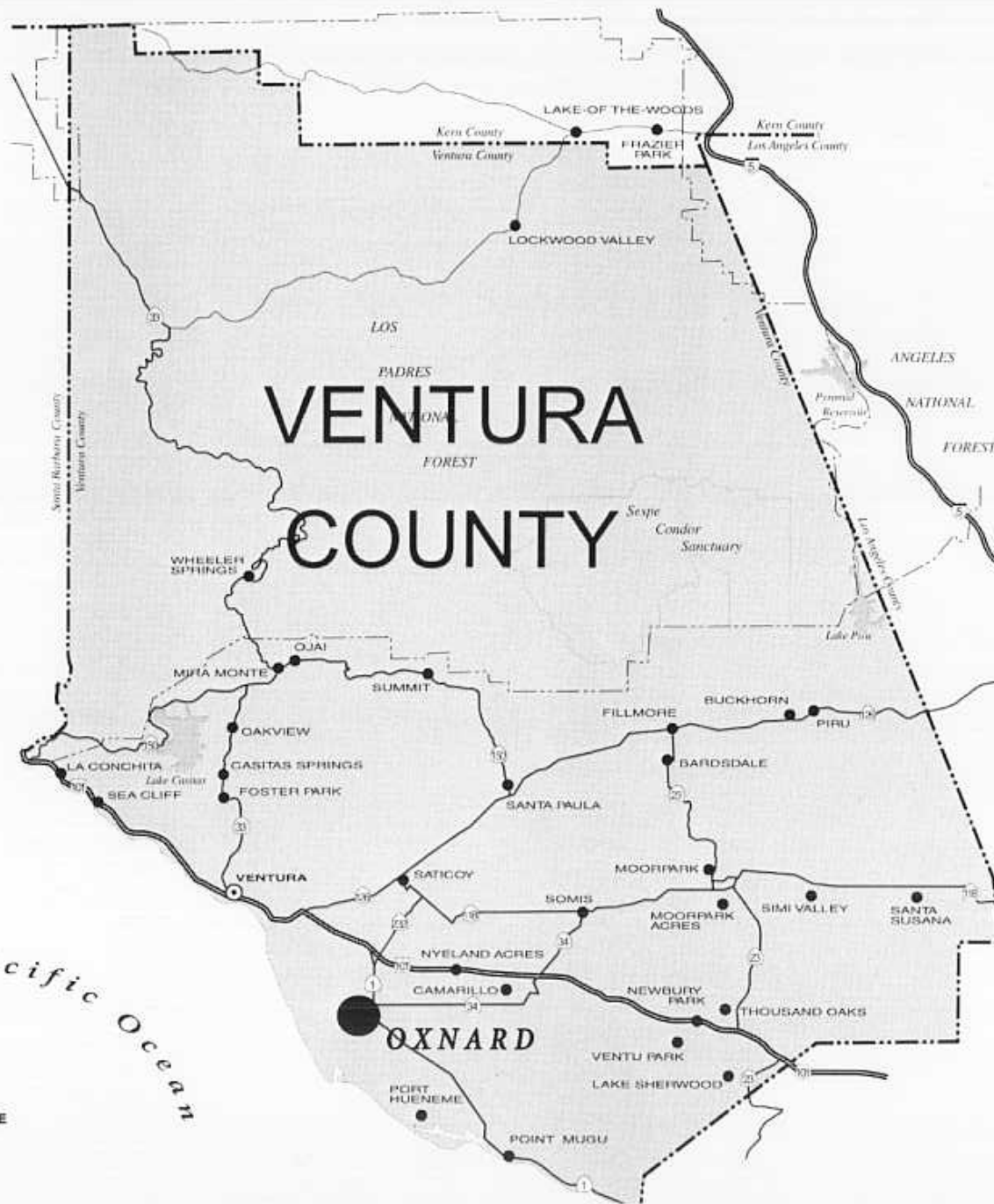
<u>Police</u>	<u>Fire</u>	<u>Housing</u>	<u>Finance</u>	<u>Recreation and Community Services</u>	<u>Development Services</u>	<u>Public Works</u>	<u>City Manager</u>	<u>Human Resources</u>	<u>Library</u>
John Crombach	Joe Milligan	Sal Gonzalez	VACANT	VACANT	Matt Winegar	VACANT	Edmund Sotelo	Rachel Shaw	Barbara Murray
Administrative Services (Brian MacDonald) Emergency Communications Professional Standards Support Services Field Operations (Mike Matlock) Code Enforcement Community Patrol Investigative Services (Charles Hookstra) Investigative Services Special Services	Disaster Preparedness (Darwin Base) Emergency Services (Terry McAnally) (Michael O'Malia) (Chris Donabedian) Fire Prevention (Tom Waller) CUPA (Steve Mattern)	Administrative Services (Carrie Sabatini) Affordable Housing (Ernie Whitaker) Housing Assistance (Arturo Casillas) Modernization (Ruben Andrade) Property Services (Rick Shear)	Budget and Capital Improvement (Susan Winder) Budget Capital Improvement Projects Customer Service (Tom Wilson) Business Licensing Utility Billing Financial Resources (Mike More) Debt & Property Management Liability Management General Accounting (Lettie De Dios) Accounting Grants Management (Norma Owens) Grants Assistance Payroll & Purchasing (Bruce Dandy) Mail Service Payroll & Benefits Purchasing	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 Support Development Services (Rob Roshanian) Development Services Planning (Vacant) Planning & Environmental Services	Streets & Waterways (Daniel Rydberg) Inland Waterways Parking Lots Street Maintenance & Repair Traffic Signs & Markings Engineering Services (Rob Roshanian) Construction Services Design Equipment Maintenance (Dan Berlenbach) Parks & Facilities (Michael Henderson) Facilities Maintenance Landscape Assessment & Graffiti Removal Park/Facility Development Parks Maintenance River Ridge Golf Course Street Lighting	Solid Waste Reduction and Disposal (Don Smith) Collection Planning Processing & Disposal Waste Reduction Transportation (Martin Erickson) Traffic Engineering & Services Transportation Planning & Services Wastewater (Mark Norris) Flood Control Storm Water Quality Technical Services Treatment Services Water (Ken Ortega) Distribution Procurement Production Water Services	Operations Budget Cable Television Community Relations Legislative Neighborhood Services Public Information Special Projects Information Systems (Grace Hoffman) Citywide Network Support Document Publishing Services Geographic Information Systems Help Desk Municipal Software Support Telecommunications Support	Employee Benefits Employee Training Human Resources Labor Negotiations Safety & Wellness Workers' Compensation Carnegie Art Museum Circulation and Branch Services Community Outreach Public Services Support Services

Structure: **Department** - Department Director - **Division** - (Division Manager) - Program

CITY OF OXNARD, CALIFORNIA

FINANCE DEPARTMENT





VICINITY MAP





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, 2005, 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 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, 2005, and the respective changes in financial position and cash flows, where applicable, 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 October 20, 2005, on our consideration of the City of Oxnard, State of 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 conjunction with this report in considering the results of our audit.

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

The management's discussion and analysis and required supplementary information on pages 3 through 17 and 77 through 85 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 non-major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements 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 section and statistical tables 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.



Oxnard, California
October 20, 2005

Management's Discussion and Analysis

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, 2005. Please read this discussion and analysis in conjunction with the accompanying transmittal letter (page i), the basic financial statements (page 18), 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:

Management's Discussion and Analysis (continued)

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, solid waste 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

Management's Discussion and Analysis (continued)

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, 2005, were:

	2005	2004	Increase (Decrease)
Net Assets			
Invested in capital assets, net of related debt	\$ 229,616,392	\$ 163,866,751	\$ 65,749,641
Restricted	23,879,998	19,891,555	3,988,443
Unrestricted	219,535,696	250,371,602	(30,835,906)
Total net assets	<u>\$ 473,032,086</u>	<u>\$ 434,129,908</u>	<u>\$ 38,902,178</u>

The total net assets of the City increased 8.96 percent from \$434.1 million at June 30, 2004, to \$473.0 million at June 30, 2005. The increase of \$38,902,178 derives from 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, 2005:

	2005	2004	Increase (Decrease)
Current assets	\$ 171,535,190	\$ 166,686,780	\$ 4,848,410
Capital assets (net of accumulated depreciation)	186,481,249	161,750,881	24,730,368
Properties held for resale	4,811,047	4,854,250	(43,203)
Other assets	261,146	181,814	79,332
Total assets	<u>363,088,632</u>	<u>333,473,725</u>	<u>29,614,907</u>
Current liabilities	51,198,751	50,672,527	526,224
Non-current liabilities	83,089,563	74,673,693	8,415,870
Total liabilities	<u>134,288,314</u>	<u>125,346,220</u>	<u>8,942,094</u>
Net assets:			
Invested in capital assets, net of related debt	131,874,401	104,613,981	27,260,420
Restricted	16,183,475	12,510,935	3,672,540
Unrestricted	80,742,442	91,002,589	(10,260,147)
Total net assets	<u>\$ 228,800,318</u>	<u>\$ 208,127,505</u>	<u>\$ 20,672,813</u>

At the end of Fiscal Year 2004-2005, the current assets are 47.24 percent of the total assets with the remaining 52.76 percent representing capital assets, net of accumulated depreciation, properties held for resale and other assets. The current liabilities are 38.13 percent of the total

Management's Discussion and Analysis (continued)

liabilities. The current ratio for governmental activities at the end of the year is \$3.35 of current assets for every \$1.00 of current liabilities. Of the total net assets, 57.64 percent was invested in capital assets, 7.07 percent was restricted, and the remaining 35.29 percent represented unrestricted which is available for future operations.

Net assets of the City's governmental activities as of June 30, 2005, and 2004 are comprised of the following:

	2005	2004	Increase (Decrease)
Invested in capital assets, net of related debt	\$ 131,874,401	\$ 104,613,981	\$ 27,260,420
Restricted	16,183,475	12,510,935	3,672,540
Unrestricted	80,742,442	91,002,589	(10,260,147)
Total net assets	<u>\$ 228,800,318</u>	<u>\$ 208,127,505</u>	<u>\$ 20,672,813</u>

The net assets of the City from governmental activities increased 9.93 percent from \$208.1 million at June 30, 2004, to \$228.8 million at June 30, 2005. The increase of \$20,672,813 is mainly due to increase in capital assets net of related debt and restricted due to an increase in encumbrances related to Community Development Commission and City commitment to a commercial developer.

The cost of all governmental activities during Fiscal Year 2004-2005 was \$129,276,268. The amount that the City's taxpayers ultimately financed, however, was only \$71,271,081. Some of the cost of governmental activities was paid by those who directly benefitted from the programs (\$37,750,600) or by other government agencies and organizations that subsidized certain programs with operating grants and contributions (\$20,254,587).

Overall, the City generated program revenues from governmental activities amounting to \$58,005,187. The remaining cost of governmental

activities (\$71,271,081) 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, 2005:

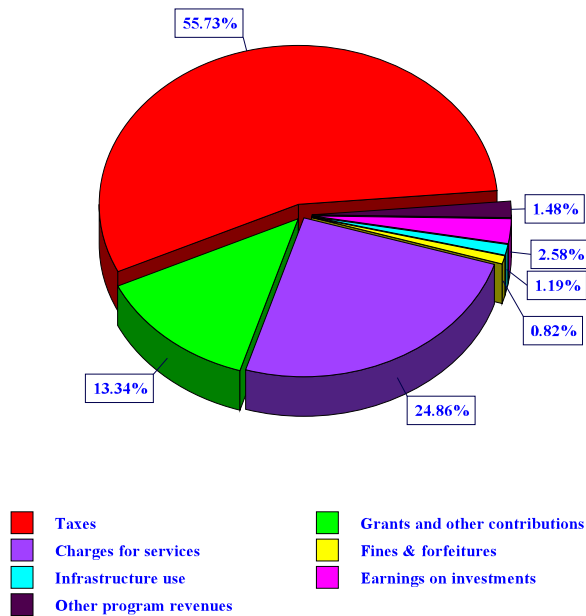
	2005	2004	Increase (Decrease)
Program revenues:			
Charges for services	\$ 37,750,600	\$ 28,845,996	\$ 8,904,604
Operating grants and other contributions	20,254,587	34,560,771	(14,306,184)
General revenues:			
Taxes	84,617,850	69,686,375	14,931,475
Fines and forfeitures	1,248,242	1,198,457	49,785
Infrastructure use	1,809,146	1,809,146	—
Other program revenue	2,240,492	4,809,674	(2,569,182)
Interest on investments	3,911,106	4,547,276	(636,170)
Total revenues	<u>151,832,023</u>	<u>145,457,695</u>	<u>6,374,328</u>
Expenses:			
General government	13,646,432	12,911,930	734,502
Public safety	68,542,046	58,758,103	9,783,943
Transportation	9,912,068	8,595,630	1,316,438
Community development	18,937,934	18,590,562	347,372
Culture and leisure	12,018,761	11,177,403	841,358
Libraries	3,919,671	3,940,974	(21,303)
Interest on long-term debt	2,299,356	2,305,762	(6,406)
Total expenses	<u>129,276,268</u>	<u>116,280,364</u>	<u>12,995,904</u>
Change in net assets	22,555,755	29,177,331	(6,621,576)
Transfers out	(1,882,942)	(1,778,579)	(104,363)
Changes in net assets - governmental activities	<u>\$ 20,672,813</u>	<u>\$ 27,398,752</u>	<u>\$ (6,725,939)</u>
Net assets - July 1	<u>208,127,505</u>	<u>180,728,753</u>	<u>27,398,752</u>
Net assets - June 30	<u>\$ 228,800,318</u>	<u>\$ 208,127,505</u>	<u>\$ 20,672,813</u>

Management's Discussion and Analysis (continued)

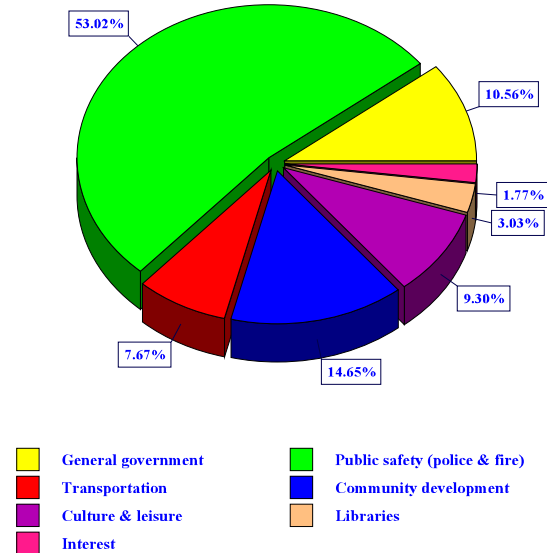
Governmental activities Sources of revenues:	2005	2004	Increase (Decrease)
Taxes	\$ 84,617,850	\$ 69,686,375	\$ 14,931,475
Grants and other contributions	20,254,587	34,560,771	(14,306,184)
Charges for services	37,750,600	28,845,996	8,904,604
Fines and forfeitures	1,248,242	1,198,457	49,785
Infrastructure	1,809,146	1,809,146	—
Earnings on investments	3,911,106	4,547,276	(636,170)
Other program revenues	2,240,492	4,809,674	(2,569,182)
Total	<u>\$ 151,832,023</u>	<u>\$ 145,457,695</u>	<u>\$ 6,374,328</u>

Governmental activities Functional expenses:	2005	2004	Increase (Decrease)
General government	\$ 13,646,432	\$ 12,911,930	\$ 734,502
Public safety (police and fire)	68,542,046	58,758,103	9,783,943
Transportation	9,912,068	8,595,630	1,316,438
Community development	18,937,934	18,590,562	347,372
Culture and leisure	12,018,761	11,177,403	841,358
Libraries	3,919,671	3,940,974	(21,303)
Interest	2,299,356	2,305,762	(6,406)
Total	<u>\$ 129,276,268</u>	<u>\$ 116,280,364</u>	<u>\$ 12,995,904</u>

Sources of Revenues

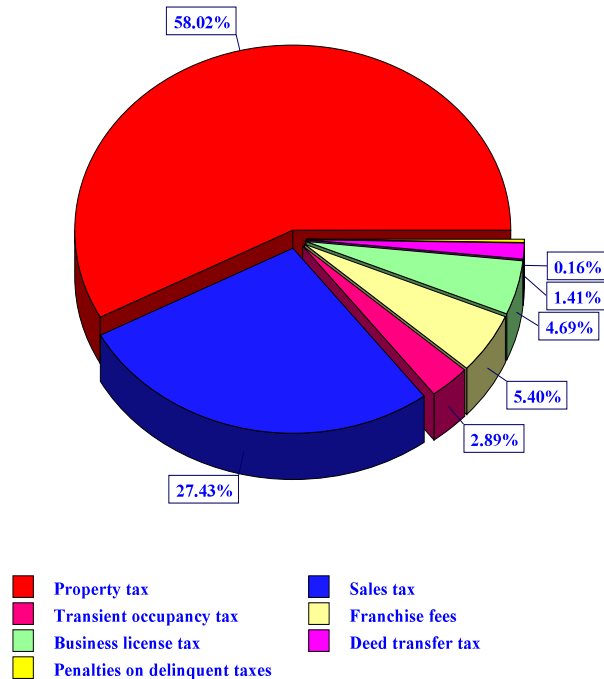


Functional Expenses



Management's Discussion and Analysis (continued)

Sources of Tax Revenues



The City's total sources of revenue showed a major increase of \$6,374,328 as compared to last fiscal year. The major increase in sources of revenue in Fiscal Year 2004-2005 came from taxes (\$14,931,475), followed by charges for services (\$8,904,604) and fine and forfeitures (\$49,785). However, operating grants and other contributions showed decreases of (\$14,306,184), other program revenues (\$2,569,182), and

earnings on investments (\$636,170), respectively. Overall revenue increases offset revenue decreases with a net revenue increase of 4.38 percent during the fiscal year.

Taxes, which are the largest source of revenue for the City, increased by \$14,931,475 or 21.43 percent, which is due to an increase in property tax (\$13,851,488), sales tax (\$440,283) and franchise tax (\$853,289), however, a decrease in business licenses (\$418,273) and penalties and interest (\$55,405). The continued construction and sale of new residential houses contributed to the increase in property taxes. Also, the City's sales tax increased by 1.93 percent or \$440,283. The reduced investment earnings of \$636,170 attributed to lower investment yields.

Sources of tax revenues for the fiscal years ended June 30, 2005, and 2004 are as follows:

Sources of tax:	2005	2004	Increase (Decrease)
Property tax	\$ 49,096,920	\$ 35,245,432	\$ 13,851,488
Sales tax	23,212,641	22,772,358	440,283
Transient occupancy tax	2,445,468	2,222,553	222,915
Franchise fees	4,572,206	3,718,917	853,289
Business license tax	3,967,972	4,386,245	(418,273)
Deed transfer tax	1,196,393	1,159,215	37,178
Penalties on delinquent taxes	126,250	181,655	(55,405)
Total	\$ 84,617,850	\$ 69,686,375	\$ 14,931,475

Management's Discussion and Analysis (continued)

Business-Type Activities

The following schedule summarizes the financial condition of the City's business-type activities at June 30, 2005:

	2005	2004	Increase (Decrease)
Current assets	\$ 176,790,447	\$ 182,762,774	\$ (5,972,327)
Capital assets (net of accumulated depreciation)	324,614,707	267,215,166	57,399,541
Other assets	1,630,237	630,608	999,629
Total assets	<u>503,035,391</u>	<u>450,608,548</u>	<u>52,426,843</u>
Current liabilities	18,987,637	15,017,621	3,970,016
Non-current liabilities	239,815,986	209,588,524	30,227,462
Total liabilities	<u>258,803,623</u>	<u>224,606,145</u>	<u>34,197,478</u>
Net assets:			
Invested in capital assets (net of related debt)	97,741,991	59,252,770	38,489,221
Restricted	7,696,523	7,380,620	315,903
Unrestricted	138,793,254	159,369,013	(20,575,759)
Total net assets	<u>\$ 244,231,768</u>	<u>\$ 226,002,403</u>	<u>\$ 18,229,365</u>

The business-type activities showed a positive current ratio at June 30, 2005 - \$9.31 of current assets for every \$1.00 of current liabilities. Of the total net assets, 40.02 percent was invested in capital assets, 3.15 percent represented restricted net assets, and 56.83 percent was unrestricted which is available for future operations.

Net assets of the City's business-type activities as of June 30, 2005, and 2004 are as follows:

	2005	2004	Increase (Decrease)
Invested in capital assets, net of related debt	\$ 97,741,991	\$ 59,252,770	\$ 38,489,221
Restricted for:			
Debt service	7,696,523	7,380,620	315,903
Unrestricted	138,793,254	159,369,013	(20,575,759)
Total net assets	<u>\$ 244,231,768</u>	<u>\$ 226,002,403</u>	<u>\$ 18,229,365</u>

The net assets of the City's business-type activities increased 8.07 percent from \$226.00 million at June 30, 2004, to \$244.23 million at June 30, 2005. The increase of \$18,229,365 is primarily due to an increase in invested in capital assets net of related debt and an increase in restricted for debt service.

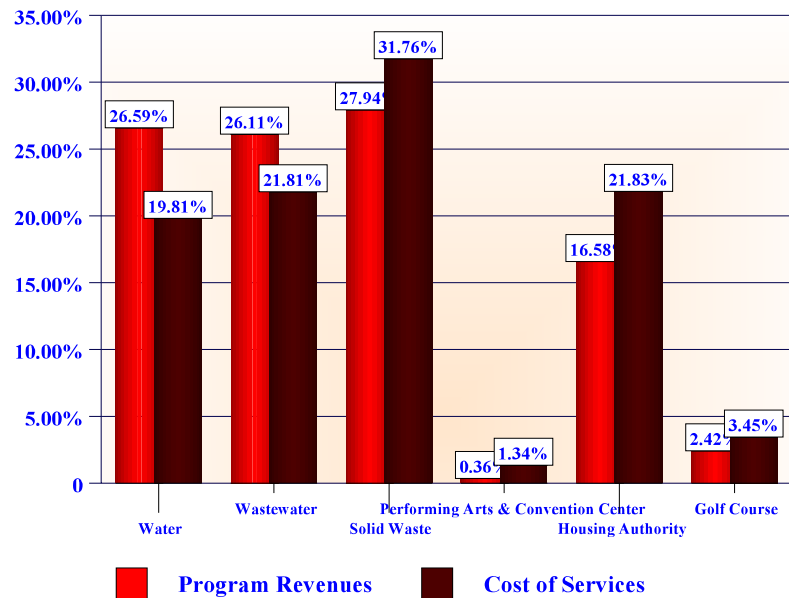
Total expenses for business-type activities for the year ended June 30, 2005, was \$116,854,140. Program revenues are primarily comprised of charges for services in the amount of \$129,115,686.

General revenues consist of earnings on investments \$4,486,577. Transfers from governmental activities amounted to \$1,481,242.

The City's business-type activities include: Water, Wastewater, Solid Waste, Performing Arts and Convention Center, Oxnard Housing Authority, and River Ridge Golf Course.

Management's Discussion and Analysis (continued)

Business-Type Activities



The following table presents the changes in net assets for business-type activities for the year ended June 30, 2005:

	2005	2004	Increase (Decrease)
Program revenues:			
Charges for services	\$ 129,115,686	\$ 115,782,822	\$ 13,332,864
General revenues:			
Earnings on investments	4,486,577	2,080,206	2,406,371
Total revenues	133,602,263	117,863,028	15,739,235
Expenses:			
Water	23,152,648	23,636,082	(483,434)
Wastewater	25,482,133	18,960,096	6,522,037
Solid waste	37,117,879	35,070,009	2,047,870
Performing arts and convention center	1,565,920	1,402,812	163,108
Oxnard housing authority	25,507,125	24,462,843	1,044,282
Municipal golf course	4,028,435	3,130,165	898,270
Total expenses	116,854,140	106,662,007	10,192,133
Changes in net assets before transfers	16,748,123	11,201,021	5,547,102
Transfers in	1,481,242	1,488,793	(7,551)
Changes in net assets - business-type activities	\$ 18,229,365	\$ 12,689,814	\$ 5,539,551

The chart on the left illustrates the comparison of the program revenues (charges for services) against the total cost of services.

Management's Discussion and Analysis (continued)

FINANCIAL ANALYSIS OF CITY'S MAJOR FUNDS

General Fund

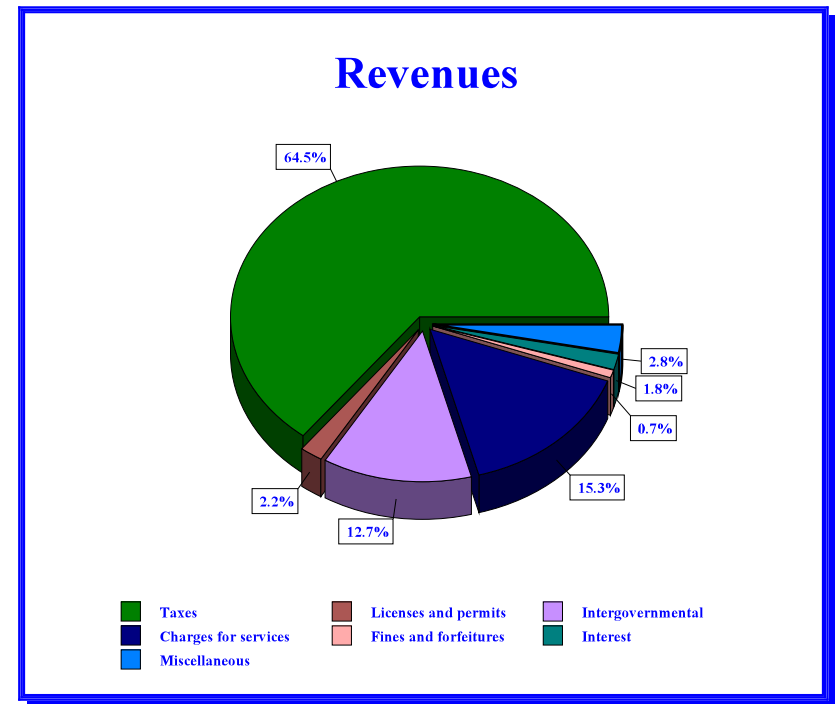
The General Fund accounts for all financial resources traditionally associated with government activities that are not required legally to be accounted for in another fund.

The General Fund ended the year with a fund balance of \$23,398,395, which is a decrease of \$3,180,591 as compared to the prior fiscal year. The fund balance is designated into categories for legally reserved or restricted (\$4,201,060) and unreserved, undesignated fund balance available for future operations (\$19,197,335). 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, 2005, were \$97,905,723. The revenues increased by \$11,492,196 (13.30 percent). This increase is due primarily to an increase in taxes (\$11,448,001), and charges for services (\$4,083,846) offset by a decrease in intergovernmental (\$3,356,729) and licenses and permits (\$65,781).

General Fund expenditures, including transfers out, for the year ended June 30, 2005, reported an increase of \$13,442,780 from \$87,643,534 in Fiscal Year 2003-2004 to \$101,086,314 in Fiscal Year 2004-2005. Major increases were in public safety (\$3,882,285), transportation (\$534,986), culture and leisure and library revenues (\$304,571), general government (\$369,761) and community development (\$2,769,582). 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.

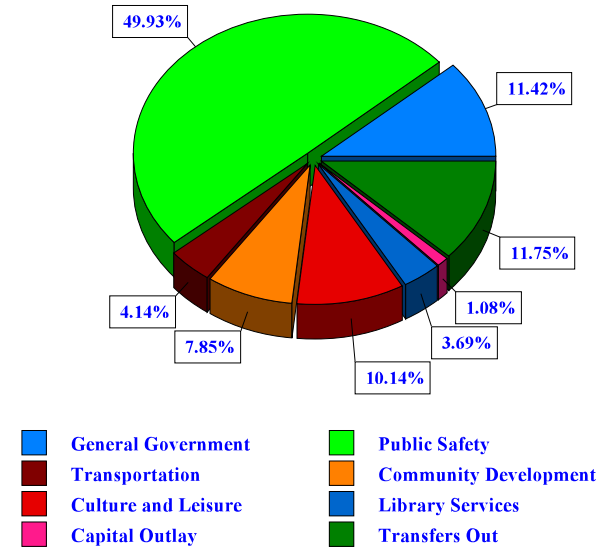


Management's Discussion and Analysis (continued)

General fund revenues:	2005	2004	Increase (Decrease)
Taxes	\$ 63,143,970	\$ 51,695,969	\$ 11,448,001
Licenses and permits	2,116,934	2,182,715	(65,781)
Intergovernmental	12,468,242	15,824,971	(3,356,729)
Charges for services	14,994,785	10,910,939	4,083,846
Fines and forfeitures	658,454	643,934	14,520
Interest	1,759,629	2,457,348	(697,719)
Miscellaneous	2,763,709	2,697,651	66,058
Total	<u>\$ 97,905,723</u>	<u>\$ 86,413,527</u>	<u>\$ 11,492,196</u>

General fund expenditures:	2005	2004	Increase (Decrease)
General government	\$ 11,541,781	\$ 11,172,020	\$ 369,761
Public safety	50,470,467	46,588,182	3,882,285
Transportation	4,187,456	3,652,470	534,986
Community development	7,932,500	5,162,918	2,769,582
Culture and leisure	10,248,086	9,943,515	304,571
Library services	3,731,437	3,818,769	(87,332)
Capital outlay	1,090,198	1,118,408	(28,210)
Transfers out	11,884,389	6,187,252	5,697,137
Total	<u>\$ 101,086,314</u>	<u>\$ 87,643,534</u>	<u>\$ 13,442,780</u>

Expenditures



Major Special Revenue Funds

Development Fees Fund:

Growth and development fees revenue for the year was \$11,192,773, which is 7.37 percent of the City's total revenues, as compared to 6.98 percent for prior year. Expenditures and transfers out totaled \$8,953,191 as compared to \$7,170,180 for prior year. The increase of 24.87 percent is due to capital outlay.

HUD and CDBG Grants Fund:

Grant revenue for this fund totaled \$3,446,786, as compared to \$5,893,824 for prior fiscal year. The decrease of \$2,447,038 is due to a decrease in grant funding in the HUD and CDBG grants program. Expenditures for the Fiscal Year 2004-2005 totaled \$3,446,786 and \$5,893,824 for prior fiscal year. The decrease of \$2,447,038 is due to community development and capital outlay expenditures.

Management's Discussion and Analysis (continued)

State and Federal Grants Fund:

During Fiscal Year 2004-2005, this fund generated a total revenue of \$17,599,729, consisting of 56.33 percent of voter-approved property tax for public safety supplemental retirement; 35.64 percent of grant revenues (related primarily to transportation and public safety grants) and the remaining 8.03 percent representing miscellaneous revenues. For the fiscal year, the fund showed an excess (deficit) of revenues over expenditures (\$1,667,290), decreasing the fund balance to \$10,612,406.

Capital Outlay Fund and Community Development Commission Fund:

The Capital Outlay Fund showed a decrease in fund balance of \$3,961,040, the Community Development Commission Fund showed an increase of \$4,698,279, and the Debt Service Fund an increase in balance of \$227,334. 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 Solid Waste. 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 \$16,183,900 as compared to the prior fiscal year. Similarly, expenses

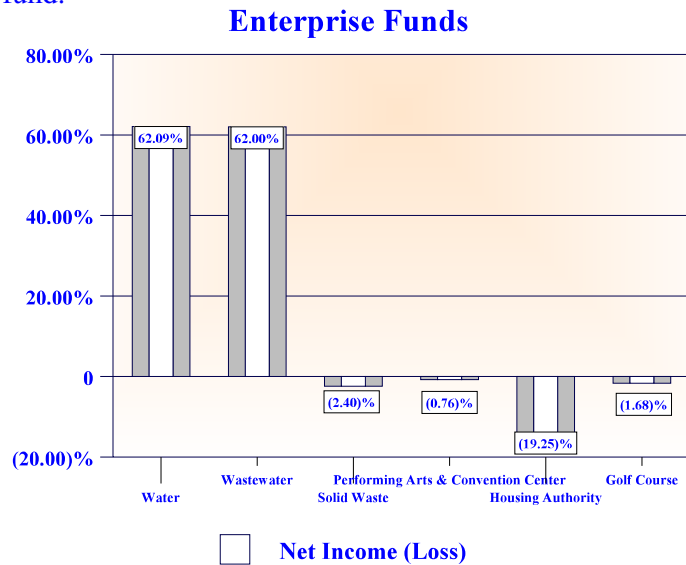
indicated an increase totaling \$4,131,426 in Fiscal Year 2005. Total net income for the year ended June 30, 2005, was \$18,551,799, which increased net assets to \$244,231,768 (after allocating Internal Services Funds losses) from \$226,002,404 as of the prior year end.

The following presents the net income (loss) for the City's enterprise funds for the years ended June 30, 2005, and 2004:

	2005	2004	Change
Water	\$ 11,519,332	\$ 5,696,492	\$ 5,822,840
Wastewater	11,501,918	4,531,308	6,970,610
Solid waste	(445,374)	(1,475,691)	1,030,317
Performing arts and convention center	(140,612)	(92,466)	(48,146)
Oxnard housing authority	(3,570,611)	(1,388,700)	(2,181,911)
Municipal golf course	(312,854)	5,016,531	(5,329,385)
Total	<u>\$ 18,551,799</u>	<u>\$ 12,287,474</u>	<u>\$ 6,264,325</u>

Management's Discussion and Analysis (continued)

Overall, the enterprise funds continue to exhibit a positive financial position at June 30, 2005, 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, 2005, amounts to \$511,095,956 (net of accumulated depreciation). The City's capital assets include land, land improvements, buildings, improvements other than buildings (systems,

machinery and equipment, and construction in progress). The City's investments in capital assets increased by 40.12 percent from the prior year. The majority of this increase related to governmental activities (\$27,260,420) and business-type activities (\$38,489,221).

Major capital assets additions during Fiscal Year 2004-2005 included the following:

- Acquisitions of equipment, solid waste trucks, police vehicles and computer equipment
- Construction in progress for water, wastewater and solid waste 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, 2005:

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 24,763,116	\$ 22,634,583	\$ 22,164,745	\$ 22,164,745	\$ 46,927,861	\$ 44,799,328
Land improvements	110,590	125,240	—	—	110,590	125,240
Construction in progress	22,605,158	60,883,905	98,339,137	101,582,806	120,944,295	162,466,711
Buildings	23,835,515	19,581,718	28,877,659	29,323,113	52,713,174	48,904,831
Improvements other than buildings	105,551,621	49,706,459	169,892,411	107,183,406	275,444,032	156,889,865
Machinery and equipment	9,615,249	8,818,976	5,340,755	6,961,096	14,956,004	15,780,072
Total	<u>\$ 186,481,249</u>	<u>\$ 161,750,881</u>	<u>\$ 324,614,707</u>	<u>\$ 267,215,166</u>	<u>\$ 511,095,956</u>	<u>\$ 428,966,047</u>

Management's Discussion and Analysis (continued)

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, 2005, the City's long-term debt outstanding, including compensated absences was \$306,381,175. Of this total, \$66,663,224 was in governmental activities and \$239,717,951 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, 2005:

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Tax allocation bonds	\$ 18,546,589	\$ 19,086,766	\$ —	\$ —	\$ 18,546,589	\$ 19,086,766
Revenue bonds	21,607,009	22,874,301	234,909,067	210,783,118	256,516,076	233,657,419
Capital leases	1,412,398	1,729,354	2,469,070	2,916,139	3,881,468	4,645,493
Notes and loans payable	5,205,852	5,621,475	—	—	5,205,852	5,621,475
Certificate of participation	<u>7,835,000</u>	<u>8,045,000</u>	<u>—</u>	<u>—</u>	<u>7,835,000</u>	<u>8,045,000</u>
Total	<u>\$ 54,606,848</u>	<u>\$ 57,356,896</u>	<u>\$ 237,378,137</u>	<u>\$ 213,699,257</u>	<u>\$ 291,984,985</u>	<u>\$ 271,056,153</u>

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, 2005, amounted to \$3,881,468.

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, 2005, this limit was \$1,671,493,283.

Management's Discussion and Analysis (continued)

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 77 through 84. 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 11.97 percent. The components of this increase are briefly summarized as follows: \$70,000 increase is for City Attorney Special Litigation services in connection with the environmental review and permitting processes; \$82,801 is for Oxnard Convention and Visitors Bureau; \$500,000 is for

Planning and Environmental Services temporary staffing and hardware/software for document imaging and funding for the 2020 General Plan Update; \$209,450 is for Fire Suppression and Prevention additional funding for overtime and two additional(2) fire inspectors; \$93,045 is for Library Circulation Services and supplies and for literacy outreach program; \$1,613,950 is for Police Department Patrol/Support Services partial funding of 12 police officers II and III requested and 3 Police Sergeants for Central Business District staffing, support services Police Records Technician I, investigations funding for supporting equipment and patrol overtime for enhanced gang enforcement efforts; \$130,000 for Recreation and Community Services additional funding to enhance youth enrichment activities and repairs for the South Oxnard Center; and \$252,753 for Public Works addition of three Grounds worker I/II and funding for two Waterways Maintenance Assessment District.

During the year, General Fund revenues met budgetary estimates while expenditures were less than budgetary estimates. Actual expenditures exceeded actual revenues (net of transfers in and out) by \$3,180,591 for Fiscal Year 2004-2005.

The General Fund budget to actual statements can be found on page 77 through 81 of this report.

Management's Discussion and Analysis (continued)

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

City of Oxnard, California

Statement of Net Assets June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 135,160,755	\$ 48,020,823	\$ 183,181,578
Investments with fiscal agents	15,014,241	112,251,468	127,265,709
Accounts and other receivables	10,975,243	15,572,548	26,547,791
Notes receivable	—	66,175	66,175
Due from other funds	2,600,000	129,226	2,729,226
Due from other governments	7,686,916	—	7,686,916
Advances to other funds	98,035	—	98,035
Property held for resale	4,811,047	—	4,811,047
Other assets	261,146	750,207	1,011,353
Restricted assets:			
Investments with fiscal agents	—	1,630,237	1,630,237
Capital assets not being depreciated:			
Land	24,763,116	22,164,745	46,927,861
Construction in progress	22,605,158	98,339,137	120,944,295
Capital assets, net of accumulated depreciation:			
Land improvements	110,590	—	110,590
Buildings	23,835,515	28,877,659	52,713,174
Improvement other than buildings	105,551,621	169,892,411	275,444,032
Machinery and equipment	9,615,249	5,340,755	14,956,004
Total assets	<u>363,088,632</u>	<u>503,035,391</u>	<u>866,124,023</u>
LIABILITIES			
Accounts payable	8,593,758	16,752,425	25,346,183
Other liabilities	22,198,556	2,235,212	24,433,768
Deferred revenues	17,677,211	—	17,677,211
Due to other funds	2,729,226	—	2,729,226
Non-current liabilities:			
Advances from other funds	—	98,035	98,035
Due within one year	8,334,414	7,123,803	15,458,217
Due in more than one year	51,722,434	231,354,334	283,076,768
Self-insurance claims liabilities	16,426,339	—	16,426,339
Compensated absences	6,606,376	1,239,814	7,846,190
Total liabilities	<u>134,288,314</u>	<u>258,803,623</u>	<u>393,091,937</u>
NET ASSETS			
Invested in capital assets, net of related debt	131,874,401	97,741,991	229,616,392
Restricted for:			
Debt service	1,024,025	7,696,523	8,720,548
Community services	5,392,229	—	5,392,229
Capital projects	4,811,047	—	4,811,047
Other purposes	4,956,174	—	4,956,174
Unrestricted	80,742,442	138,793,254	219,535,696
Total net assets	<u>\$ 228,800,318</u>	<u>\$ 244,231,768</u>	<u>\$ 473,032,086</u>

The notes to the financial statements are an integral part of this statement.

City of Oxnard, California

Statement of Activities For the Year Ended June 30, 2005

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 13,646,432	\$ 3,218,135	\$ 4,078,621	\$ (6,349,676)	—	\$ (6,349,676)
Public safety	68,542,046	5,306,818	7,430,218	(55,805,010)	—	(55,805,010)
Transportation	9,912,068	2,468,510	6,027,794	(1,415,764)	—	(1,415,764)
Community development	18,937,934	23,822,460	2,071,007	6,955,533	—	6,955,533
Culture and leisure	12,018,761	2,725,055	102,054	(9,191,652)	—	(9,191,652)
Libraries	3,919,671	209,622	544,893	(3,165,156)	—	(3,165,156)
Interest on long-term debt	2,299,356	—	—	(2,299,356)	—	(2,299,356)
Total governmental activities	129,276,268	37,750,600	20,254,587	(71,271,081)	—	(71,271,081)
Business-type activities:						
Water	23,152,648	34,334,436	—	—	11,181,788	11,181,788
Wastewater	25,482,133	33,709,319	—	—	8,227,186	8,227,186
Solid waste	37,117,879	36,071,999	—	—	(1,045,880)	(1,045,880)
Performing arts and convention center	1,565,920	468,732	—	—	(1,097,188)	(1,097,188)
Oxnard housing authority	25,507,125	21,411,579	—	—	(4,095,546)	(4,095,546)
Municipal golf course	4,028,435	3,119,621	—	—	(908,814)	(908,814)
Total business-type activities	116,854,140	129,115,686	—	—	12,261,546	12,261,546
Total primary government	\$ 246,130,408	\$ 166,866,286	\$ 20,254,587	\$ (71,271,081)	\$ 12,261,546	\$ (59,009,535)
General revenues:						
Taxes:						
Property tax				49,096,920	—	49,096,920
Sales tax				23,212,641	—	23,212,641
Transient occupancy tax				2,445,468	—	2,445,468
Franchise tax				4,572,206	—	4,572,206
Deed transfer tax				1,196,393	—	1,196,393
Business license tax				3,967,972	—	3,967,972
Penalties and interest				126,250	—	126,250
Special assessment				2,240,492	—	2,240,492
Fines and forfeitures				1,248,242	—	1,248,242
Infrastructure use				1,809,146	—	1,809,146
Interest on investments				3,911,106	4,486,577	8,397,683
Transfers				(1,882,942)	1,481,242	(401,700)
Total general revenues and transfers				91,943,894	5,967,819	97,911,713
Change in net assets				20,672,813	18,229,365	38,902,178
Net assets - July 1				208,127,505	226,002,403	434,129,908
Net assets - June 30				\$ 228,800,318	\$ 244,231,768	\$ 473,032,086

The notes to the financial statements are an integral part to this statement.

City of Oxnard, California

Balance Sheet Governmental Funds June 30, 2005

	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	\$ 40,453,152	\$ 38,838,690	\$ —	\$ 14,647,590	\$ 227,334	\$ 4,692,221	\$ 14,146,512	\$ 6,318,299	\$ 119,323,798
Investments with fiscal agents	—	—	—	—	796,691	9,128,809	5,088,741	—	15,014,241
Accounts and other receivables	2,150,858	33,273	4,505,744	3,566,489	—	402,765	6,026	274,288	10,939,443
Due from other funds	2,600,000	—	—	—	—	—	—	—	2,600,000
Due from other governments	4,109,192	—	2,754,484	—	—	—	823,240	—	7,686,916
Properties held for resale	—	—	—	—	—	—	4,811,047	—	4,811,047
Advances to other funds	98,035	—	—	—	—	—	—	—	98,035
Other assets	—	—	261,146	—	—	—	—	—	261,146
Total assets	<u>\$ 49,411,237</u>	<u>\$ 38,871,963</u>	<u>\$ 7,521,374</u>	<u>\$ 18,214,079</u>	<u>\$ 1,024,025</u>	<u>\$ 14,223,795</u>	<u>\$ 24,875,566</u>	<u>\$ 6,592,587</u>	<u>\$ 160,734,626</u>
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts payable	\$ 901,163	\$ 155,502	\$ 2,398,408	\$ 2,879,066	\$ —	\$ 7,601	\$ 367,819	\$ 1,112,123	\$ 7,821,682
Other liabilities	21,262,179	58,892	44,281	398,658	—	8,245	49,411	96,274	21,917,940
Due to other funds	—	—	—	—	—	129,226	2,600,000	—	2,729,226
Deferred revenues	3,849,500	149,193	5,078,685	4,323,949	—	2,252,062	858,299	1,165,523	17,677,211
Total liabilities	<u>26,012,842</u>	<u>363,587</u>	<u>7,521,374</u>	<u>7,601,673</u>	<u>—</u>	<u>2,397,134</u>	<u>3,875,529</u>	<u>2,373,920</u>	<u>50,146,059</u>
Fund balances									
Reserved for:									
Encumbrances	3,713,299	—	—	—	—	—	—	—	3,713,299
Receivables	—	—	—	—	—	—	823,240	—	823,240
Repayment of debt	—	—	—	—	1,024,025	—	—	—	1,024,025
Advances	98,035	—	—	—	—	—	—	—	98,035
Restricted revenue	68,126	235,362	—	—	—	—	5,088,741	—	5,392,229
Carryover savings	321,600	—	—	—	—	—	—	—	321,600
Capital project funds	—	—	—	—	—	—	4,811,047	—	4,811,047
Unreserved									
General fund	19,197,335	—	—	—	—	—	—	—	19,197,335
Special revenue funds	—	38,273,014	—	10,612,406	—	—	—	4,218,667	53,104,087
Capital project funds	—	—	—	—	—	11,826,661	10,277,009	—	22,103,670
Total fund balances	<u>23,398,395</u>	<u>38,508,376</u>	<u>—</u>	<u>10,612,406</u>	<u>1,024,025</u>	<u>11,826,661</u>	<u>21,000,037</u>	<u>4,218,667</u>	<u>110,588,567</u>
Total liabilities and fund balances	<u>\$ 49,411,237</u>	<u>\$ 38,871,963</u>	<u>\$ 7,521,374</u>	<u>\$ 18,214,079</u>	<u>\$ 1,024,025</u>	<u>\$ 14,223,795</u>	<u>\$ 24,875,566</u>	<u>\$ 6,592,587</u>	<u>\$ 160,734,626</u>

The notes to the financial statements are an integral part to this statement.

City of Oxnard, California

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2005

	Total Governmental Funds	Internal Service Funds	General Fixed Assets Group	General Long- Term Debt Group	Eliminations	Total Statement of Net Assets
ASSETS						
Current:						
Cash and cash equivalents	\$ 119,323,798	\$ 15,836,957	\$ —	\$ —	\$ —	\$ 135,160,755
Investments with fiscal agents	15,014,241	—	—	—	—	15,014,241
Accounts and other receivables	10,939,443	35,800	—	—	—	10,975,243
Due from other funds	2,600,000	—	—	—	—	2,600,000
Due from other governments	7,686,916	—	—	—	—	7,686,916
Advances to other funds	98,035	—	—	—	—	98,035
Subtotal	<u>\$ 155,662,433</u>	<u>\$ 15,872,757</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 171,535,190</u>
Noncurrent:						
Property held for resale	\$ 4,811,047	\$ —	\$ —	\$ —	\$ —	\$ 4,811,047
Other assets	261,146	—	—	—	—	261,146
Capital assets:						
Capital outlay capitalized	—	1,933,127	233,527,675	—	—	235,460,802
Less: accumulated depreciation	—	(1,351,978)	(47,627,575)	—	—	(48,979,553)
Subtotal	<u>\$ 5,072,193</u>	<u>\$ 581,149</u>	<u>\$ 185,900,100</u>	<u>—</u>	<u>—</u>	<u>\$ 191,553,442</u>
Total assets	<u>\$ 160,734,626</u>	<u>\$ 16,453,906</u>	<u>\$ 185,900,100</u>	<u>—</u>	<u>—</u>	<u>\$ 363,088,632</u>
LIABILITIES						
Current:						
Accounts payable	7,821,682	772,076	—	—	—	8,593,758
Other liabilities	21,917,940	53,371	—	—	227,245	22,198,556
Due to other funds	2,729,226	—	—	—	—	2,729,226
Deferred revenues	17,677,211	—	—	—	—	17,677,211
Due within one year	—	—	—	8,334,414	—	8,334,414
Subtotal	<u>50,146,059</u>	<u>825,447</u>	<u>—</u>	<u>8,334,414</u>	<u>227,245</u>	<u>59,533,165</u>
Noncurrent:						
Due in more than one year	—	—	—	51,722,434	—	51,722,434
Self-insurance claims liabilities	—	16,426,339	—	—	—	16,426,339
Compensated absences	—	626,932	—	5,979,444	—	6,606,376
Subtotal	<u>—</u>	<u>17,053,271</u>	<u>—</u>	<u>57,701,878</u>	<u>—</u>	<u>74,755,149</u>
Total liabilities	<u>50,146,059</u>	<u>17,878,718</u>	<u>—</u>	<u>66,036,292</u>	<u>227,245</u>	<u>134,288,314</u>
NET ASSETS						
Invested in capital assets (net of related debt)	11,017,932	992,661	185,900,100	(66,036,292)	—	131,874,401
Restricted	16,183,475	—	—	—	—	16,183,475
Unrestricted	83,387,160	(2,417,473)	—	—	(227,245)	80,742,442
Total net assets	<u>\$ 110,588,567</u>	<u>\$ (1,424,812)</u>	<u>\$ 185,900,100</u>	<u>\$ (66,036,292)</u>	<u>\$ (227,245)</u>	<u>\$ 228,800,318</u>

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, 2005

	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	\$ 63,143,970	\$ —	\$ —	\$ 9,914,595	\$ 1,746,597	\$ —	\$ 9,812,688	\$ —	\$ 84,617,850
Licenses and permits	2,116,934	—	—	—	—	—	—	—	2,116,934
Intergovernmental	12,468,242	—	3,446,786	6,271,916	—	74,888	—	4,775,116	27,036,948
Growth and development fees	—	10,059,305	—	—	—	—	2,651	—	10,061,956
Charges for current services	14,994,785	—	—	—	—	186,429	—	177,218	15,358,432
Fines and forfeitures	658,454	—	—	58,538	—	—	—	531,250	1,248,242
Interest	1,759,629	997,360	—	349,156	63,235	194,754	369,140	177,832	3,911,106
Special assessments	—	—	—	—	—	—	—	2,240,492	2,240,492
Miscellaneous	2,763,709	136,108	—	1,005,524	—	144,721	638,855	551,147	5,240,064
Total revenues	<u>97,905,723</u>	<u>11,192,773</u>	<u>3,446,786</u>	<u>17,599,729</u>	<u>1,809,832</u>	<u>600,792</u>	<u>10,823,334</u>	<u>8,453,055</u>	<u>151,832,024</u>
EXPENDITURES									
Current:									
General government	11,541,781	—	246,973	—	—	—	—	—	11,788,754
Public safety	50,470,467	536,825	167,740	12,944,014	—	—	—	193,910	64,312,956
Transportation	4,187,456	—	—	140,995	—	2,242	—	5,378,613	9,709,306
Community development	7,932,500	164,909	1,927,361	1,501,034	—	—	5,588,729	1,483,423	18,597,956
Culture and leisure	10,248,086	—	315,702	711,353	—	244,962	—	—	11,520,103
Library services	3,731,437	—	—	—	—	—	—	—	3,731,437
Capital outlay	1,090,198	7,790,491	789,010	3,969,623	—	10,895,875	928,486	4,460,617	29,924,300
Debt service:									
Principal	—	—	—	—	2,999,393	—	—	—	2,999,393
Interest and fiscal charges	—	—	—	—	2,072,111	—	—	—	2,072,111
Total expenditures	<u>89,201,925</u>	<u>8,492,225</u>	<u>3,446,786</u>	<u>19,267,019</u>	<u>5,071,504</u>	<u>11,143,079</u>	<u>6,517,215</u>	<u>11,516,563</u>	<u>154,656,316</u>
Excess (deficiency) of revenues over expenditures	<u>8,703,798</u>	<u>2,700,548</u>	<u>—</u>	<u>(1,667,290)</u>	<u>(3,261,672)</u>	<u>(10,542,287)</u>	<u>4,306,119</u>	<u>(3,063,508)</u>	<u>(2,824,292)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	—	—	—	—	3,489,006	6,581,247	700,000	—	10,770,253
Transfers out	(11,884,389)	(460,966)	—	—	—	—	(307,840)	—	(12,653,195)
Total other financing sources (uses)	<u>(11,884,389)</u>	<u>(460,966)</u>	<u>—</u>	<u>—</u>	<u>3,489,006</u>	<u>6,581,247</u>	<u>392,160</u>	<u>—</u>	<u>(1,882,942)</u>
Net change in fund balances	<u>(3,180,591)</u>	<u>2,239,582</u>	<u>—</u>	<u>(1,667,290)</u>	<u>227,334</u>	<u>(3,961,040)</u>	<u>4,698,279</u>	<u>(3,063,508)</u>	<u>(4,707,234)</u>
Fund balances, July 1	<u>26,578,986</u>	<u>36,268,794</u>	<u>—</u>	<u>12,279,696</u>	<u>796,691</u>	<u>15,787,701</u>	<u>16,301,758</u>	<u>7,282,175</u>	<u>115,295,801</u>
Fund balances, June 30	<u>\$ 23,398,395</u>	<u>\$ 38,508,376</u>	<u>\$ —</u>	<u>\$ 10,612,406</u>	<u>\$ 1,024,025</u>	<u>\$ 11,826,661</u>	<u>\$ 21,000,037</u>	<u>\$ 4,218,667</u>	<u>\$ 110,588,567</u>

The notes to the financial statements are an integral part to this statement.

City of Oxnard, California

**Reconciliation of the Change in Fund Balances of the Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005**

Net change in fund balances - total governmental funds	\$ (4,707,234)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	(5,227,535)
Change in compensated absences accrual. As compensated absences are considered long-term liabilities, the changes in the liability do not affect the governmental fund financial statements.	(986,489)
Allocation of internal service funds net loss during fiscal year 2005 to governmental activities.	(1,102,377)
Capital outlay expenditures were capitalized and added to the capital assets of governmental funds.	29,924,300
Repayment of long-term obligations is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets.	2,999,393
The amount included in the statement of activities does not provide or require the use of current financial resources and, therefore, is not reported as revenue or expenditures in governmental funds (net change): interest expenses	(227,245)
Change in net assets of governmental activities (page 19)	<u><u>\$ 20,672,813</u></u>

The notes to the financial statements are an integral part to this statement.

PROPRIETARY FUNDS

City of Oxnard, California

Statement of Net Assets Proprietary Funds June 30, 2005

	Business-Type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Water	Wastewater	Solid Waste	Performing Arts and Convention Center	Oxnard Housing Authority	Municipal Golf Course	Totals Current Year	
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 6,505,862	\$ 39,192,079	\$ 1,255,542	\$ —	\$ 1,067,340	\$ —	\$ 48,020,823	\$ 15,836,957
Cash with fiscal agents	30,358,298	71,758,633	6,609,432	35,000	2,429,416	1,060,689	112,251,468	—
Accounts and other receivables (net of allowance for uncollectible)	7,983,141	3,626,567	3,105,082	6,849	654,384	196,525	15,572,548	35,800
Due from other funds	74,057	—	55,169	—	—	—	129,226	—
Notes receivable	—	—	—	—	66,175	—	66,175	—
Other assets	—	—	498,310	—	251,897	—	750,207	—
Total current assets	44,921,358	114,577,279	11,523,535	41,849	4,469,212	1,257,214	176,790,447	15,872,757
Noncurrent assets:								
Investments with fiscal agent	—	—	—	—	1,630,237	—	1,630,237	—
Capital assets:								
Land	877,144	4,273,655	3,811,166	—	8,920,208	4,282,572	22,164,745	—
Construction in progress	43,922,646	42,984,502	4,162,156	—	1,937	7,267,897	98,339,138	—
Buildings	4,707,025	6,714,809	22,859,740	42,615	34,078,907	3,247,033	71,650,129	—
Infrastructure	82,094,437	165,374,157	866,026	—	—	—	248,334,620	—
Machinery and equipment	2,519,410	17,297,297	18,802,374	8,728	1,717,903	—	40,345,712	1,933,127
Improvements	—	—	—	—	—	5,803,242	5,803,242	—
Less accumulated depreciation	(37,782,950)	(73,997,886)	(20,582,436)	(1,827)	(27,140,956)	(2,516,824)	(162,022,879)	(1,351,978)
Total capital assets (net of accumulated depreciation)	96,337,712	162,646,534	29,919,026	49,516	17,577,999	18,083,920	324,614,707	581,149
Total noncurrent assets	96,337,712	162,646,534	29,919,026	49,516	19,208,236	18,083,920	326,244,944	581,149
Total assets	141,259,070	277,223,813	41,442,561	91,365	23,677,448	19,341,134	503,035,391	16,453,906
LIABILITIES								
Current liabilities:								
Accounts payable	3,785,223	7,137,176	2,196,786	650,975	655,460	2,004,369	16,429,989	772,076
Other liabilities	669,704	605,924	174,019	—	746,010	39,555	2,235,212	53,371
Revenue bonds payable - current	1,180,000	1,885,000	2,040,056	—	205,000	713,747	6,023,803	—
Total current liabilities	5,634,927	9,628,100	4,410,861	650,975	1,606,470	2,757,671	24,689,004	825,447
Noncurrent liabilities:								
Compensated absences payable	434,940	679,301	538,323	64,866	622,385	—	2,339,815	626,932
Self-insurance claims	—	—	—	—	—	—	—	16,426,339
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	54,905,874	139,885,956	20,283,924	—	5,410,000	8,864,567	229,350,321	—
Capital leases payable	—	—	2,004,013	—	—	—	2,004,013	—
Advances from other funds	—	—	—	—	—	98,035	98,035	—
Total noncurrent liabilities	55,340,814	140,565,257	22,826,260	64,866	6,032,385	8,962,602	233,792,184	17,053,271
Total liabilities	60,975,741	150,193,357	27,237,121	715,841	7,638,855	11,720,273	258,481,188	17,878,718
NET ASSETS								
Invested in capital assets, net of related debt	41,713,142	23,924,981	6,955,081	49,516	16,834,371	8,264,900	97,741,991	992,661
Restricted for debt service	4,327,866	—	2,067,263	—	—	1,301,394	7,696,523	—
Unrestricted	34,242,321	103,105,475	5,183,096	(673,992)	(795,778)	(1,945,433)	139,115,689	(2,417,473)
Total net assets	\$ 80,283,329	\$ 127,030,456	\$ 14,205,440	\$ (624,476)	\$ 16,038,593	\$ 7,620,861	\$ 244,554,203	\$ (1,424,812)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							(322,435)	
Net assets of business-type activities							<u>\$ 244,231,768</u>	

The notes to the financial statements are an integral part to this statement.

City of Oxnard, California

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Water	Wastewater	Solid Waste	Performing Arts and Convention Center	Oxnard Housing Authority	Municipal Golf Course	Totals	
Operating revenues:								
Charges for services	\$ 34,334,436	\$ 33,709,319	\$ 36,071,999	\$ 468,732	\$ 21,411,579	\$ 3,119,621	\$ 129,115,686	\$ 22,955,975
Operating expenses:								
Salaries and wages	3,663,499	5,491,362	5,851,780	1,131,750	1,919,837	37,505	18,095,733	5,451,238
Contractual services	1,006,809	1,339,766	13,018,115	90,143	1,076,699	2,995,368	19,526,900	2,614,103
Operating supplies	9,983,299	1,678,519	978,005	140	12,990,993	—	25,630,956	3,133,268
Utilities	569,530	3,425,394	7,136,521	123,113	652,272	2,204	11,909,034	1,201,217
Depreciation	1,747,598	3,709,347	1,392,439	—	2,053,483	70,753	8,973,620	191,516
General and administrative	2,843,649	2,537,628	3,525,770	210,817	6,540,102	473,037	16,131,003	1,309,066
Repairs and maintenance	284,686	242,407	3,717,844	9,957	55,467	22,844	4,333,205	1,186,305
Claims expenses	—	—	—	—	—	—	—	9,776,290
Total operating expenses	20,099,070	18,424,423	35,620,474	1,565,920	25,288,853	3,601,711	104,600,451	24,863,003
Operating income (loss)	14,235,366	15,284,896	451,525	(1,097,188)	(3,877,274)	(482,090)	24,515,235	(1,907,028)
Nonoperating revenues (expenses):								
Interest income	275,138	3,182,974	457,712	—	104,266	45,818	4,065,908	337,847
Interest expense	(2,991,172)	(6,965,952)	(1,329,277)	—	(218,272)	(426,582)	(11,931,255)	—
Total nonoperating revenues (expenses)	(2,716,034)	(3,782,978)	(871,565)	—	(114,006)	(380,764)	(7,865,347)	337,847
Income (loss) before contributions and transfers	11,519,332	11,501,918	(420,040)	(1,097,188)	(3,991,280)	(862,854)	16,649,888	(1,569,181)
Capital contributions	—	—	—	—	420,669	—	420,669	—
Transfers out	—	—	(25,334)	—	—	—	(25,334)	—
Transfers in	—	—	—	956,576	—	550,000	1,506,576	401,700
Change in net assets	11,519,332	11,501,918	(445,374)	(140,612)	(3,570,611)	(312,854)	18,551,799	(1,167,481)
Total net assets - July 1	68,763,997	115,528,538	14,650,814	(483,864)	19,609,204	7,933,715	226,002,404	(257,331)
Total net assets - June 30	\$ 80,283,329	\$ 127,030,456	\$ 14,205,440	\$ (624,476)	\$ 16,038,593	\$ 7,620,861	244,554,203	\$ (1,424,812)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							(322,435)	
Change in net assets of business-type activities							\$ 244,231,768	

The notes to the financial statements are an integral part to this statement.

City of Oxnard, California

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds							Governmental Activities- Internal Service Funds
	Water	Wastewater	Solid Waste	Performing Arts and Convention Center	Oxnard Housing Authority	Municipal Golf Course	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	\$ 29,306,275	\$ 34,208,360	\$ 35,479,588	\$ 464,306	\$ 3,977,390	\$ 3,193,384	\$ 106,629,303	\$ 23,088,234
Payments to suppliers	(15,044,645)	(9,818,083)	(28,365,060)	(306,350)	(17,201,828)	(1,511,199)	(72,247,165)	(9,197,955)
Payments to employees	(3,607,619)	(5,437,758)	(5,840,161)	(1,122,632)	(6,205,824)	(37,505)	(22,251,499)	(5,425,368)
Cash paid to claimants	—	—	—	—	—	—	—	(6,413,666)
Net cash provided by (used in) operating activities	10,654,011	18,952,519	1,274,367	(964,676)	(19,430,262)	1,644,680	12,130,639	2,051,245
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Due from other funds	—	170,677	—	—	—	(25,000)	145,677	—
Cash received from grants	—	—	—	—	17,410,492	—	17,410,492	—
Transfer from other funds	—	—	—	956,576	—	550,000	1,506,576	401,700
Transfer to other funds	—	—	(25,334)	—	—	—	(25,334)	—
Net cash provided (used) by capital and related financing activities	—	170,677	(25,334)	956,576	17,410,492	525,000	19,037,411	401,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Purchases of capital assets	(18,207,090)	(36,735,920)	(765,322)	(6,900)	(1,224,594)	(1,252,308)	(58,192,134)	(140,228)
Cash received from grants	—	—	—	—	530,871	—	530,871	—
Principal paid on long-term debt	(1,150,000)	(1,815,000)	(19,001,588)	—	(205,000)	(693,186)	(22,864,774)	—
Interest and issuance cost paid on long-term debt	(2,682,330)	(5,969,101)	(1,155,331)	—	(231,660)	(394,652)	(10,433,074)	—
Proceeds from issuance of long-term debt	—	23,561,429	22,378,845	—	—	—	45,940,274	—
Net cash used in capital and related financing activities	(22,039,420)	(20,958,592)	1,456,604	(6,900)	(1,130,383)	(2,340,146)	(45,018,837)	(140,228)
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest on investments	275,138	3,182,974	457,712	—	105,796	45,818	4,067,438	337,847
Net cash provided by investing activities	275,138	3,182,974	457,712	—	105,796	45,818	4,067,438	337,847
Net increase (decrease) in cash and cash equivalents	(11,110,271)	1,347,578	3,163,349	(15,000)	(3,044,357)	(124,648)	(9,783,349)	2,650,564
Cash and cash equivalents, July 1	47,974,431	109,603,134	4,701,625	50,000	8,171,350	1,185,337	171,685,877	13,186,393
Cash and cash equivalents, June 30	\$ 36,864,160	\$ 110,950,712	\$ 7,864,974	\$ 35,000	\$ 5,126,993	\$ 1,060,689	\$ 161,902,528	\$ 15,836,957
Noncash investing, capital, and financing activities:								
Purchase of equipment on account	\$ 1,717,579	\$ 6,323,799	—	—	—	—	\$ 8,041,378	—

The notes to the financial statements are an integral part to this statement.

Continued -

City of Oxnard, California

Statement of Cash Flows (Continued)

Proprietary Funds

For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds							Governmental Activities- Internal Service Funds
	Water	Wastewater	Solid Waste	Performing Arts and Convention Center	Oxnard Housing Authority	Municipal Golf Course	Total	
CASH FLOWS FROM OPERATING ACTIVITIES								
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ 14,235,366	\$ 15,284,896	\$ 451,525	\$ (1,097,188)	\$ (21,373,981)	\$ (482,090)	\$ 7,018,528	\$ (1,907,028)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:								
Depreciation and amortization	1,747,598	3,709,347	1,392,439	—	2,053,483	70,753	8,973,620	191,516
Gain (Loss) on disposal of capital assets	—	—	—	—	—	—	—	—
Changes in assets and liabilities:								
Decrease (increase) in accounts receivable and due from other funds	(5,028,160)	499,041	(592,411)	(4,426)	(23,359)	73,763	(5,075,552)	132,259
Decrease (increase) in other assets	—	—	—	—	160,581	—	160,581	—
Increase (decrease) in accounts payable	(357,908)	(419,946)	441,739	124,285	(392,206)	1,983,459	1,379,423	242,548
Increase (decrease) in other liabilities	1,235	(174,423)	(430,544)	3,535	132,090	(1,205)	(469,312)	3,456
Increase (decrease) in compensated absences	55,880	53,604	11,619	9,118	13,130	—	143,351	25,870
Increase in self-insurance liabilities	—	—	—	—	—	—	—	3,362,624
Net cash provided by (used in) operating activities	<u>\$ 10,654,011</u>	<u>\$ 18,952,519</u>	<u>\$ 1,274,367</u>	<u>\$ (964,676)</u>	<u>\$ (19,430,262)</u>	<u>\$ 1,644,680</u>	<u>\$ 12,130,639</u>	<u>\$ 2,051,245</u>

The notes to the financial statements are an integral part to this statement.

City of Oxnard, California

Statement of Fiduciary Net Assets**Fiduciary Funds****June 30, 2005**

	<u>Total</u>
ASSETS	
Cash and cash equivalents	\$ 13,200,768
Investments with fiscal agents	<u>26,954,120</u>
Total Assets	<u><u>\$ 40,154,888</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities - other	
Trust and agency payables	<u>\$ 40,154,888</u>
Total liabilities	<u><u>\$ 40,154,888</u></u>

The notes to the financial statements are an integral part to this statement.

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 financial 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

The City included in this report requirements of the new GASB Statements No. 40, 42 and 44, however City is currently analyzing its accounting practices on GASB Statements No. 43 and 45 to determine the potential impact on the financial statements:

In March 2003, GASB issued Statement No. 40, Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3. The deposits and investments of state and local governments are exposed to risks that have the potential to result in losses. The Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates.

City of Oxnard, California

***Notes to the Basic Financial Statements
June 30, 2005***

Deposit and investment policies related to the risks identified in the Statement also should be disclosed. This statement is effective for the City's fiscal year ending June 30, 2005.

In November 2003, GASB issued Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets for Insurance Recoveries. This Statement establishes accounting and financial reporting standards of impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. This statement is effective for the City's fiscal year ending June 30, 2005.

In May 2004, GASB issued Statement No. 44, Economic Condition Reporting. This statement amends the portions of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. This statement adds new information that financial statement users have identified as important and eliminates certain previous requirements. This statement is effective for the City's fiscal year ending June 30, 2006.

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.

In June 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. This statement is effective for the City's fiscal year ending June 30, 2007.

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, solid waste, 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.

City of Oxnard, California

*Notes to the Basic Financial Statements
June 30, 2005*

- ❖ **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. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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. Budget

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, 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. During Fiscal Year 2005, supplementary budget appropriations of approximately \$27,766,483 were made.

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 77 through 84. These statements compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

C. Cash and Investments

Investment Policy

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. 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.

D. 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.

E. 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, 2005, properties held for resale amounted to \$4,811,047.

F. 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:

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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

In accordance with GASB 34, the recording of infrastructure assets acquired or constructed prior to July 1, 2001, may be deferred to fiscal year 2006. As a result, the governmental activities column in the accompanying government-wide financial statements as of June 30, 2005, only reflects infrastructure assets acquired or constructed since July 1, 2001.

G. Risk Management

The City provides workers' compensation benefits under a self-insurance program up to \$20 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 2004-2005. The City contracts with outside service agencies to supervise and administer 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 \$27 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.

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2005

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.

H. 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 Interpretation 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, 2005:

	Governmental Activities	Business Type	Total
Beginning Balance	\$ 11,069,887	\$ 2,196,464	\$ 13,266,351
Additions	6,435,738	1,706,593	8,142,331
Payments	(5,449,249)	(1,563,243)	(7,012,492)
Ending Balance	12,056,376	2,339,814	14,396,190
Current Portions	<u>\$ 5,450,000</u>	<u>\$ 1,100,000</u>	<u>\$ 6,550,000</u>

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.

I. 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 XIII A 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, 2005, the City has recorded property taxes receivable of \$515,402, 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.

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2005

J. 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, 2005:

Deposits	\$ 7,532,594
Investments	<u>188,849,752</u>
Cash and cash equivalents	196,382,346
Investments with Fiscal Agents	<u>154,219,829</u>
Total	<u><u>\$ 350,602,175</u></u>

The City's deposits and investments are reflected in the accompanying basic financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Grand Total</u>
Cash and cash equivalents	\$ 119,323,798	\$ 48,020,823	\$ 15,836,957	\$ 13,200,768	\$ 196,382,346
Cash with fiscal agents:	<u>15,014,241</u>	<u>112,251,468</u>	<u>—</u>	<u>26,954,120</u>	<u>154,219,829</u>
Total	<u><u>\$ 134,338,039</u></u>	<u><u>\$ 160,272,291</u></u>	<u><u>\$ 15,836,957</u></u>	<u><u>\$ 40,154,888</u></u>	<u><u>\$ 350,602,175</u></u>

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2005

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, 2005, none of the City's bank balance of \$990,045 (carrying amount of \$7,532,594) was exposed to custodial credit risk. Deposits held by the Oxnard Housing Authority are also not exposed to custodial credit risk.

Investments

As of June 30, 2005, the City had the following investments:

	Book Value	Maturities in Years		
		Less than 1 Year	1 to 5 Years	Over 5 Years
U.S. treasury notes	\$ 6,718,454	\$ 1,990,212	\$ 4,728,242	\$ —
U.S. agencies	151,921,771	26,043,552	125,878,219	—
Other local agencies	—	—	—	—
Local agency investment funds	33,570,142	33,570,142	—	—
Money market funds	10,002,699	10,002,699	—	—
Guaranteed investment contracts	142,747,179	—	102,453,743	40,293,436
	344,960,245	71,606,605	233,060,204	40,293,436
Less accrued discount	(55,212)			
Total	<u>\$ 344,905,033</u>			

Authorized Investments

The investments listed above 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, rather than the general provisions of the California Government Code or the City's or Authority's investment policy.

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2005

The City's investments by investments manager are as follows:

City treasurer	\$ 188,904,964
Fiscal agents (bond trustees for the City and its component units)	151,790,413
Oxnard housing authority (includes fiscal agents)	4,264,868
	<u>344,960,245</u>

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. The investment policy generally complies with California Government Code Section 53601 and its primary detail is as follows:

	Authorized by Investment	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	15%	None	None
Bankers acceptances	Yes	.5	40%	30%	None
Commercial paper	Yes	.75	15%	10%	P1/A1
Negotiable CDs	Yes	2	30%	None	Aa, AA
Certificates of Deposits (CDs)	Yes	2	40%	15%	A
Repurchase agreements	Yes	.25	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, 2005 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.

City of Oxnard, California

*Notes to the Basic Financial Statements
June 30, 2005*

Investments with fiscal agents are investments held by the bond trustee. 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. In addition, the Investment Policy allows for bond reserve funds to be invested in securities with maturities in excess of 5 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. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City and its component units' investments to market rate fluctuations is provided in the table above that shows the distribution by maturity.

The City's investment policy generally complies with the California Government Code with respect to allowable investment instruments as a means of managing its fair value losses arising from changing interest rates. Guaranteed investment contracts are investments held by fiscal agents (bond trustees) and are restricted for construction projects and debt service.

Credit Risk and Concentration of Credit Risk

The City's investment policy complies with the State Government Code with respect to allowable investment instruments in managing its risk of loss related to credit risk and concentration of credit risk. At June 30, 2005, Standard & Poor's and Moody's rated the City's investments, except for those investments held by its bond trustees, as AAA and Aaa, respectively. In addition, none of the investment categories listed above exceeded the maximum allowable percentage of its portfolio.

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, the guaranteed investment contracts held by fiscal agents 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 and are not held in the City's name. Custodial credit risk for LAIF is not determinable.

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2005

3. INTERFUND RECEIVABLES AND PAYABLES

Total interfund receivables and payables at June 30, 2005, 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
Governmental Funds:		
Advances to golf course fund	\$ 98,035	\$ —
Due from other funds	2,600,000	—
Total general fund	2,698,035	—
Community development commission fund	—	2,600,000
Capital outlay	—	129,226
Total governmental funds	2,698,035	2,729,226
Proprietary funds:		
Water	74,057	—
Solid waste	55,169	—
Golf course fund advances from general fund	—	98,035
Total proprietary funds	129,226	98,035
Total	\$ 2,827,261	\$ 2,827,261

The interfund balances at June 30, 2005, are loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2005, 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 \$98,035, which will be paid in future annual installments of \$25,000.

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2005

4. RECEIVABLES AND PAYABLES

Accounts and other receivables as of June 30, 2005, included in the accompanying Statement of Net Assets primarily consist of the following:

<u>Accounts Receivables</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accrued interest receivable	\$ 1,096,951	\$ —
Utilities receivables	6,435	8,460,674
Grants receivable	3,610,653	282,853
Accounts receivable billed and accrued	1,132,401	6,253,333
Other receivables	5,702,231	1,604,857
Subtotal	11,548,671	16,601,717
Allowance for uncollectible receivables	(573,428)	(1,029,169)
Total	<u>\$ 10,975,243</u>	<u>\$ 15,572,548</u>

Accounts payable and other liabilities as of June 30, 2005, primarily consist of the following:

<u>Accounts Payable and Other Liabilities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts payable (due to vendors)	\$ 8,593,758	\$ 16,752,425
Other liabilities:		
Accrued payroll	3,291,354	1,076,452
Other accrued expenses	1,013,583	162,998
Other payables	17,893,619	995,762
Total other liabilities	22,198,556	2,235,212
Total	<u>\$ 30,792,314</u>	<u>\$ 18,987,637</u>

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2005

Governmental activities record deferred revenue for revenues that are not yet earned as of year end. At June 30, 2005, deferred revenues are comprised of the following:

Governmental Funds:		
Community Development Charges for Services	\$	3,849,500
Development and Traffic Impact Fees		149,193
Federal Grant Drawdowns Prior to Meeting All Eligibility Requirements		5,078,685
State Grants		4,323,949
Civic Center Development Fees		2,252,062
Community Development Commission		858,299
Transportation Development Act		1,165,523
Total	\$	<u>17,677,211</u>

5. INTERFUND TRANSFERS

The net transfers of \$1,882,942 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, 2005:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ —	\$ (11,884,389)
Development Fees Fund	—	(460,966)
Community Development Commission Fund	700,000	(307,840)
Debt Service Fund	3,489,006	—
Capital Outlay Fund	6,581,247	—
Total Governmental Funds	<u>10,770,253</u>	<u>(12,653,195)</u>
Proprietary Funds:		
Internal Service Fund	401,700	—
Performing Arts and Convention Center	956,576	—
Municipal Golf Course	550,000	—
Solid Waste	—	(25,334)
Total Proprietary Funds	<u>1,908,276</u>	<u>(25,334)</u>
Total	<u>\$ 12,678,529</u>	<u>\$ (12,678,529)</u>

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2005

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 2004-2005 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, 2005, consisted of the following:

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 22,634,583	\$ 2,128,533	\$ —	\$ 24,763,116
Construction in progress	60,883,905	22,605,158	(60,883,905)	22,605,158
Total capital assets, not being depreciated	83,518,488	24,733,691	(60,883,905)	47,368,274
Capital assets, being depreciated:				
Land improvements	1,159,280	—	—	1,159,280
Buildings	35,625,090	5,022,918	—	40,648,008
Improvements other than building	55,504,774	57,267,955	—	112,772,729
Equipment and machinery	29,695,267	4,344,438	(527,194)	33,512,511
Total capital assets, being depreciated	121,984,411	66,635,311	(527,194)	188,092,528
Less accumulated depreciation for:				
Land improvements	(1,034,040)	(14,650)	—	(1,048,690)
Buildings	(16,043,372)	(769,121)	—	(16,812,493)
Improvements other than building	(5,798,315)	(1,422,793)	—	(7,221,108)
Equipment and machinery	(20,876,291)	(3,020,971)	—	(23,897,262)
Total accumulated depreciation	(43,752,018)	(5,227,535)	—	(48,979,553)
Total capital assets, being depreciated, net	78,232,393	61,407,776	(527,194)	139,112,975
Governmental activities capital assets, net	\$ 161,750,881	\$ 86,141,467	\$ (61,411,099)	\$ 186,481,249

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2005

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 22,164,745	\$ —	\$ —	\$ 22,164,745
Construction in progress	101,582,806	64,389,289	(67,632,958)	98,339,137
Total capital assets, not being depreciated	123,747,551	64,389,289	(67,632,958)	120,503,882
Capital assets, being depreciated:				
Buildings	69,334,053	2,316,076	—	71,650,129
Improvements other than building	181,666,777	66,667,843	—	248,334,620
Municipal golf course improvements	5,803,242	—	—	5,803,242
Equipment and machinery	40,027,689	624,663	(306,639)	40,345,713
Total capital assets, being depreciated	296,831,761	69,608,582	(306,639)	366,133,704
Less accumulated depreciation for:				
Buildings	(40,010,940)	(2,761,530)	—	(42,772,470)
Improvements other than building	(78,882,686)	(3,948,873)	—	(82,831,559)
Municipal golf course improvements	(1,403,927)	(9,965)	—	(1,413,892)
Equipment and machinery	(33,066,593)	(2,251,187)	312,822	(35,004,958)
Total accumulated depreciation	(153,364,146)	(8,971,555)	312,822	(162,022,879)
Total capital assets, being depreciated, net	143,467,615	60,637,027	6,183	204,110,825
Business-type activities capital assets, net	267,215,166	125,026,316	(67,626,775)	324,614,707
Total	\$ 428,966,047	\$ 211,167,783	\$ (129,037,874)	\$ 511,095,956

(1a) CDC oversight of Fiscal Year 2003-2004, hence included in current year additions.

For the year ended June 30, 2005, depreciation expense on capital assets was charged to the governmental functions as follows:

Governmental Activities:	
Legislative	\$ 52,275
Administration and Support Services	1,411,434
Public Safety	2,247,840
Transportation	104,552
Community Development	156,826
Culture and Leisure	313,652
Libraries	104,551
Capital Improvement Projects	470,478
Capital assets held by the City's Internal Service Fund	365,927
	<u>\$ 5,227,535</u>

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2005

Internal Service Funds predominantly serve the governmental funds. Accordingly, their capital assets are included within governmental activities in the above table.

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
Internal service funds:				
Equipment and machinery	\$ 1,792,898	\$ 140,229	\$ —	\$ 1,933,127
Accumulated depreciation	(1,160,462)	(191,516)	—	(1,351,978)
Total	<u>\$ 632,436</u>	<u>\$ (51,287)</u>	<u>\$ —</u>	<u>\$ 581,149</u>

The following is a summary of changes in capital assets for each major enterprise fund for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
Water fund				
Land	\$ 877,144	\$ —	\$ —	\$ 877,144
Buildings	4,707,025	—	—	4,707,025
Improvements other than buildings	67,318,580	14,775,857	—	82,094,437
Equipment and machinery	2,161,304	358,906	(800)	2,519,410
Construction in progress	39,131,940	19,566,562	(14,775,856)	43,922,646
Total	114,195,993	34,701,325	(14,776,656)	134,120,662
Accumulated depreciation	(36,035,352)	(1,747,598)	—	(37,782,950)
Total	<u>\$ 78,160,641</u>	<u>\$ 32,953,727</u>	<u>\$ (14,776,656)</u>	<u>\$ 96,337,712</u>
Wastewater fund				
Land	\$ 4,273,655	\$ —	\$ —	\$ 4,273,655
Buildings	6,380,938	333,871	—	6,714,809
Improvements other than buildings	114,348,197	51,025,960	—	165,374,157
Equipment and machinery	17,436,114	76,117	(214,934)	17,297,297
Construction in progress	51,359,830	42,984,503	(51,359,831)	42,984,502
Total	193,798,734	94,420,451	(51,574,765)	236,644,420
Accumulated depreciation	(70,502,591)	(3,709,347)	214,052	(73,997,886)
Total	<u>\$ 123,296,143</u>	<u>\$ 90,711,104</u>	<u>\$ (51,360,713)</u>	<u>\$ 162,646,534</u>

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City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2005

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
Solid waste				
Land	\$ 3,811,166	\$ —	\$ —	\$ 3,811,166
Buildings	22,782,735	77,005	—	22,859,740
Improvement other than building	—	866,026	—	866,026
Equipment and machinery	18,711,937	181,343	(90,906)	18,802,374
Construction in progress	4,521,208	583,979	(943,031)	4,162,156
Total	49,827,046	1,708,353	(1,033,937)	50,501,462
Accumulated depreciation	(19,280,901)	(1,400,305)	98,770	(20,582,436)
Total	<u>\$ 30,546,145</u>	<u>\$ 308,048</u>	<u>\$ (935,167)</u>	<u>\$ 29,919,026</u>
Performing arts and convention center fund				
Buildings	\$ —	\$ 42,615	\$ —	\$ 42,615
Equipment and machinery	1,828	6,900	—	8,728
Construction in progress	42,615	—	(42,615)	—
Total	44,443	49,515	(42,615)	51,343
Accumulated depreciation	(1,827)	—	—	(1,827)
Total	<u>\$ 42,616</u>	<u>\$ 49,515</u>	<u>\$ (42,615)</u>	<u>\$ 49,516</u>
Oxnard housing authority fund				
Land	\$ 8,920,208	\$ —	\$ —	\$ 8,920,208
Buildings	32,727,946	1,350,961	—	34,078,907
Equipment and machinery	1,716,506	1,397	—	1,717,903
Construction in progress	—	1,937	—	1,937
Total	43,364,660	1,354,295	\$ —	44,718,955
Accumulated depreciation	(25,097,403)	(2,043,553)	—	(27,140,956)
Total	<u>\$ 18,267,257</u>	<u>\$ (689,258)</u>	<u>\$ —</u>	<u>\$ 17,577,999</u>
Municipal golf course fund				
Land	\$ 4,282,572	\$ —	\$ —	\$ 4,282,572
Buildings	2,735,409	511,624	—	3,247,033
Golf course improvements	5,803,242	—	—	5,803,242
Construction in progress	6,527,213	1,252,308	(511,624)	7,267,897
Total	19,348,436	1,763,932	(511,624)	20,600,744
Accumulated depreciation	(2,446,072)	(70,752)	—	(2,516,824)
Total	<u>\$ 16,902,364</u>	<u>\$ 1,693,180</u>	<u>\$ (511,624)</u>	<u>\$ 18,083,920</u>

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2005

7. LONG-TERM OBLIGATIONS

The following is a summary of changes in the City's long-term obligations for the year ended June 30, 2005:

	Balance July 1, 2004	Issued	Retired	Balance June 30, 2005	Amounts Due Within One Year
Governmental activities:					
Revenue bonds:					
Lease revenue refunding bonds, series 2003	\$ 6,974,301	\$ 239,199	\$ 486,491	\$ 6,727,009	\$ 501,309
Adjustable rate lease revenue refunding bonds, series 1993	1,500,000	—	700,000	800,000	800,000
Adjustable rate lease revenue bonds, series 2003B	14,400,000	—	320,000	14,080,000	330,000
1999 certificates of participation	8,045,000	—	210,000	7,835,000	215,000
Tax allocation refunding bonds, series 2004A	19,185,000	—	550,000	18,635,000	605,000
Capital lease:					
LaSalle national leasing	1,729,354	—	316,956	1,412,398	326,387
Compensated absences	11,069,887	6,435,738	5,449,249	12,056,376	5,450,000
Notes payable	315,075	—	315,075	—	—
Metropolitan water district loan	5,306,400	—	100,548	5,205,852	106,718
Unamortized discounts	(98,234)	—	(9,823)	(88,411)	—
Total governmental activities	<u>\$ 68,426,783</u>	<u>\$ 6,674,937</u>	<u>\$ 8,438,496</u>	<u>\$ 66,663,224</u>	<u>\$ 8,334,414</u>
Business-type activities:					
Revenue bonds:					
Lease revenue refunding bonds, series 2003 - golf	\$ 10,271,500	\$ —	\$ 693,186	\$ 9,578,314	\$ 713,747
Water revenue refunding bonds, series 2001	11,660,000	—	245,000	11,415,000	255,000
Water revenue project bonds, series 2004	47,895,000	—	905,000	46,990,000	925,000
Wastewater revenue refunding bonds, series 2003	40,230,000	—	1,815,000	38,415,000	1,885,000
Wastewater revenue bonds, series 2004A	80,000,000	—	—	80,000,000	—
Wastewater revenue bonds, series 2004B	—	23,975,000	—	23,975,000	—
Solid waste revenue bonds, series 1995	17,920,000	—	17,920,000	—	—
Solid waste revenue refunding bonds, series 2005	—	20,955,000	—	20,955,000	1,575,000
Lease revenue refunding bonds, series 2003 - solid waste	239,199	—	239,199	—	—
2004 capital fund revenue bonds - housing authority	5,820,000	—	205,000	5,615,000	205,000
Unamortized bond premium	1,172,921	1,040,131	45,112	2,167,940	—
Unamortized discounts	(1,019,738)	(136,208)	(228,532)	(927,414)	—
Unamortized gain or loss on refunding	(3,405,764)	—	(130,991)	(3,274,773)	—
Subtotal	<u>210,783,118</u>	<u>45,833,923</u>	<u>21,707,974</u>	<u>234,909,067</u>	<u>5,558,747</u>
Capital lease:					
Residential trash collection vehicles	814,268	—	217,368	596,900	229,264
Del Norte Blvd. Improvement	621,506	—	64,943	556,563	66,900
Fifth and Del Norte improvement	1,036,356	—	101,461	934,895	103,520
LaSalle national leasing - solid waste	444,009	—	63,297	380,712	65,372
Compensated absences	2,196,464	1,706,593	1,563,243	2,339,814	1,100,000
Total business-type activities	<u>215,895,721</u>	<u>47,540,516</u>	<u>23,718,286</u>	<u>239,717,951</u>	<u>7,123,803</u>
Total	<u>\$ 284,322,504</u>	<u>\$ 54,215,453</u>	<u>\$ 32,156,782</u>	<u>\$ 306,381,175</u>	<u>\$ 15,458,217</u>

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2005

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, 2005, are as follows:

	Balance July 1, 2004	Issued	Retired	Balance June 30, 2005	Amounts Due Within One Year
Internal Service Funds:					
Compensated absences	\$ 601,063	\$ 502,651	\$ 476,782	\$ 626,932	\$ 232,000
Total	<u>\$ 601,063</u>	<u>\$ 502,651</u>	<u>\$ 476,782</u>	<u>\$ 626,932</u>	<u>\$ 232,000</u>

The following is a summary of changes in long-term obligations for each major enterprise fund for the year ended June 30, 2005:

	Balance July 1, 2004	Issued	Retired	Balance June 30, 2005	Amounts Due Within One Year
Water fund					
Revenue refunding bonds, series 2001	\$ 11,660,000	\$ —	\$ 245,000	\$ 11,415,000	\$ 255,000
Water revenue refunding, series 2004	47,895,000	—	905,000	46,990,000	925,000
Unamortized bond premium	1,172,921	—	45,112	1,127,809	—
Less: unamortized loss on refunding	(3,405,764)	—	(130,991)	(3,274,773)	—
Unamortized discounts	(179,049)	—	(6,887)	(172,162)	—
Subtotal	<u>57,143,108</u>	<u>—</u>	<u>1,057,234</u>	<u>56,085,874</u>	<u>1,180,000</u>
Compensated absences	379,059	319,896	264,015	434,940	185,000
Total	<u>\$ 57,522,167</u>	<u>\$ 319,896</u>	<u>\$ 1,321,249</u>	<u>\$ 56,520,814</u>	<u>\$ 1,365,000</u>
Wastewater fund					
Revenue refunding bonds, series 2003	\$ 40,230,000	\$ —	\$ 1,815,000	\$ 38,415,000	\$ 1,885,000
Revenue bonds, series 2004A	80,000,000	—	—	80,000,000	—
Revenue bonds, series 2004B	—	23,975,000	—	23,975,000	—
Less: unamortized discounts	(687,827)	—	(68,783)	(619,044)	—
Subtotal	<u>119,542,173</u>	<u>23,975,000</u>	<u>1,746,217</u>	<u>141,770,956</u>	<u>1,885,000</u>
Compensated absences	625,697	449,627	396,023	679,301	255,000
Total	<u>\$ 120,167,870</u>	<u>\$ 24,424,627</u>	<u>\$ 2,142,240</u>	<u>\$ 142,450,257</u>	<u>\$ 2,140,000</u>

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City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2005

	Balance July 1, 2004	Issued	Retired	Balance June 30, 2005	Amounts Due Within One Year
Solid waste fund					
Lease revenue refunding bonds, series 2003	\$ 239,199	\$ —	\$ 239,199	\$ —	\$ —
Solid waste revenue bonds, series 1995	17,920,000	—	17,920,000	—	—
Solid waste revenue refunding bonds, series 2005	—	20,955,000	—	20,955,000	1,575,000
Less: unamortized bond premium	—	1,040,131	—	1,040,131	—
Less: unamortized discounts	(152,862)	(136,208)	(152,862)	(136,208)	—
Subtotal	18,006,337	21,858,923	18,006,337	21,858,923	1,575,000
Capital lease					
Residential trash collection vehicles	814,268	—	217,368	596,900	229,264
Del Norte Blvd. improvement	621,506	—	64,943	556,563	66,900
Fifth and Del Norte improvement	1,036,356	—	101,461	934,895	103,520
LaSalle national leasing	444,009	—	63,297	380,712	65,372
Compensated absences	526,704	473,646	462,027	538,323	235,000
Total	\$ 21,449,180	\$ 22,332,569	\$ 18,915,433	\$ 24,866,316	\$ 2,275,056
Performing arts and convention center fund					
Compensated absences	\$ 55,749	\$ 38,189	\$ 29,072	\$ 64,866	\$ 25,000
Total	\$ 55,749	\$ 38,189	\$ 29,072	\$ 64,866	\$ 25,000
Oxnard housing authority fund					
2004 capital fund revenue bonds	\$ 5,820,000		\$ 205,000	\$ 5,615,000	\$ 205,000
Compensated absences	609,255	425,235	412,105	622,385	400,000
Total	\$ 6,429,255	\$ 425,235	\$ 617,105	\$ 6,237,385	\$ 605,000
Municipal golf course					
Lease revenue refunding bonds, series 2003	\$ 10,271,500	\$ —	\$ 693,186	\$ 9,578,314	\$ 713,747
Total	\$ 10,271,500	\$ 0	\$ 693,186	\$ 9,578,314	\$ 713,747

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 Zion 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

City of Oxnard, California

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\$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, 2005, is \$16,305,323, of which \$6,727,009 is recorded within governmental activities and \$9,578,314 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, 2005, is \$14,080,000.

Adjustable Rate Taxable Refunding Bonds Series 1993

The Adjustable Rate Taxable Refunding Series 1993 was issued on November 10, 1993 with an original amount of \$7,700,000. These bonds had a variable interest rate ranging from 1.35 to 6.80 percent over the life of the bond. For Fiscal Year 2004-2005, the variable interest rate ranged from 1.35 to 2.25 percent, maturing in various amounts through June 1, 2006. The bonds were issued to refinance outstanding bonds for the 1985 public parking bonds. The balance outstanding and recorded as governmental activities as of June 30, 2005, is \$800,000.

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, 2005, is \$7,835,000.

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, 2005, is \$18,635,000.

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, 2005, is \$11,415,000.

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, 2005, is \$46,990,000.

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, 2005, is \$38,415,000. 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, 2005, 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, 2005, is \$23,975,000.

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, 2005, is \$20,955,000.

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

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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, 2005, is \$5,615,000.

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. However, the five-year reporting period has not yet occurred and therefore the amount calculated has been recorded as a liability to the IRS and maintained by the Trustee until payments are due to the IRS.

The annual debt service requirements are shown below for all long-term debt except installment purchase obligations:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 2,884,414	\$ 2,138,498	\$ 6,023,804	\$ 11,331,347
2007	2,150,119	2,025,764	6,234,400	11,115,134
2008	2,140,099	1,950,005	6,348,450	10,873,810
2009	2,156,207	1,869,008	7,249,970	10,654,476
2010	2,236,209	1,793,566	7,522,570	10,385,086
2011-2015	11,461,973	7,728,547	41,660,544	46,887,793
2016-2020	10,495,670	5,501,579	34,132,646	37,789,937
2021-2025	10,998,800	3,276,404	39,180,000	29,256,393
2026-2030	8,066,768	884,969	47,480,000	18,727,985
2031-2033	2,105,000	105,543	43,580,000	5,776,407
Totals	<u>\$ 54,695,259</u>	<u>\$ 27,273,883</u>	<u>\$ 239,412,384</u>	<u>\$ 192,798,368</u>

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*Notes to the Basic Financial Statements
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Fiscal Year	Wastewater Revenue Refunding Bonds, Series 2003		Wastewater Revenue Bonds, Series 2004A		Wastewater Revenue Bonds, Series 2004B	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 1,885,000	\$ 1,785,013	—	\$ 4,087,725	—	\$ 1,082,407
2007	1,950,000	1,717,612	—	4,087,725	—	1,082,407
2008	2,035,000	1,631,613	—	4,087,725	—	1,082,407
2009	2,100,000	1,565,563	—	4,087,725	820,000	1,082,407
2010	2,175,000	1,492,063	—	4,087,725	840,000	1,056,823
2011-2015	12,390,000	5,949,575	—	20,438,625	4,570,000	4,814,077
2016-2020	15,880,000	2,459,500	—	20,438,625	5,265,000	3,830,144
2021-2025	—	—	22,505,000	18,297,535	3,905,000	2,763,805
2026-2030	—	—	28,725,000	12,079,625	4,495,000	1,744,673
2031-2034	—	—	28,770,000	3,872,843	4,080,000	529,815
Totals	<u>\$ 38,415,000</u>	<u>\$ 16,600,939</u>	<u>\$ 80,000,000</u>	<u>\$ 95,565,878</u>	<u>\$ 23,975,000</u>	<u>\$ 19,068,965</u>

Fiscal Year	Water Revenue Refunding Bonds, Series 2001		Water Revenue Project Bonds, Series 2004		Adjustable Rate Taxable Refunding Bonds, Series 1993	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 255,000	\$ 551,997	\$ 925,000	\$ 2,102,434	\$ 800,000	\$ 50,000
2007	265,000	541,796	940,000	2,083,934	—	—
2008	275,000	531,196	960,000	2,065,134	—	—
2009	285,000	520,196	980,000	2,043,534	—	—
2010	300,000	508,796	1,005,000	2,020,014	—	—
2011-2015	1,700,000	2,339,840	5,530,000	9,593,837	—	—
2016-2020	2,130,000	1,898,293	6,695,000	8,436,218	—	—
2021-2025	2,725,000	1,309,813	8,445,000	6,685,000	—	—
2026-2030	3,480,000	551,687	10,780,000	4,352,000	—	—
2031-2034	—	—	10,730,000	1,373,750	—	—
Totals	<u>\$ 11,415,000</u>	<u>\$ 8,753,614</u>	<u>\$ 46,990,000</u>	<u>\$ 40,755,855</u>	<u>\$ 800,000</u>	<u>\$ 50,000</u>

City of Oxnard, California

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Fiscal Year	Lease Revenue Refunding Bonds, Series 2003A		Adjustable Lease Revenue Bonds, Series 2003B		Solid Waste Revenue Refunding Bonds, Series 2005	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 1,215,000	\$ 634,410	\$ 330,000	\$ 349,751	\$ 1,575,000	\$ 1,006,720
2007	1,250,000	599,960	340,000	341,554	1,645,000	935,400
2008	1,305,000	549,960	350,000	334,021	1,715,000	869,600
2009	1,355,000	497,760	360,000	324,414	1,785,000	801,000
2010	1,405,000	450,335	370,000	315,472	1,875,000	711,750
2011-2015	7,990,000	1,274,600	2,035,000	1,433,973	10,860,000	2,057,000
2016-2020	1,785,323	71,400	2,345,000	1,166,905	1,500,000	75,000
2021-2025	—	—	2,710,000	857,299	—	—
2026-2030	—	—	3,135,000	499,937	—	—
2031-2033	—	—	2,105,000	105,543	—	—
Totals	<u>\$ 16,305,323</u>	<u>\$ 4,078,425</u>	<u>\$ 14,080,000</u>	<u>\$ 5,728,869</u>	<u>\$ 20,955,000</u>	<u>\$ 6,456,470</u>

Fiscal Year	1999 Certificates of Participation		Tax Allocation Refunding Bonds, Series 2004A		2004 Capital Fund Revenue Bonds, Housing Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 215,000	\$ 362,168	\$ 605,000	\$ 765,949	\$ 205,000	\$ 228,783
2007	225,000	353,460	620,000	750,599	215,000	224,682
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
2011-2015	1,445,000	1,444,763	3,785,000	3,052,162	1,300,000	897,910
2016-2020	1,765,000	1,073,975	4,555,000	2,242,003	1,615,000	610,665
2021-2025	2,005,000	637,925	4,810,000	1,171,490	1,600,000	200,240
2026-2030	1,445,000	139,413	2,265,000	113,478	—	—
Totals	<u>\$ 7,835,000</u>	<u>\$ 5,015,188</u>	<u>\$ 18,635,000</u>	<u>\$ 10,206,708</u>	<u>\$ 5,615,000</u>	<u>\$ 2,797,027</u>

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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, 2005, is \$596,900.

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, 2005, is \$556,563.

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, 2005, is \$934,895.

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, 2005, is \$1,793,110.

The annual debt service requirements by year for the capital leases are as follows:

Fiscal Year	Equipment Lease Purchase LaSalle National Leasing		Residential Trash Collection Vehicles		Fifth Street/Del Norte Land Boulevard Purchase		Del Norte Boulevard Improvement	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 391,759	\$ 50,524	\$ 229,264	\$ 29,179	\$ 103,520	\$ 44,738	\$ 66,900	\$ 27,161
2007	403,876	38,110	241,812	16,631	106,623	39,523	69,143	23,789
2008	326,886	26,001	125,824	3,397	109,818	34,152	71,461	20,303
2009	272,104	17,143	—	—	113,109	28,620	73,857	16,700
2010	280,733	8,514	—	—	116,500	22,923	76,332	12,976
2011-2013	117,752	1,656	—	—	385,325	32,850	198,870	15,321
Totals	<u>\$ 1,793,110</u>	<u>\$ 141,948</u>	<u>\$ 596,900</u>	<u>\$ 49,207</u>	<u>\$ 934,895</u>	<u>\$ 202,806</u>	<u>\$ 556,563</u>	<u>\$ 116,250</u>

City of Oxnard, California

Notes to the Basic Financial Statements
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Notes and Loans Payable

On August 3, 1998, the Community Development Commission purchased property from the Metropolitan Water District of Southern California in exchange for a promissory note. The note is secured by deeds of trust on real property and bears interest at 6 percent per annum. The note matures at various times through December 2028. At June 30, 2005, the outstanding balance was \$5,205,852.

The annual debt service requirement for notes and loans payable are as follows:

<u>Fiscal Year</u>	<u>Metropolitan Water District Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 106,718	\$ 309,980
2007	113,267	303,431
2008	120,217	296,481
2009	127,594	289,104
2010	135,424	281,274
2011-2015	812,451	1,271,039
2016-2020	1,094,613	989,237
2021-2025	1,473,800	609,689
2026-2028	1,221,768	132,142
Totals	<u>\$ 5,205,852</u>	<u>\$ 4,482,377</u>

Management believes the City complies with all significant covenants related to its debt issues as of June 30, 2005.

Compensated Absences

The long-term portion of the liability was \$6,606,376 for governmental activities and \$1,239,814 for business-type activities at June 30, 2005, which is expected to be paid in future years from future resources.

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2005

Special Assessment Bonds

There are various 1915 Act Improvement Districts and Mello-Roos Community Facilities Act of 1982, within the City, which have issued special assessment or special tax debt. The debt is secured by liens 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, 2005, is as follows:

Hueneme Road Assessment District:

1915 Act Improvement Bonds issued May 29, 1985; original amount \$5,657,485.84; interest rate that varies with maximum rate of 9.8%; maturity 2005 \$ 575,000

Mandalay Bay Assessment District:

1915 Act Improvement Bonds issued April 24, 1987; original amount \$6,250,000; maximum rate 7.4%; due 2007 1,850,000

Rose/Santa Clara Assessment District:

1915 Act Improvement Bonds issued August 14, 1986 with original amount \$13,170,000; maximum rate 8.25%; due 2006 1,705,000

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 6,230,000

Pacific Commerce Center Assessment District:

1915 Act Improvement Bonds issued November 1, 1996; original amount \$31,120,000; average rate of 5.17%; maturing in 2006 7,110,000

City of Oxnard Community Facilities District I:

9,740,000

City of Oxnard Community Facilities District 88-1:

1,735,000

Oxnard Boulevard Interchange Community District:

10,135,000

Oxnard Boulevard/Highway 101 Interchange:

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 2,305,000

Total \$ 55,775,000

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, 2005, was \$70,039,025; the City's total payroll was \$75,785,365. 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 2004-2005, the City's annual pension cost (APC) of \$15,961,934 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, 2003, revised actuarial assumptions and retain the entry age actuarial cost method.

City of Oxnard, California

Notes to the Basic Financial Statements
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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, 2005, 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	2003	6/30/03	\$ 3,666,407	100%	\$ —
Police	2004	6/30/04	4,681,429	100%	—
Police	2005	6/30/05	7,493,998	100%	—
Fire	2003	6/30/03	\$ 733,272	100%	\$ —
Fire	2004	6/30/04	1,179,214	100%	—
Fire	2005	6/30/05	2,452,730	100%	—
Miscellaneous	2003	6/30/03	\$ 2,732,723	100%	\$ —
Miscellaneous	2004	6/30/04	2,890,761	100%	—
Miscellaneous	2005	6/30/05	6,015,206	100%	—

City of Oxnard, California

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Contributions to PERS for the Fiscal Year ended June 30, 2005, are shown below:

	<u>City Contributions</u>	<u>Employee Contributions</u>	<u>Total</u>
Safety employees:			
Police	\$ 5,815,945	\$ 1,678,053	\$ 7,493,998
Fire	1,784,933	667,797	2,452,730
Total safety employees	7,600,878	2,345,850	9,946,728
Miscellaneous employees	2,937,025	3,078,181	6,015,206
Total	<u>\$ 10,537,903</u>	<u>\$ 5,424,031</u>	<u>\$ 15,961,934</u>

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. 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 – The City contributes of eligible employee gross wages 2.63 percent, IUOE employees contributes 8 percent, SEIU, management and confidential employees contributes 8 percent, of which 3 percent is paid by the City. The City’s payroll for employees covered by PARS for the year ended June 30, 2005, was \$33,356,777. PARS issues a separate comprehensive annual financial report. Copies of PARS annual financial report may be obtained for the PARS Executive Office, 3961 MacArthur Boulevard, Suite 200, Newport Beach, CA 92660.

City of Oxnard, California

*Notes to the Basic Financial Statements
June 30, 2005*

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.

Annual Pension Costs

PARS will issue an actuarial study after the City has participated in the plan for a two-year period.

Contributions to PARS for the fiscal year ended June 30, 2005, are shown below:

	City Contributions	Employee Contributions	Total
Miscellaneous employees	<u>\$ 877,283</u>	<u>\$ 2,668,542</u>	<u>\$ 3,545,825</u>

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 \$32.20 increased in January 2005 to \$48.40 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, 2005, totaled \$92,932. Currently, 192 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, 2005, 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.

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2005

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 - GOVERNMENTAL FUNDS

The restricted revenues of \$5,392,229 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, 2005:

	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	\$ 3,713,299	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,713,299
Receivables	—	—	—	—	—	—	823,240	—	823,240
Repayment of debt	—	—	—	—	1,024,025	—	—	—	1,024,025
Advances	98,035	—	—	—	—	—	—	—	98,035
Restricted revenue	68,126	235,362	—	—	—	—	5,088,741	—	5,392,229
Carryover savings	321,600	—	—	—	—	—	—	—	321,600
Properties held for resale	—	—	—	—	—	—	4,811,047	—	4,811,047
Total reserved	4,201,060	235,362	---	---	1,024,025	---	10,723,028	---	16,183,475
Unreserved fund balance:									
Designated for authorized projects	19,197,335	23,128,902	—	10,612,406	—	12,976,947	10,156,106	4,370,587	80,442,283
Undesignated and available for future operation	—	15,144,112	—	—	—	(1,150,286)	120,903	(151,920)	13,962,809
Total unreserved	19,197,335	38,273,014	---	10,612,406	---	11,826,661	10,277,009	4,218,667	94,405,092
Fund balances - unreserved:									
Designated for existing council- authorized projects	\$ —	\$ 23,128,902	\$ —	\$ 10,612,406	\$ —	\$ 12,976,947	\$ 10,156,106	\$ 4,370,587	\$ 61,244,948

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2005

	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
Undesignated but restricted as to purpose:									
General fund:									
Administration, public safety, parks and street maintenance, recreation, and transportation services and community development									
Operating reserves and economic contingencies	15,445,376	—	—	—	—	—	—	—	15,445,376
Undesignated and available for future operations	3,751,959	—	—	—	—	—	—	—	3,751,959
Development fees funds:									
Quimby fees restricted solely for acquisition and development of parks	—	643,015	—	—	—	—	—	—	643,015
Parks acquisition fees restricted to acquire land and improve parks	—	300,519	—	—	—	—	—	—	300,519
Storm drain facilities fees restricted for storm drain constructions	—	3,384,612	—	—	—	—	—	—	3,384,612
Impact fees solely for traffic signals and synchronization systems	—	1,015,674	—	—	—	—	—	—	1,015,674
Capital growth fees restricted to each residential/commercial neighborhoods	—	4,745,561	—	—	—	—	—	—	4,745,561
Capital growth fees restricted to each nonresidential/noncommercial neighborhoods	—	1,268,811	—	—	—	—	—	—	1,268,811
Utilities undergrounding fees solely for construction of underground lines	—	847,998	—	—	—	—	—	—	847,998
CUPA permit fees solely to manage hazardous materials disposal	—	137,736	—	—	—	—	—	—	137,736
Housing in-lieu fees and affordable housing fees solely for low-cost housing	—	2,800,186	—	—	—	—	—	—	2,800,186
Capital outlay fund:									
This fund is solely for the acquisition and construction of street projects, civic center improvements	—	—	—	—	—	(1,150,286)	—	—	(1,150,286)

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2005

	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
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	—	—	—	—	—	—	120,903	—	120,903
Non-major governmental funds: State gas tax restricted for street improvements and maintenance	—	—	—	—	—	—	—	(1,024,645)	(1,024,645)
Traffic safety fund restricted to maintenance of traffic signals, equipment and devices	—	—	—	—	—	—	—	(742,813)	(742,813)
Transportation development (TDA) restricted for street maintenance and improvements	—	—	—	—	—	—	—	(1,166,556)	(1,166,556)
Landscape maintenance districts restricted to waterways and landscape maintenance to various assessment districts	—	—	—	—	—	—	—	2,782,094	2,782,094
Subtotals	\$ 19,197,335	\$ 38,273,014	\$ —	\$ 10,612,406	\$ —	\$ 11,826,661	\$ 10,277,009	\$ 4,218,667	\$ 94,405,092
Total fund balances	\$ 23,398,395	\$ 38,508,376	\$ —	\$ 10,612,406	\$ 1,024,025	\$ 11,826,661	\$ 21,000,037	\$ 4,218,667	\$ 110,588,567

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2005

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, 2005:

	Enterprise Funds							Governmental Activities - Internal Service Funds
	Water	Wastewater	Solid Waste	Performing Arts and Convention Center	Housing Authority	Municipal Golf Course	Total	
Invested in capital assets (net of related debt)	\$ 41,713,142	\$ 23,924,981	\$ 6,955,081	\$ 49,516	\$ 16,834,371	\$ 8,264,900	\$ 97,741,991	\$ 992,661
Restricted:								
Repayment of debt	4,327,866	—	2,067,263	—	—	1,301,394	7,696,523	—
Total restricted	4,327,866	—	2,067,263	—	—	1,301,394	7,696,523	—
Unrestricted:								
Capital assets replacements	—	—	—	—	—	—	—	—
Authorized projects	27,735,601	91,581,702	7,563,180	(673,992)	—	—	126,206,491	—
Undesignated	6,506,720	11,523,773	(2,380,084)	—	(795,778)	(1,945,433)	12,909,198	(2,417,473)
Total unrestricted	34,242,321	103,105,475	5,183,096	(673,992)	(795,778)	(1,945,433)	139,115,689	(2,417,473)
Total net assets	\$ 80,283,329	\$ 127,030,456	\$ 14,205,440	\$ (624,476)	\$ 16,038,593	\$ 7,620,861	\$ 244,554,203	\$ (1,424,812)

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.

City of Oxnard, California

*Notes to the Basic Financial Statements
June 30, 2005*

The City's contribution to the Big Independent Cities Excess Pool (BICEP) for general liability coverage in Fiscal Year 2004-2005 was \$801,412 and a pure premium adjustment of \$30,829. BICEP information, a pooled liability insurance program for medium to large cities, can be obtained at 1100 South Flower Street, Suite 2100, Los Angeles, CA 90015, telephone number (213) 748-0066.

Workers' Compensation

The City is self-insured for workers' compensation claims up to \$500,000. For claims over \$500,000, 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 306 claims per year filed for the past four years, with an average of approximately \$3,269,693 per year in total reported losses as of June 30, 2005, (at an average of \$10,685 per claim). During the same four-year period, the average claims filed each year for general liability amounted to 250 claims totaling \$1,814,998 per year (at an average of \$7,260 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 \$16,426,339 (Workers' Compensation-\$12,381,899 and Public Liability and Property Damage-\$4,044,440) recorded at June 30, 2005, 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.

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2005

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 04-05	FY 03-04	FY 04-05	FY 03-04	FY 04-05	FY 03-04
Unpaid claims and claims adjustment expenses - July 1	\$ 10,290,798	\$ 8,623,941	\$ 2,772,917	\$ 5,384,446	\$ 13,063,715	\$ 14,008,387
Incurring claims and claims adjustment expenses:						
Provision for insured events of the current fiscal year	306,144	2,120,636	1,074,448	370,514	1,380,592	2,491,150
Increase/Decrease in provision for insured events of prior fiscal years	2,091,449	3,819,092	1,709,714	226,369	3,801,163	4,045,461
Total incurred claims and claims adjustment expenses	2,397,593	5,939,728	2,784,162	596,883	5,181,755	6,536,611
Payments:						
Attributable to insured events of the current fiscal year	196,433	1,117,740	94,575	255,706	291,008	1,373,446
Attributable to insured events of prior fiscal years	110,059	3,155,131	1,418,064	2,952,706	1,528,123	6,107,837
Total payments	306,492	4,272,871	1,512,639	3,208,412	1,819,131	7,481,283
Unpaid claims and claims adjustment expenses - June 30	\$ 12,381,899	\$ 10,290,798	\$ 4,044,440	\$ 2,772,917	\$ 16,426,339	\$ 13,063,715

14. ACCUMULATED FUND DEFICITS

As of June 30, 2005, the City has fund deficits in the Performing Arts and Convention Center of \$624,476 and the Traffic Safety Fund of \$742,813 and in the Workers' Compensation Fund of \$7,672,811. The City intends to eliminate these deficits through increased user charges in future years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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.

City of Oxnard, California

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

For the Year Ended June 30, 2005

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES			
Taxes:			
Property tax	\$ 26,353,000	\$ 27,623,040	\$ 1,270,040
Sales tax	22,849,107	23,212,641	363,534
Transient occupancy tax	2,282,801	2,445,468	162,667
Other taxes:			
Franchise tax	4,540,000	4,572,206	32,206
Business license (net of refund)	3,608,547	3,967,972	359,425
Deed transfer tax	750,000	1,196,393	446,393
Total other taxes	8,898,547	9,736,571	838,024
Penalties/interest on delinquencies	150,000	126,250	(23,750)
Total taxes	60,533,455	63,143,970	2,610,515
Licenses and permits	2,494,381	2,116,934	(377,447)
Intergovernmental			
State shared revenue:			
Homeowners property tax relief	360,000	244,130	(115,870)
State mandated reimbursement - SB 90	—	65,397	65,397
POST reimbursement	—	92,119	92,119
Motor vehicle in lieu of tax	4,452,000	4,109,600	(342,400)
Off highway vehicle in lieu of tax	4,000	6,681	2,681
FEMA reimbursement	511,795	14,335	(497,460)
Public safety augmentation	963,800	1,134,850	171,050
AB 1191	75,000	18,410	(56,590)
Total state shared revenues	6,366,595	5,685,522	(681,073)
Local shared revenue:			—
Infrastructure use revenues	1,809,146	1,809,146	
Indirect cost reimbursements	4,362,941	4,973,574	610,633
Total local shared revenues	6,172,087	6,782,720	610,633
Total intergovernmental	12,538,682	12,468,242	(70,440)

City of Oxnard, California

*General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Continued)
For the Year Ended June 30, 2005*

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
CHARGES FOR SERVICES			
General government	316,923	310,600	(6,323)
Public safety	1,645,648	2,640,416	994,768
Parks and recreation	717,413	829,232	111,819
Community development	5,464,062	5,801,168	337,106
Other current service charges	753,100	1,294,397	541,297
Tipping fees	110,000	110,000	—
Miscellaneous service charges	204,150	377,382	173,232
Services to other programs	3,562,764	3,631,590	68,826
Total charges for services	12,774,060	14,994,785	2,220,725
Fines and forfeitures:			
Parking fines	301,500	658,454	356,954
Total fines and forfeitures	301,500	658,454	356,954
Interest	2,484,990	1,759,629	(725,361)
Miscellaneous:			
Rent and royalties	60,482	64,962	4,480
Reimbursements	207,645	758,189	550,544
Contributions and donations	39,482	43,465	3,983
Payments on loans	—	195,698	195,698
Other	1,343,613	1,525,534	181,921
Special assessments - other	—	72,809	72,809
Sale of fixed assets			
Sale of vehicle/equipment	60,000	96,547	36,547
Sale of unclaimed property	7,000	6,505	(495)
Total sale of fixed assets	67,000	103,052	36,052
Contingency reserve	2,800,000	—	(2,800,000)
Total miscellaneous	4,518,222	2,763,709	(1,754,513)
Total operating revenues	95,645,290	97,905,723	2,260,433
Other financing sources:			
Operating transfers-in	—	—	—
Total other financing sources	—	—	—
Total revenues	95,645,290	97,905,723	2,260,433

City of Oxnard, California

*General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Continued)
For the Year Ended June 30, 2005*

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
EXPENDITURES			
General government:			
Legislative			
City Council	282,265	282,574	309
City Treasurer	534,970	544,558	9,588
City Clerk	432,722	405,081	(27,641)
Total legislative	1,249,957	1,232,213	(17,744)
Administrative and support services			
City Manager	1,231,540	1,191,680	(39,860)
City Attorney	1,564,040	1,447,962	(116,078)
Financial Services	3,807,586	3,680,774	(126,812)
Human Resources	929,304	977,933	48,629
Non-departmental	14,914,666	12,932,679	(1,981,987)
Amount reclassified as transfers out	(5,585,021)	(5,585,021)	—
Amount reclassified as transfer to COFA	(2,694,866)	(2,694,866)	—
Amount estimated for CDC loans	(1,730,560)	(1,730,560)	—
Subtotal	4,904,219	2,922,232	(1,981,987)
Total administrative and support services	12,436,689	10,220,581	(2,216,108)
Other	97,000	88,987	(8,013)
Total general government	13,783,646	11,541,781	(2,241,865)
Public Safety:			
Police	36,310,617	38,413,011	2,102,394
Fire	10,605,513	12,057,456	1,451,943
Total Public Safety	46,916,130	50,470,467	3,554,337
Transportation:			
Transportation planning and engineering	1,604,963	1,754,906	149,943
Engineering services - design	969,870	1,072,765	102,895
Public services administration	352,782	425,655	72,873
Street lighting - SCE	1,231,748	934,130	(297,618)
Total transportation	4,159,363	4,187,456	28,093

City of Oxnard, California

*General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Continued)
For the Year Ended June 30, 2005*

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
Community development:			
Planning and environmental services	5,077,968	1,282,233	(3,795,735)
Economic development and tourism service	602,154	602,154	—
Development and construction services	3,006,377	2,970,217	(36,160)
Development support/public projects	423,343	334,862	(88,481)
Housing services	206,281	172,492	(33,789)
Neighborhood services	286,969	290,895	3,926
Human services	2,509,467	2,279,647	(229,820)
Total community development	12,112,559	7,932,500	(4,180,059)
Culture and leisure:			
Recreation services	2,020,693	2,020,729	36
Carnegie art museum	356,495	339,702	(16,793)
Parks and public grounds	6,962,336	7,887,655	925,319
Total culture and leisure	9,339,524	10,248,086	908,562
Library services:			
Library services	3,718,715	3,731,437	12,722
Total library services	3,718,715	3,731,437	12,722
Capital outlay:			
General government			
Legislative	5,500	—	(5,500)
Administration and support services	76,835	—	(76,835)
Public safety			
Police	1,232,019	746,328	(485,691)
Fire	145,690	51,949	(93,741)
Transportation	111,632	45,668	(65,964)
Community development			
Engineering services - design	—	—	—
Planning and environmental services	—	—	—
Development and construction services	60,211	19,920	(40,291)
Development support/public projects	—	—	—
Neighborhood services	5,000	5,000	—

City of Oxnard, California

*General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Continued)
For the Year Ended June 30, 2005*

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
Culture and leisure			
Recreation services	—	—	—
Parks and public grounds	332,722	190,792	(141,930)
Library services	7,708	—	(7,708)
Savings carryover	352,141	30,541	(321,600)
Total capital outlay	2,329,458	1,090,198	(1,239,260)
Total operating expenditures	92,359,395	89,201,925	(3,157,470)
Other financing uses - transfers out:			
Community development commission	700,000	700,000	—
Capital outlay fund	3,676,745	3,676,745	—
Reserve for salary adjustments	—	—	—
City of oxnard financing authority	2,694,866	2,694,866	—
Federal fund match	—	—	—
Civic center improvement project	2,906,677	2,904,502	(2,175)
Golf course fund	550,000	550,000	—
PACC operating fund	956,576	956,576	—
Internal service fund	401,700	401,700	—
Total transfers out	11,886,564	11,884,389	(2,175)
Total expenditures	104,245,959	101,086,314	(3,159,645)
Net change in fund balances	(8,600,669)	(3,180,591)	5,420,078
Fund balances, July 1	19,399,724	26,578,986	7,179,262
Fund balances, budgetary basis, June 30	\$ 10,799,055	\$ 23,398,395	\$ 12,599,340

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.

City of Oxnard, California

Development Fees Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2005

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:			
Growth and development fees	\$ 11,010,155	\$ 10,059,305	\$ (950,850)
Charges for services	601,421	997,360	395,939
Miscellaneous	—	136,108	136,108
Total Revenues	11,611,576	11,192,773	(418,803)
EXPENDITURES			
Public safety	600,193	536,825	(63,368)
Community development	1,752,704	164,909	(1,587,795)
Capital outlay	29,469,191	7,790,491	(21,678,700)
Total expenditures	31,822,088	8,492,225	(23,329,863)
Excess (deficiency) of revenues over (under) expenditures	(20,210,512)	2,700,548	22,911,060
Other financing sources (uses):			
Transfers out	(534,960)	(460,966)	73,994
Total other financing sources (uses):	(534,960)	(460,966)	73,994
Net change in fund balances	(20,745,472)	2,239,582	22,985,054
Fund balances, July 1	(19,036,245)	36,268,794	55,305,039
Fund balances, June 30	\$ (39,781,717)	\$ 38,508,376	\$ 78,290,093

City of Oxnard, California

HUD & CDBG Grants Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (continued)
For the Year Ended June 30, 2005

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:			
Intergovernmental	\$ 5,152,927	\$ 3,446,786	\$ (1,706,141)
Miscellaneous	—	—	—
Total revenues	5,152,927	3,446,786	(1,706,141)
EXPENDITURES			
General government	254,694	246,973	7,721
Public safety	231,000	167,740	63,260
Transportation	—	—	0
Community development	3,852,444	1,927,361	1,925,083
Culture and leisure	294,370	315,702	(21,332)
Capital outlay	1,989,762	789,010	1,200,752
Total expenditures	6,622,270	3,446,786	3,175,484
Net change in fund balances	(1,469,343)	—	(1,469,343)
Fund balances, July 1	(13,205,474)	—	(13,205,474)
Fund balances (deficit), June 30	\$ (14,674,817)	\$ —	\$ (14,674,817)

City of Oxnard, California

State and Federal Grants Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (continued)
For the Year Ended June 30, 2005

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:			
Taxes	\$ 8,434,221	\$ 9,914,595	\$ 1,480,374
Intergovernmental	7,206,676	6,271,916	(934,760)
Fines and forfeitures	—	58,538	58,538
Interest	4,046	349,156	345,110
Miscellaneous	56,445	1,005,524	949,079
Total Revenues	15,701,388	17,599,729	1,898,341
EXPENDITURES			
General government			
Public safety	12,881,919	12,944,014	(62,095)
Transportation	465,061	140,995	324,066
Community development	129,158	1,501,034	(1,371,876)
Culture and leisure	2,187,655	711,353	1,476,302
Capital outlay	12,011,115	3,969,623	8,041,492
Total expenditures	27,674,908	19,267,019	8,407,889
Net changes in fund balances	(11,973,520)	(1,667,290)	10,306,230
Fund balances, July 1	(11,748,269)	12,279,696	24,027,965
Fund balances, June 30	\$ (23,721,789)	\$ 10,612,406	\$ 34,334,195

Continued -

City of Oxnard, California

*Required Supplementary Information
Schedule of Funding Progress (Dollars in Thousands)
For the Year Ended June 30, 2005*

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						
06/30/02	\$ 102,851	\$ 115,644	\$ 12,793	88.9%	\$ 13,757	93.0%
06/30/03	105,659	125,298	19,639	84.3%	14,783	132.8%
06/30/04	113,059	137,184	24,125	82.4%	16,902	142.7%
Fire						
06/30/02	63,571	67,338	3,767	94.4%	5,856	64.3%
06/30/03	1,045,896	1,248,173	202,277	83.8%	154,385	131.0%
06/30/04	4,424,587	5,383,922	959,335	82.2%	575,296	166.8%
Miscellaneous						
06/30/02	166,837	158,442	(8,395)	105.3%	38,080	(22.0)%
06/30/03	166,713	183,219	16,506	91.0%	41,622	39.7%
06/30/04	175,702	197,607	21,905	88.9%	42,957	51.0%

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.

City of Oxnard, California

Internal Service Funds Combining Statement of Net Assets June 30, 2005

	Workers' Compensation	Public Liability/Property Damage	Utility Customer Services	Information Services	Facilities Maintenance	Equipment Maintenance	Total
ASSETS							
Cash and cash equivalents	\$ 4,727,589	\$ 7,202,899	\$ 632,620	\$ 1,530,192	\$ 1,051,223	\$ 692,434	\$ 15,836,957
Investments with fiscal agents	—	—	—	—	—	—	—
Accounts and other receivables	35,000	800	—	—	—	—	35,800
Capital assets:							
Property, plant and equipment	47,580	3,793	40,569	773,081	586,426	481,678	1,933,127
Less: accumulated depreciation	(32,697)	(3,793)	(40,207)	(557,871)	(322,302)	(395,108)	(1,351,978)
Net capital assets	14,883	—	362	215,210	264,124	86,570	581,149
Total assets	4,777,472	7,203,699	632,982	1,745,402	1,315,347	779,004	16,453,906
LIABILITIES							
Current liabilities:							
Accounts payable	34,246	166,901	36,942	139,766	45,141	349,080	772,076
Other liabilities	—	—	—	—	53,371	—	53,371
Non-current liabilities:							
Self-insurance claims liabilities	12,381,899	4,044,440	—	—	—	—	16,426,339
Compensated absences	34,138	—	97,834	126,876	196,191	171,893	626,932
Total liabilities	12,450,283	4,211,341	134,776	266,642	294,703	520,973	17,878,718
NET ASSETS							
Invested in capital assets, net of related debt	14,883	—	362	476,483	414,363	86,570	992,661
Unrestricted	(7,687,694)	2,992,358	497,844	1,002,277	606,281	171,461	(2,417,473)
Total net assets	<u>\$ (7,672,811)</u>	<u>\$ 2,992,358</u>	<u>\$ 498,206</u>	<u>\$ 1,478,760</u>	<u>\$ 1,020,644</u>	<u>\$ 258,031</u>	<u>\$ (1,424,812)</u>

City of Oxnard, California

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Net Assets

For the Year June 30, 2005

	Workers' Compensation	Public Liability/Property Damage	Utility Customer Services	Information Services	Facilities Maintenance	Equipment Maintenance	Total
OPERATING REVENUES							
Charges for services	\$ 7,024,169	\$ 3,799,718	\$ 1,044,130	\$ 2,866,339	\$ 2,595,790	\$ 5,625,829	\$ 22,955,975
OPERATING EXPENSES:							
Salaries and wages	236,293	47,543	491,771	1,355,804	1,378,950	1,940,877	5,451,238
Contractual services	714,531	1,504,469	3,193	108,688	167,979	115,243	2,614,103
Operating supplies	—	—	225,513	248,710	237,461	2,421,584	3,133,268
Utilities	4,085	2,360	6,719	753,380	423,505	11,168	1,201,217
Depreciation and amortization	10,131	—	5,450	97,213	47,613	31,109	191,516
General and administrative	332,884	136,938	315,883	360,933	56,845	105,583	1,309,066
Repairs and maintenance	17,892	—	18,933	215,603	92,494	841,383	1,186,305
Claims expenses	6,992,128	2,784,162	—	—	—	—	9,776,290
Total operating expenses	8,307,944	4,475,472	1,067,462	3,140,331	2,404,847	5,466,947	24,863,003
Net operating income (loss)	(1,283,775)	(675,754)	(23,332)	(273,992)	190,943	158,882	(1,907,028)
NONOPERATING REVENUES (EXPENSES)							
Interest income	107,443	150,259	15,746	35,419	24,883	4,097	337,847
Interest (expense)	—	—	—	—	—	—	—
Total nonoperating revenues (expenses)	107,443	150,259	15,746	35,419	24,883	4,097	337,847
Income (loss) before contributions and transfers	(1,176,332)	(525,495)	(7,586)	(238,573)	215,826	162,979	(1,569,181)
Transfers in	—	—	—	238,200	157,000	6,500	401,700
Transfers out	—	—	—	—	—	—	—
Net transfers	—	—	—	238,200	157,000	6,500	401,700
Change in net assets	(1,176,332)	(525,495)	(7,586)	(373)	372,826	169,479	(1,167,481)
Net assets - July 1	(6,496,479)	3,517,854	505,791	1,479,133	647,818	88,552	(257,331)
Net assets - June 30	\$ (7,672,811)	\$ 2,992,359	\$ 498,205	\$ 1,478,760	\$ 1,020,644	\$ 258,031	\$ (1,424,812)

City of Oxnard, California

Internal Service Funds Combining Statement of Cash Flows For the Year Ended June 30, 2005

	Workers' Compensation	Public Liability/Property Damage	Utility Customer Services	Information Services	Facilities Maintenance	Equipment Maintenance	Total
Cash flows from operating activities:							
Receipts from customers	\$ 7,134,792	\$ 3,799,718	\$ 1,044,130	\$ 2,868,565	\$ 2,615,200	\$ 5,625,829	\$ 23,088,234
Payments to suppliers	(1,109,985)	(1,505,470)	(568,823)	(1,662,908)	(978,580)	(3,372,189)	(9,197,955)
Payments to employees	(230,450)	(47,543)	(478,942)	(1,345,782)	(1,386,818)	(1,935,833)	(5,425,368)
Claims paid	(4,901,027)	(1,512,639)	—	—	—	—	(6,413,666)
Cash flows from operating activities	893,330	734,066	(3,635)	(140,125)	249,802	317,807	2,051,245
Cash flows from noncapital financing activities:							
Interfund payments	—	—	—	—	—	—	—
Transfers in	—	—	—	238,200	157,000	6,500	401,700
Transfers out	—	—	—	—	—	—	—
Cash flows from noncapital financing activities	—	—	—	238,200	157,000	6,500	401,700
Cash flows from capital and related financing activities:							
Acquisition of capital assets	—	—	—	(43,525)	(89,571)	(7,132)	(140,228)
Interest paid on capital debt	—	—	—	—	—	—	—
Cash flows from capital and related financing activities	—	—	—	(43,525)	(89,571)	(7,132)	(140,228)
Cash flows from investing activities:							
Interest on investments	107,443	150,259	15,746	35,419	24,883	4,097	337,847
Cash flows from investing activities	107,443	150,259	15,746	35,419	24,883	4,097	337,847
Net cash flows	1,000,773	884,325	12,111	89,969	342,114	321,272	2,650,564
Cash and investments at beginning of period	3,726,816	6,318,574	620,509	1,440,223	709,109	371,162	13,186,393
Cash and investments at end of period	\$ 4,727,589	\$ 7,202,899	\$ 632,620	\$ 1,530,192	\$ 1,051,223	\$ 692,434	\$ 15,836,957
Reconciliation of operating income (loss) to net cash flows from operating activities:							
Operating income (loss)	\$ (1,283,775)	\$ (675,754)	\$ (23,332)	\$ (273,992)	\$ 190,943	\$ 158,882	\$ (1,907,028)
Adjustments to reconcile operating income to net cash flows from operating activities:							
Depreciation	10,131	—	5,450	97,213	47,613	31,109	191,516
Change in assets and liabilities:							
Decrease (increase) in accounts receivable	110,623	—	—	2,226	19,410	—	132,259
Increase (decrease) in accounts payable	(40,593)	138,297	1,418	24,406	(3,752)	122,772	242,548
Increase (decrease) in other liabilities	—	—	—	—	3,456	—	3,456
Increase (decrease) in self-insured claims liabilities	2,091,101	1,271,523	—	—	—	—	3,362,624
Increase (decrease) in compensated absences	5,843	—	12,829	10,022	(7,868)	5,044	25,870
Cash flows from operating activities	\$ 893,330	\$ 734,066	\$ (3,635)	\$ (140,125)	\$ 249,802	\$ 317,807	\$ 2,051,245

FIDUCIARY FUNDS

City of Oxnard, California

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

June 30, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
ARTWORKS FUND				
ASSETS				
Cash and cash equivalents	\$ 49,612	\$ 1,164	\$ 3,925	\$ 46,851
Total assets	<u>\$ 49,612</u>	<u>\$ 1,164</u>	<u>\$ 3,925</u>	<u>\$ 46,851</u>
LIABILITIES				
Trust and agency payables	\$ 49,612	\$ 1,164	\$ 3,925	\$ 46,851
Total liabilities	<u>\$ 49,612</u>	<u>\$ 1,164</u>	<u>\$ 3,925</u>	<u>\$ 46,851</u>
IMPROVEMENT DISTRICTS FUND				
ASSETS				
Cash and cash equivalents	\$ 12,691,917	\$ 14,314,303	\$ 13,852,303	\$ 13,153,917
Investments with fiscal agents	30,123,907	811,237	3,981,024	26,954,120
Total assets	<u>\$ 42,815,824</u>	<u>\$ 15,125,540</u>	<u>\$ 17,833,327</u>	<u>\$ 40,108,037</u>
LIABILITIES				
Trust and agency payables	\$ 42,815,824	\$ 15,125,540	\$ 17,833,327	\$ 40,108,037
Total liabilities	<u>\$ 42,815,824</u>	<u>\$ 15,125,540</u>	<u>\$ 17,833,327</u>	<u>\$ 40,108,037</u>
TOTAL - ALL FIDUCIARY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 12,741,529	\$ 14,315,467	\$ 13,856,228	\$ 13,200,768
Investments with fiscal agents	30,123,907	811,237	3,981,024	26,954,120
Total assets	<u>\$ 42,865,436</u>	<u>\$ 15,126,704</u>	<u>\$ 17,837,252</u>	<u>\$ 40,154,888</u>
LIABILITIES				
Trust and agency payables	\$ 42,865,436	\$ 15,126,704	\$ 17,837,252	\$ 40,154,888
Total liabilities	<u>\$ 42,865,436</u>	<u>\$ 15,126,704</u>	<u>\$ 17,837,252</u>	<u>\$ 40,154,888</u>

NON-MAJOR SPECIAL REVENUE FUNDS

State Gas Tax Fund—This fund is used to account for the allocated share of Gas Tax Revenue received by the City from the State of California. Spending of gas tax is legally restricted by the State to be used for maintenance and improvement of public streets, in accordance with Section 2106, 2107, 2107.5 of the Streets and Highways Code.

Traffic Safety Fund—This fund is used to account for shared revenues received from fines and forfeitures under the State of California Vehicle Code. Fund is restricted to be expended only for improvement and maintenance of traffic control equipment/devices.

Transportation Development Fund—In July 1972, the State of California enacted the Transportation Development Act (known as TDA:SB325). A Local Transportation Fund (LTF) was created for each county to disburse TDA revenues derived from 1/4 cent of the 6 1/4 percent State Retail Sales Tax. Apportionments are locally administered by the Southern California Association of Governments (SCAG) and Ventura County Transportation Commission (VCTC). This fund is used to account for this revenue and restrict the use for street maintenance and road improvements, and construction of pedestrian and bike facilities.

Maintenance Assessment District—To account for assessment revenues and expenditures related to waterways and landscape maintenance of various district areas in the City. Maintenance work is undertaken by the City. Lot owners within the affected district areas are assessed a maintenance fee based on estimated maintenance cost per lot square footage.

City of Oxnard, California

*Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005*

	State Gas Tax Fund	Traffic Safety Fund	Transportation Development Fund	Maintenance Assessment Districts Fund	Total
ASSETS					
Cash and cash equivalents	\$ 886,185	\$ —	\$ 2,505,202	\$ 2,926,912	\$ 6,318,299
Accounts and other receivables	—	—	273,872	416	274,288
Total assets	<u>\$ 886,185</u>	<u>\$ —</u>	<u>\$ 2,779,074</u>	<u>\$ 2,927,328</u>	<u>\$ 6,592,587</u>
LIABILITIES					
Accounts payable	\$ 111,212	\$ 713,913	\$ 141,763	\$ 145,235	\$ 1,112,123
Other liabilities	64,929	28,900	2,445	—	96,274
Due to other funds	—	—	—	—	—
Deferred revenues	—	—	1,165,523	—	1,165,523
Total liabilities	<u>176,141</u>	<u>742,813</u>	<u>1,309,731</u>	<u>145,235</u>	<u>2,373,920</u>
FUND BALANCES					
Reserved for: Designated for authorized projects	1,734,689	—	2,635,898	—	4,370,587
Unreserved: Undesignated	<u>(1,024,645)</u>	<u>(742,813)</u>	<u>(1,166,555)</u>	<u>2,782,093</u>	<u>(151,920)</u>
Total fund balances	<u>710,044</u>	<u>(742,813)</u>	<u>1,469,343</u>	<u>2,782,093</u>	<u>4,218,667</u>
Total liabilities and fund balances	<u>\$ 886,185</u>	<u>\$ —</u>	<u>\$ 2,779,074</u>	<u>\$ 2,927,328</u>	<u>\$ 6,592,587</u>

City of Oxnard, California

Combining Statements of Revenues, Expenditures and Changes in Fund Balances
 Governmental Non-Major Funds
 For the Year Ended June 30, 2005

	State Gas Tax Fund	Traffic Safety Fund	Transportation Development Fund	Maintenance Assessment Districts Fund	Total
REVENUES					
Intergovernmental	\$ 3,499,378	\$ —	\$ 1,275,738	\$ —	\$ 4,775,116
Charges for services	—	—	177,218	—	177,218
Fines and forfeitures	—	531,250	—	—	531,250
Interest	37,559	360	66,843	73,070	177,832
Special assessments	—	—	—	2,240,492	2,240,492
Miscellaneous	338,394	—	—	212,753	551,147
Total revenues	3,875,331	531,610	1,519,799	2,526,315	8,453,055
EXPENDITURES					
Current:					
Public safety	—	193,910	—	—	193,910
Transportation	3,331,245	569,061	512,792	965,515	5,378,613
Community development	—	—	—	1,483,423	1,483,423
Capital outlay	1,857,494	—	2,603,123	—	4,460,617
Total expenditures	5,188,739	762,971	3,115,915	2,448,938	11,516,563
OTHER FINANCING SOURCES (USES)					
Transfers in	—	—	—	—	—
Transfers out	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—
Net change in fund balance	(1,313,408)	(231,361)	(1,596,116)	77,377	(3,063,508)
Fund balances, July 1	2,023,452	(511,452)	3,065,459	2,704,716	7,282,175
Fund balances (deficit), June 30	\$ 710,044	\$ (742,813)	\$ 1,469,343	\$ 2,782,093	\$ 4,218,667

City of Oxnard, California

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, 2005

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES			
Intergovernmental	\$ 3,560,500	\$ 3,499,378	\$ (61,122)
Interest	100,500	37,559	(62,941)
Miscellaneous	249,000	338,394	89,394
Total revenues	3,910,000	3,875,331	(34,669)
EXPENDITURES			
Transportation	3,283,776	3,331,245	(47,469)
Capital outlay	3,564,350	1,857,494	1,706,856
Total expenditures	6,848,126	5,188,739	1,659,387
Excess (deficiency) of revenues over expenditures	(2,938,126)	(1,313,408)	1,624,718
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers out	—	—	—
Total other financing sources (uses)	—	—	—
Net change in fund balances	(2,938,126)	(1,313,408)	1,624,718
Fund balance, July 1	(6,258,508)	2,023,452	8,281,960
Fund balance (deficit), June 30	\$ (9,196,634)	\$ 710,044	\$ 9,906,678

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, 2005

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES			
Fines and forfeitures	\$ 870,366	\$ 531,250	\$ (339,116)
Interest	—	360	360
Total revenues	870,366	531,610	(338,756)
EXPENDITURES			
Public safety	294,853	193,910	100,943
Transportation	575,513	569,061	6,452
Capital outlay	—	—	—
Total expenditures	870,366	762,971	107,395
Excess (deficiency) of revenues and expenditures	—	(231,361)	(231,361)
OTHER FINANCING SOURCES (USES)			
Transfers in	—	—	—
Transfers out	—	—	—
Total other financing sources (uses)	—	—	—
Net change in fund balances	—	(231,361)	(231,361)
Fund balances, July 1	53,099	(511,452)	(564,551)
Fund balances (deficit), June 30	\$ 53,099	\$ (742,813)	\$ (795,912)

Continued -

City of Oxnard, California

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, 2005

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES			
Intergovernmental	\$ 2,431,260	\$ 1,275,738	\$ (1,155,522)
Charges for services	168,394	177,218	8,824
Interest	—	66,843	66,843
Miscellaneous	—	—	—
Total revenues	2,599,654	1,519,799	(1,079,855)
EXPENDITURES			
Transportation	516,511	512,792	3,719
Capital outlay	5,328,021	2,603,123	2,724,898
Total expenditures	5,844,532	3,115,915	2,728,617
Excess (deficiency) of revenues over expenditures	(3,244,878)	(1,596,116)	1,648,762
OTHER FINANCING SOURCES (USES)	—	—	—
Total other financing sources (uses)	—	—	—
Net change in fund balances	(3,244,878)	(1,596,116)	1,648,762
Fund balances, July 1	(5,505,760)	3,065,459	8,571,219
Fund balances (deficit), June 30	\$ (8,750,638)	\$ 1,469,343	\$ 10,219,981

Continued -

City of Oxnard, California

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, 2005

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES			
Interest	\$ 25,000	\$ 73,070	\$ 48,070
Special assessments	2,196,749	2,240,492	43,743
Miscellaneous	212,753	212,753	—
Total revenues	2,434,502	2,526,315	91,813
EXPENDITURES			
Community development	1,871,812	1,483,423	388,389
Transportation	1,557,044	965,515	591,529
Total expenditures	3,428,856	2,448,938	979,918
Excess (deficiency) of revenues over expenditures	(994,354)	77,377	1,071,731
OTHER FINANCING USES			
Transfers in	—	—	—
Transfers out	—	—	—
Total other financing sources (uses)	—	—	—
Net change in fund balances	(994,354)	77,377	1,071,731
Fund balances, July 1	1,119,686	2,704,716	1,585,030
Fund balances (deficit), June 30	\$ 125,332	\$ 2,782,093	\$ 2,656,761

City of Oxnard, California

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2005

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES			
Taxes increments	\$ 2,397,395	\$ 1,746,597	\$ (650,798)
Interest	—	63,235	63,235
Total revenues	2,397,395	1,809,832	(587,563)
EXPENDITURES			
Debt service:			
Principal	1,267,178	2,999,393	(1,732,215)
Interest	1,130,217	2,072,111	(941,894)
Total expenditures	2,397,395	5,071,504	(2,674,109)
Excess (deficiency) of revenues over expenditures	—	(3,261,672)	(3,261,672)
OTHER FINANCING SOURCES (USES)			
Transfers in	—	3,489,006	3,489,006
Transfers out	—	—	—
Total other financing sources (uses)	—	3,489,006	3,489,006
Net change in fund balances	—	227,334	227,334
Fund balances, July 1	1,171,941	796,691	(375,250)
Fund balances (deficit), June 30	\$ 1,171,941	\$ 1,024,025	\$ (147,916)

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.

City of Oxnard, California

**Net Assets by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
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
Restricted	—	—	—	—	—	15,555,288	18,239,533	59,123,684	12,510,935	16,183,475
Unrestricted	—	—	—	—	—	48,584,003	71,775,592	16,356,191	91,002,589	80,742,442
Total governmental activities net assets	—	—	—	—	—	<u>\$ 117,321,573</u>	<u>\$ 146,455,274</u>	<u>\$ 180,728,753</u>	<u>\$ 208,127,505</u>	<u>\$ 228,800,318</u>
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
Restricted	—	—	—	—	—	5,841,492	2,931,639	2,714,603	7,380,620	7,696,523
Unrestricted	—	—	—	—	—	41,672,083	42,906,594	38,624,788	159,369,013	138,793,254
Total business-type activities net assets	—	—	—	—	—	<u>\$ 205,621,317</u>	<u>\$ 207,177,410</u>	<u>\$ 213,312,589</u>	<u>\$ 226,002,403</u>	<u>\$ 244,231,768</u>
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
Restricted	—	—	—	—	—	21,396,780	21,171,172	61,838,287	19,891,555	23,879,998
Unrestricted	—	—	—	—	—	90,256,086	114,682,186	54,980,979	250,371,602	219,535,696
Total primary government net assets	—	—	—	—	—	<u>\$ 322,942,890</u>	<u>\$ 353,632,684</u>	<u>\$ 394,041,342</u>	<u>\$ 434,129,908</u>	<u>\$ 473,032,086</u>

Source: Finance Department, City of Oxnard

City of Oxnard, California

**Changes in Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
EXPENSES										
Governmental activities:										
General government	—	—	—	—	—	\$ 8,962,823	\$ 11,561,786	\$ 11,089,303	\$ 12,911,930	\$ 13,646,432
Public safety	—	—	—	—	—	43,221,741	47,675,795	51,798,458	58,758,103	68,542,046
Transportation	—	—	—	—	—	5,529,190	4,900,486	8,576,565	8,595,630	9,912,068
Community development	—	—	—	—	—	13,613,463	17,583,882	25,632,688	18,590,562	18,937,934
Culture and leisure	—	—	—	—	—	5,613,563	7,917,645	8,194,868	11,177,403	12,018,761
Libraries	—	—	—	—	—	2,629,171	2,908,754	3,115,118	3,940,974	3,919,671
Interest on long-term debt	—	—	—	—	—	2,542,778	1,811,687	2,076,882	2,305,762	2,299,356
Total governmental activities expenses	—	—	—	—	—	82,112,729	94,360,035	110,483,882	116,280,364	129,276,268
Business-type activities:										
Water	—	—	—	—	—	17,335,671	20,660,212	19,281,560	23,636,082	23,152,648
Wastewater	—	—	—	—	—	19,406,873	18,321,799	22,141,678	18,960,096	25,482,133
Solid waste	—	—	—	—	—	30,287,398	29,770,148	28,693,531	35,070,009	37,117,879
Performing arts and convention center	—	—	—	—	—	1,113,265	1,250,372	1,284,733	1,402,812	1,565,920
Oxnard housing authority	—	—	—	—	—	17,685,407	20,103,955	22,800,927	24,462,843	25,507,125
Municipal golf course	—	—	—	—	—	4,318,642	3,901,301	2,052,025	3,130,165	4,028,435
Total business-type activities expenses	—	—	—	—	—	90,147,256	94,007,787	96,254,454	106,662,007	116,854,140
Total primary government expenses	—	—	—	—	—	\$ 172,259,985	\$ 188,367,822	\$ 206,738,336	\$ 222,942,371	\$ 246,130,408
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	—	—	—	—	—	450,058	2,006,497	4,953,040	572,074	3,218,135
Public safety	—	—	—	—	—	1,054,655	2,412,682	5,066,751	3,654,740	5,306,818
Transportation	—	—	—	—	—	21,323	204,005	2,079,319	1,455,304	2,468,510
Community development	—	—	—	—	—	13,502,510	12,780,422	16,018,715	16,712,568	23,822,460
Culture and leisure	—	—	—	—	—	1,216,114	1,337,193	2,343,267	1,772,109	2,725,055
Libraries	—	—	—	—	—	86,064	103,356	196,900	214,559	209,622
Operating grants and contributions	—	—	—	—	—	25,907,496	36,071,980	32,793,458	39,370,445	20,254,587
Total governmental activities program revenues	—	—	—	—	—	42,238,220	54,916,135	63,451,450	63,751,799	58,005,187

City of Oxnard, California

**Changes in Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Business-type activities:										
Charges for services:										
Water	—	—	—	—	—	16,226,461	17,206,345	20,465,812	28,401,190	34,334,436
Wastewater	—	—	—	—	—	18,254,171	20,495,040	22,130,759	23,532,305	33,709,319
Solid waste	—	—	—	—	—	29,697,676	28,432,860	29,811,773	32,965,746	36,071,999
Performing arts and convention center	—	—	—	—	—	422,078	296,295	364,053	371,553	468,732
Oxnard housing authority	—	—	—	—	—	18,292,175	18,040,124	20,342,572	23,024,813	21,411,579
Municipal golf course	—	—	—	—	—	3,351,431	3,207,541	2,687,299	7,487,215	3,119,621
Operating grants and contributions	—	—	—	—	—	4,777,822	3,881,547	3,422,902	—	—
Total business-type activities program revenues	—	—	—	—	—	91,021,814	91,559,752	99,225,170	115,782,822	129,115,686
Total primary government program revenues	—	—	—	—	—	\$ 133,260,034	\$ 146,475,887	\$ 162,676,620	\$ 179,534,621	\$ 187,120,873
Net expense (revenue):										
Governmental activities	—	—	—	—	—	(39,874,509)	(45,464,591)	(66,212,003)	(60,334,442)	(71,271,081)
Business-type activities	—	—	—	—	—	874,558	(2,448,035)	2,970,716	9,120,815	12,261,546
Total primary government net expense	—	—	—	—	—	\$ (38,999,951)	\$ (47,912,626)	\$ (63,241,287)	\$ (51,213,627)	\$ (59,009,535)
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
Sales taxes	—	—	—	—	—	18,140,143	19,846,352	20,775,896	22,772,358	23,212,641
Transient occupancy taxes	—	—	—	—	—	2,328,218	2,321,758	2,247,831	2,222,553	2,445,468
Franchise taxes	—	—	—	—	—	4,807,104	7,085,201	2,830,462	3,718,917	4,572,206
Deed transfer taxes	—	—	—	—	—	583,617	555,249	573,234	1,159,215	1,196,393
Business license taxes	—	—	—	—	—	2,203,188	3,194,683	—	4,386,245	3,967,972
Penalties on delinquent taxes	—	—	—	—	—	90,164	182,230	190,546	181,655	126,250
Infrastructure use	—	—	—	—	—	5,293,799	5,191,633	5,491,859	6,273,788	1,809,146
Special assessments	—	—	—	—	—	1,250,930	1,411,837	1,727,674	—	2,240,492
Fines and forfeitures	—	—	—	—	—	1,284,259	4,588,082	—	1,198,457	1,248,242
Investment earnings	—	—	—	—	—	4,389,201	—	3,858,978	4,547,276	3,911,106
Transfers	—	—	—	—	—	(1,463,398)	(1,672,830)	(1,236,947)	(1,778,579)	(1,882,942)
Total governmental activities	—	—	—	—	—	62,391,792	68,577,601	66,575,522	79,927,317	91,943,894

City of Oxnard, California

**Changes in Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Business-type activities:										
Investment earnings	—	—	—	—	—	—	2,331,298	1,927,516	2,080,206	4,486,577
Transfers	—	—	—	—	—	1,463,398	1,672,830	1,236,947	1,488,793	1,481,242
Total business-type activities	—	—	—	—	—	1,463,398	4,004,128	3,164,463	3,568,999	5,967,819
Total primary program	—	—	—	—	—	\$ 63,855,190	\$ 72,581,729	\$ 69,739,985	\$ 83,496,316	\$ 97,911,713
Change in net assets:										
Governmental activities	—	—	—	—	—	117,321,573	146,455,274	180,728,753	208,127,505	228,800,318
Business-type activities	—	—	—	—	—	205,621,317	207,177,410	213,312,589	226,002,403	244,231,768
Total primary government program	—	—	—	—	—	\$ 322,942,890	\$ 353,632,684	\$ 394,041,342	\$ 434,129,908	\$ 473,032,086

1. The increase from the prior period was caused by an increase in property tax due to increases in assessed valuation and development growth in the City.
2. The increase from the prior period was caused by user fee rate increases in water and wastewater in order to meet with user programs and demands.

City of Oxnard, California

***Governmental Activities Tax Revenue by Source
Last Ten Fiscal Years
(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
1996	—	—	—	—	—	—	—	—
1997	—	—	—	—	—	—	—	—
1998	—	—	—	—	—	—	—	—
1999	—	—	—	—	—	—	—	—
2000	—	—	—	—	—	—	—	—
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	—	—	190,546	56,160,724
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

City of Oxnard, California

***Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)***

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General fund										
Reserved	—	—	—	—	—	\$ 1,631,586	\$ 1,870,298	\$ 3,211,597	\$ 1,180,342	\$ 4,201,060
Unreserved	—	—	—	—	—	19,864,559	25,526,320	24,597,396	25,398,644	19,197,335
Total general fund	—	—	—	—	—	21,496,145	27,396,618	27,808,993	26,578,986	23,398,395
All other governmental funds										
Reserved	—	—	—	—	—	13,838,262	13,887,599	8,486,307	11,330,593	11,982,415
Unreserved, reported in:										
Special revenue funds	—	—	—	—	—	32,000,890	37,036,381	45,814,074	55,595,303	53,104,087
Capital projects funds	—	—	—	—	—	12,487,381	12,639,137	12,974,002	21,790,919	22,103,670
Total all other governmental funds	—	—	—	—	—	58,326,533	63,563,117	67,274,383	88,716,815	87,190,172

1. The increase in total fund balance of the general fund balance is explained in the Management Discussion and Analysis.
2. The increase in reserved fund balances in this period was due to an increase in encumbrances related to Community Development Commission and City commitment to a developer.

City of Oxnard, California

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
REVENUES										
Taxes	—	—	—	—	—	\$ 51,637,001	\$ 59,058,879	\$ 59,303,485	\$ 69,686,376	\$ 84,617,850
Licenses and permits	—	—	—	—	—	2,211,303	1,987,392	2,862,476	2,182,715	2,116,934
Intergovernmental	—	—	—	—	—	27,714,568	37,691,308	38,508,559	40,834,560	27,036,948
Growth and development fees	—	—	—	—	—	8,049,376	7,432,528	8,796,590	9,004,335	10,061,956
Charges for services	—	—	—	—	—	6,070,045	7,908,643	12,022,652	11,105,208	15,358,432
Fines and forfeitures	—	—	—	—	—	1,284,259	1,411,837	853,188	1,198,456	1,248,242
Interest	—	—	—	—	—	4,389,201	4,588,082	3,858,978	4,547,276	3,911,106
Special assessments	—	—	—	—	—	1,250,930	1,515,592	1,727,674	2,089,097	2,240,492
Miscellaneous	—	—	—	—	—	3,486,727	3,572,305	3,055,944	4,809,675	5,240,064
Total revenues	—	—	—	—	—	106,093,410	125,166,566	130,989,546	145,457,698	151,832,024
EXPENDITURES										
General government	—	—	—	—	—	7,713,044	9,786,593	9,781,192	11,444,213	11,788,754
Public safety	—	—	—	—	—	40,353,308	44,560,812	48,494,541	55,856,590	64,312,956
Transportation	—	—	—	—	—	5,384,755	4,743,755	8,409,737	8,108,305	9,709,306
Community development	—	—	—	—	—	13,031,954	17,413,069	20,454,657	17,912,245	18,597,956
Culture and leisure	—	—	—	—	—	7,799,434	10,362,084	7,811,085	10,824,801	11,520,103
Library services	—	—	—	—	—	—	—	2,991,509	3,818,769	3,731,437
Capital outlay	—	—	—	—	—	16,294,274	23,794,668	22,199,380	31,640,247	29,924,300
Debt service:	—	—	—	—	—					
Principal	—	—	—	—	—	2,370,096	2,412,335	4,525,483	2,908,600	2,999,393
Interest	—	—	—	—	—	2,250,368	1,988,947	2,178,355	2,102,073	2,072,111
Total expenditures	—	—	—	—	—	95,197,233	115,062,263	126,845,939	144,615,843	154,656,316
Excess (deficiency) of revenues over expenditures	—	—	—	—	—	10,896,177	10,104,303	4,143,607	841,855	(2,824,292)
OTHER FINANCING SOURCES (USES)										
Transfers in	—	—	—	—	—	5,177,295	6,374,102	6,989,190	6,475,027	10,770,253
Transfers out	—	—	—	—	—	(6,640,693)	(8,046,932)	(8,064,156)	(8,253,606)	(12,653,195)
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)	—
Total other financing sources (uses)	—	—	—	—	—	(1,463,398)	1,032,754	(19,966)	19,370,570	(1,882,942)
Net change in fund balances	—	—	—	—	—	9,432,779	11,137,057	4,123,641	20,212,425	(4,707,234)
Debt service as a percentage of noncapital expenditures	—	—	—	—	—	6.04%	4.95%	6.70%	4.60%	4.20%

City of Oxnard, California

***General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)***

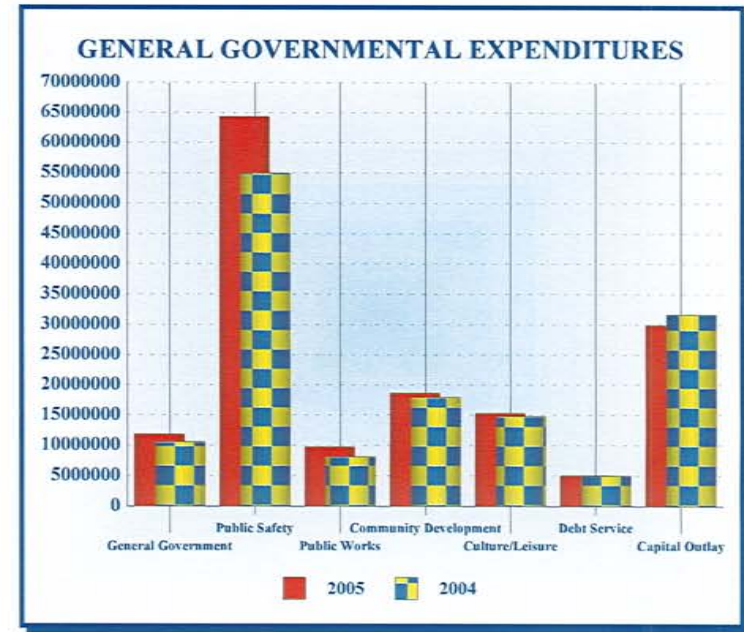
Fiscal Year	Property Tax	Sales Tax	Transient Occupancy Tax	Franchise Tax	Deed Transfer Tax	Business License Tax	Penalties and Interest	Total
1996	—	—	—	—	—	—	—	—
1997	—	—	—	—	—	—	—	—
1998	—	—	—	—	—	—	—	—
1999	—	—	—	—	—	—	—	—
2000	—	—	—	—	—	—	—	—
2001	23,484,567	18,140,143	2,328,218	4,807,104	583,617	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	573,234	—	190,546	56,733,958
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

City of Oxnard, California

*General Governmental Expenditures by Function (1)
Last Ten Fiscal Years*

Year Ended June 30	General Government	Public Safety	Public Works	Community Development
1996	5,520,064	29,675,975	3,983,431	22,381,184
1997	7,070,153	34,058,231	4,081,468	20,108,988
1998	7,016,296	35,691,103	4,295,643	22,252,846
1999	7,579,837	32,862,850	3,990,342	25,786,055
2000	7,602,018	38,888,150	5,169,841	25,247,832
2001	7,713,044	40,353,308	5,384,755	13,031,954
2002	9,786,593	44,560,812	4,743,755	15,269,415
2003	9,781,192	48,494,541	8,409,737	20,454,657
2004	11,444,213	55,856,590	8,108,305	17,912,245
2005	11,788,754	64,312,956	9,709,306	18,597,956

Year Ended June 30	Culture & Leisure & Other	Debt Service	Capital Outlay	Total
1996	7,738,299	5,951,109	21,427,099	96,677,161
1997	7,728,394	4,450,121	27,523,245	105,020,600
1998	7,788,172	4,139,298	26,262,397	107,445,755
1999	8,772,328	4,978,226	23,027,986	106,997,624
2000	8,238,815	6,673,072	23,469,160	115,288,888
2001	7,799,434	4,737,657	16,294,274	95,314,426
2002	10,362,415	4,401,282	23,794,668	112,918,940
2003	10,802,594	6,703,838	22,199,380	126,845,939
2004	14,643,570	5,010,673	31,640,247	144,615,843
2005	15,251,540	5,071,504	29,924,300	154,656,316



NOTE: (1) Includes General, Special Revenue, Debt Service and Capital Project Funds.

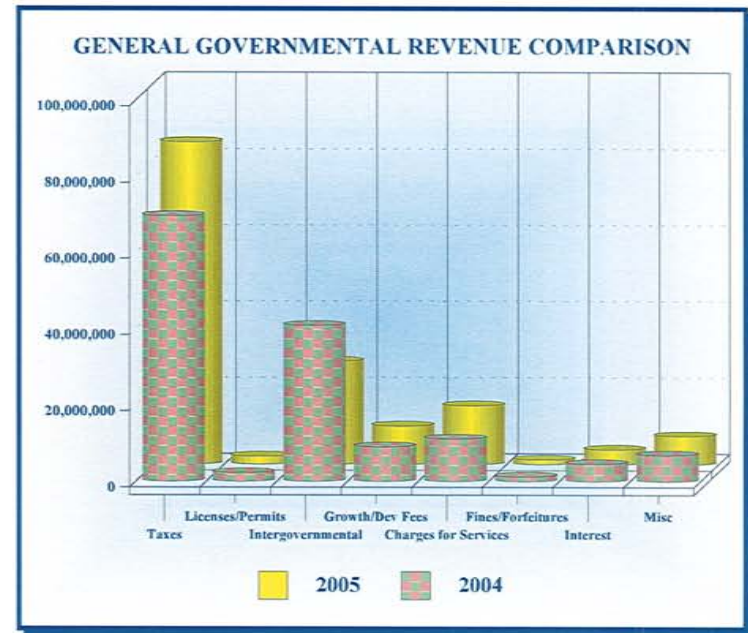
SOURCE: Annual Financial Reports

City of Oxnard, California

General Governmental Revenues by Source (1) Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

Year Ended June 30	Taxes (2)	Licenses & Permits	Inter-Governmental	Growth & Development Fees	
1996	37,710,655	1,266,647	41,482,116	3,561,774	
1997	36,976,727	1,609,510	40,929,504	3,675,892	
1998	39,024,110	1,391,272	45,808,968	4,332,493	
1999	38,111,470	2,213,020	49,262,250	5,232,503	
2000	42,054,756	2,474,296	47,735,813	11,840,096	
2001	51,637,001	2,211,303	27,714,568	8,049,376	
2002	59,058,879	1,987,392	37,691,308	7,432,528	
2003	59,303,485	2,862,476	38,508,559	8,796,590	
2004	69,686,376	2,182,715	40,834,560	9,004,335	
2005	84,617,850	2,116,934	27,036,948	10,061,956	

Year Ended June 30	Charges for Services	Fines & Forfeitures	Interest	Miscellaneous (3)	Total
1996	3,216,968	883,595	3,616,963	7,428,872	99,167,590
1997	2,760,071	807,091	3,743,337	5,459,143	95,961,275
1998	3,720,913	864,928	3,326,872	5,609,578	104,079,134
1999	7,191,112	1,211,785	4,241,599	5,898,116	113,361,855
2000	6,696,895	1,698,760	5,209,190	7,008,947	124,718,753
2001	6,070,045	1,284,259	4,389,201	4,737,657	106,093,410
2002	7,908,643	1,411,837	4,588,082	5,087,897	125,166,566
2003	12,022,652	853,188	3,858,978	4,783,618	130,989,546
2004	11,105,208	1,198,456	4,547,276	6,898,772	145,457,698
2005	15,358,432	1,248,242	3,911,106	7,480,556	151,832,024



- NOTES: (1) Includes General, Special Revenue, Debt Service and Capital Projects Funds
- (2) See Table III for detailed breakdown of tax revenues
- (3) Includes special assessments, dwelling rental and miscellaneous.

SOURCE: Annual Financial Reports

City of Oxnard, California

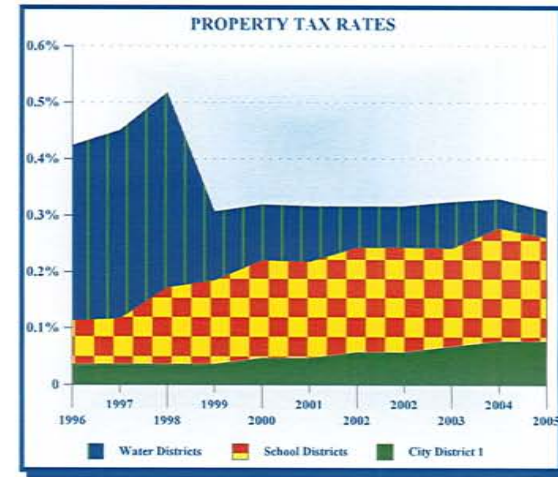
***Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years***

Fiscal Year	Real Property		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
	Residential	Commercial						
1996	4,490,858,633	1,821,493,471	119,814,735	667,234,581	5,764,932,258	—	5,764,932,258	100.00%
1997	4,485,815,079	1,822,016,387	101,123,835	720,506,163	5,688,449,138	—	5,688,449,138	100.00%
1998	4,594,240,080	1,878,967,522	94,844,835	722,494,121	5,845,558,316	—	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	—	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	—	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	—	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	—	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	—	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	—	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	—	10,086,642,499	100.00%

City of Oxnard, California

Property Tax Rates Last Ten Fiscal Years

Year Ended June 30	Basic County (1)	City District 1 (2)	School Districts	Water Districts	Total Tax Rates
1996	1.0000%	0.0362%	0.0773%	0.3105%	1.4240%
1997	1.0000%	0.0367%	0.0807%	0.3328%	1.4502%
1998	1.0000%	0.0367%	0.1360%	0.3449%	1.5176%
1999	1.0000%	0.0367%	0.1491%	0.1212%	1.3070%
2000	1.0000%	0.0475%	0.1740%	0.0979%	1.3194%
2001	1.0000%	0.0475%	0.1714%	0.0977%	1.3166%
2002	1.0000%	0.0575%	0.1867%	0.0723%	1.3165%
2003	1.0000%	0.0675%	0.1748%	0.0817%	1.3240%
2004	1.0000%	0.0766%	0.2022%	0.0509%	1.3297%
2005	1.0000%	0.0766%	0.1849%	0.0480%	1.3095%



- NOTES: (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 1981-82, assessed valuation was stated at 25% of market value or \$4.00 per \$100 of assessed value.
- (2) In June 1978, California voters approved Proposition 13 (Jarvis-Gahn Initiative) which added Article XIII A to the California Constitution. Article XIII A limits ad valorem taxes on real property to 1 percent of the full cash value plus taxes necessary to repay indebtedness approved by the voters prior to July 1, 1978. Voters approved obligation of the City are comprised of the "1969 Storm Drain Bond" and "Public Safety Retirement." The "1969 Storm Drain Bond" was redeemed and paid off as of June 30, 1994.

SOURCE: Ventura County Auditor-Controller's Office

City of Oxnard, California

***Principal Tax Payers
June 30, 2005***

List No.	Taxpayer	Type of Business	Assessed Valuation	Percentage of Assessed Valuation
1.	PROCTOR & GAMBLE PAPER PRODUCTS COMPANY	MANUFACTURING-PAPER PRODUCTS	\$ 260,096,649	2.267%
12.	ST. JOHN'S REGIONAL MEDICAL CENTER	HOSPITAL	196,605,247	1.714%
13.	SI VIII LLC (1)	REAL ESTATE DEVELOPMENT	71,558,454	0.624%
14.	DUESENBERG INVESTMENT COMPANY	COMMERCIAL DEVELOPMENT	60,254,119	0.525%
15.	WEYERHAEUSER COMPANY	PROCESSED PAPER MANUFACTURER	56,538,900	0.493%
16.	FRED KAVLI	REAL ESTATE DEVELOPMENT	56,433,705	0.492%
17.	SEMINIS VEGETABLE SEEDS INC.	SEEDS	51,047,509	0.445%
18.	ESSEX TIERRA VISTA	REAL ESTATE DEVELOPMENT	47,214,603	0.412%
19.	CENTRO WATT OPERATING PARTNERS LLC	REAL ESTATE DEVELOPMENT	47,184,000	0.411%
110.	FIRST SECURITY BANK/PTI ADVANCED TECHNOLOGIES	SUPPLIER OF FILTRATION PRODUCTS	36,594,117	0.319%
111.	BMW OF NORTH AMERICA INC.	AUTO PREPARATION	35,598,114	0.310%
112.	AT&T CREDIT CORPORATION TRUST	COMMERCIAL CREDIT	34,517,771	0.301%
113.	TERMINAL FREEZERS	REFRIGERATED WAREHOUSING COMPANY	33,620,140	0.293%
114.	PEGH INVESTMENTS LLC	REAL ESTATE DEVELOPMENT	32,575,511	0.284%
115.	OTHER TAXPAYERS	VARIOUS	10,453,329,644	91.111%
	TOTALS		<u>\$ 11,473,168,483</u>	<u>100.000%</u>

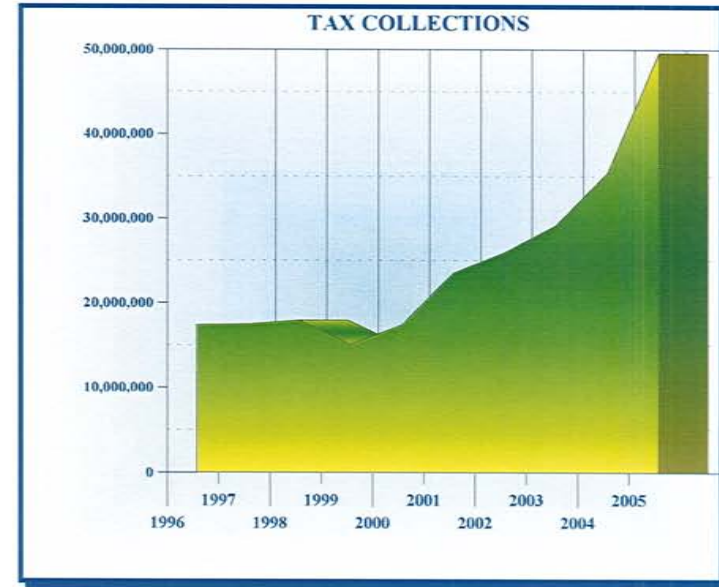
NOTE: Assessed valuation includes land, building and improvements.

SOURCE: Information Systems Division

City of Oxnard, California

Property Tax Levies and Collections Last Ten Fiscal Years

Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections As a % of Tax Levy
1996	18,296,398	16,831,456	91.99%	569,431	17,400,887	95.11%
1997	18,233,366	17,033,821	93.42%	487,301	17,521,122	96.09%
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 (2)	100.45%	90,164	23,574,731	100.83%
2002	25,900,000	25,718,029	99.30%	284,711	26,055,636	100.40%
2003	30,040,000	29,892,747	99.51%	190,546	29,233,880	97.32%
2004	35,432,169	35,281,916	99.58%	344,390	35,427,088	99.99%
2005	44,743,658	49,223,170	110.67%	126,250	49,349,420	110.95%



- NOTE: (1) Total tax collections agreed to General Property Taxes shown in Table III.
- (2) Voter's approved tax for \$3,977,315 was transferred from trust and agency to the special revenue fund in FY 2001.

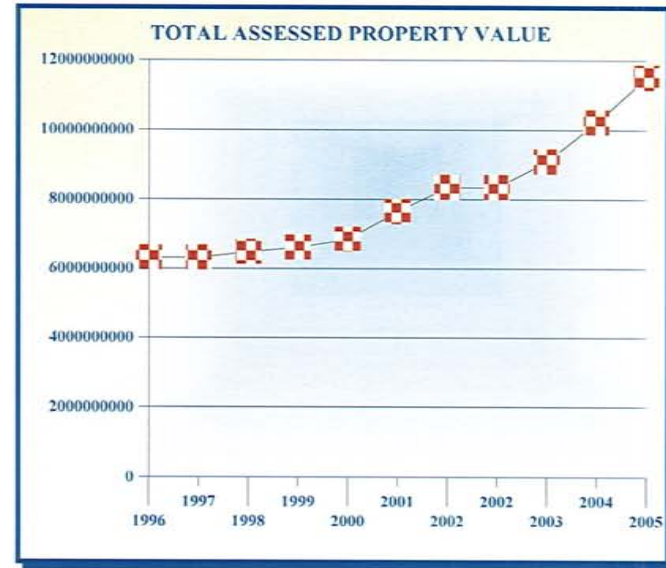
SOURCE: Finance Department

City of Oxnard, California

Assessed and Estimated Actual Value of Property Last Ten Fiscal Years

Year Ended June 30	Real Property		Personal Property	
	Assessed Value (1)	Estimated Actual Value	Assessed Value	Estimated Actual Value
1996	6,312,352,104	6,312,352,104	119,814,735	119,814,735
1997	6,307,831,466	6,307,831,466	101,123,835	101,123,835
1998	6,473,207,602	6,473,207,602	94,844,935	94,844,935
1999	6,605,309,284	6,605,309,284	95,463,165	95,463,165
2000	6,844,276,538	6,844,276,538	91,597,348	91,597,348
2001	7,645,814,717	7,645,814,717	97,930,553	97,930,553
2002	8,351,831,139	8,351,831,139	111,351,225	111,351,225
2003	9,093,618,247	9,093,618,247	124,301,084	124,301,084
2004	10,228,878,641	10,228,878,641	117,948,102	117,948,102
2005	11,509,455,540	11,509,455,540	114,301,049	114,301,049

Year Ended June 30	Exemptions		Total		Ratio of Total Assessed Value To Total Estimated Actual Value
	Assessed Value (2)	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1996	667,234,581	667,234,581	5,764,932,258	5,764,932,258	100.00%
1997	720,506,163	720,506,163	5,688,449,138	5,688,449,138	100.00%
1998	722,494,121	722,494,121	5,845,558,416	5,845,558,416	100.00%
1999	737,477,086	737,477,086	5,963,295,363	5,963,295,363	100.00%
2000	874,969,634	874,969,634	6,060,904,252	6,060,904,252	100.00%
2001	846,810,724	846,810,724	6,896,934,546	6,896,934,546	100.00%
2002	905,863,935	905,863,935	7,557,318,429	7,557,318,429	100.00%
2003	1,110,078,014	1,110,078,014	8,107,841,317	8,107,841,317	100.00%
2004	1,346,099,223	1,346,099,223	9,000,727,520	9,000,727,520	100.00%
2005	1,537,114,090	1,537,114,090	10,086,642,499	10,086,642,499	100.00%



NOTES: (1) Prior to July 1, 1981, the assessed values were stated at 25% of actual value. Pursuant to Internal Revenue Service and Tax Code Section 135, property tax valuation is stated at 100% of actual value.

(2) The above exemption figures include homeowners business inventory, redevelopment agency tax increments and other County exemptions.

SOURCE: Ventura County Auditor - Controller's Office

City of Oxnard, California

**Legal Debt Margin Information
Last Ten Fiscal Years**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Debt limit	\$ 964,825	\$ 961,343	\$ 985,208	\$ 1,005,116	\$ 1,040,381	\$ 1,161,562	\$ 1,269,477	\$ 1,382,688	\$ 1,534,332	\$ 1,726,418
Total net debt applicable to limit	149	921	2,060	2,216	—	—	—	—	—	—
Legal debt margin	964,676	960,422	983,148	1,002,900	1,040,381	1,161,562	1,269,477	1,382,688	1,534,332	1,726,418
Total net debt applicable to the limit as a percentage of debt limit	0.02%	0.10%	0.21%	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2005

Assessed value	9,972,341
Add back: exempt real property	1,537,114
Total assessed value	11,509,455
Debt limit (15% of total assessed value)	1,726,418
Debt applicable to limit:	
General obligation bonds	285,020
Less: assets in debt service funds for principal payments:	
Revenue bonds - governmental activities	(21,384)
Revenue bonds - business-type activities	(237,166)
Tax allocation bond - community development commission	(18,635)
Certificates of participation	(7,835)
Total net debt applicable limit	0
Legal debt margin	1,726,418

Source: Finance Department

City of Oxnard, California

***Property Tax Rate
Direct and Overlapping Governments
Last Ten Fiscal Years***

Fiscal Year	Overlapping Rates										Total Direct and Overlapping Rates
	City of Oxnard			Ventura County			School District				
	Operating	Debt Service	Total City	Operating	Debt Service	Total County	Operating	Debt Service	Total School	Special Districts	
1996	1,960,310	101,810,000	103,770,310	11,023,914	21,870,891	32,894,805	596,361	48,910,068	49,506,429	5,920,930	192,092,474
1997	1,862,685	100,680,000	102,542,685	9,435,828	20,552,858	29,988,686	10,854,692	47,819,436	58,674,128	5,238,948	196,444,447
1998	1,747,878	96,488,920	98,236,798	8,026,529	19,584,154	27,610,683	59,977,566	19,931,938	79,909,504	4,558,729	210,315,714
1999	1,627,604	100,243,920	101,871,524	5,099,784	18,154,182	23,253,966	70,962,590	21,593,781	92,556,371	4,063,586	221,745,447
2000	1,501,082	91,560,000	93,061,082	4,584,852	16,260,908	20,845,760	89,424,375	21,145,266	110,569,641	3,671,428	228,147,911
2001	1,368,312	70,695,000	72,063,312	4,401,328	15,431,083	19,832,411	99,969,482	22,122,811	122,092,293	3,718,734	217,706,750
2002	1,227,732	63,425,000	64,652,732	11,859,026	14,017,103	25,876,129	112,755,624	21,728,884	134,484,508	3,632,202	228,645,571
2003	1,079,342	94,330,000	95,409,342	11,191,954	11,982,274	23,174,228	126,119,171	21,197,728	147,316,899	3,194,481	269,094,950
2004	922,361	86,915,000	87,837,361	14,710,491	10,157,228	24,867,719	122,608,732	22,580,269	145,189,001	3,306,840	261,200,921
2005	755,227	106,065,000	106,820,227	14,014,860	7,858,800	21,873,660	124,634,754	19,178,550	143,813,304	3,191,558	275,698,749

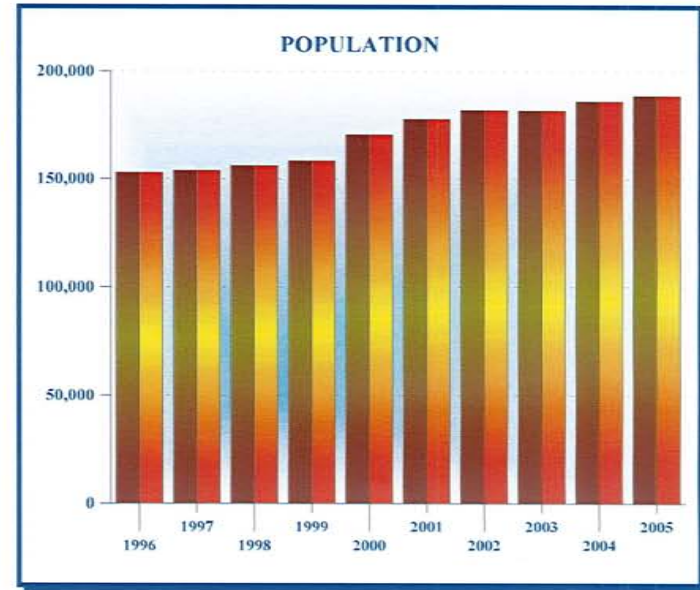
Source: California Municipal Statistics, Inc.

City of Oxnard, California

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita June 30, 2005

Year Ended June 30	(1) Population	Assessed Value (2)	General Gross Bonded Debt (3)	Less Certain Debt Service Funds
1996	152,800	5,764,932,258	—	—
1997	153,700	5,688,449,138	—	—
1998	156,000	5,845,558,416	—	—
1999	158,300	5,963,295,363	—	—
2000	170,358	6,060,904,252	—	—
2001	177,700	6,896,934,546	—	—
2002	182,027	7,557,318,429	—	—
2003	181,800	8,107,841,317	—	—
2004	186,122	8,882,779,418	—	—
2005	188,849	9,972,341,450	—	—

Year Ended June 30	Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Ratio of Debt/Capita
1996	—	—	—
1997	—	—	—
1998	—	—	—
1999	—	—	—
2000	—	—	—
2001	—	—	—
2002	—	—	—
2003	—	—	—
2004	—	—	—
2005	—	—	—



NOTES: (1) Source: The California Department of Finance, Demographic Research Unit

(2) The passage of Proposition 13 on June 6, 1978, changed the basis of property tax valuation from 25% of assessed value to 100% of actual values as required under section 135 of the Revenue and Tax Code.

Source: Ventura County Assessor's Office

(3) Gross bonded debt includes general obligation bond.

Source: Finance Department

City of Oxnard, California

*Ratio of Annual Debt Service Expenditures for
General Bonded Debt to General Governmental Expenditures
Last Ten Fiscal Years*

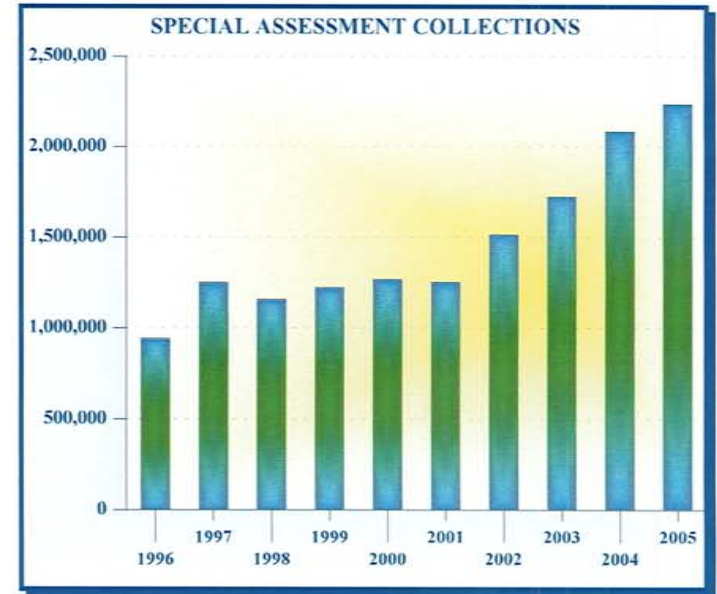
Year Ended June 30	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1996	—	—	—	96,677,161	—
1997	—	—	—	105,020,600	—
1998	—	—	—	107,445,755	—
1999	—	—	—	106,997,624	—
2000	—	—	—	115,288,888	—
2001	—	—	—	95,197,233	—
2002	—	—	—	112,918,609	—
2003	—	—	—	126,845,939	—
2004	—	—	—	142,946,111	—
2005	—	—	—	153,648,427	—

SOURCE: Finance Department

City of Oxnard, California

*Special Assessment Collections
Last Ten Fiscal Years*

Year Ended June 30	Special Assessment Billings	Current Special Assessment Collections	Delinquent Special Assessment Collections	Total Special Assessment Collections	Percentage of Collections
1996	779,702	925,430	15,777	941,207	120.71%
1997	826,460	1,041,980	210,659	1,252,639	151.56%
1998	988,389	992,014	166,813	1,158,827	117.24%
1999	1,418,496	1,040,354	183,786	1,224,140	86.30%
2000	1,035,779	1,079,243	191,018	1,270,261	122.64%
2001	1,247,385	1,250,930	2,894	1,253,824	100.52%
2002	1,505,800	1,515,592	—	1,515,592	100.65%
2003	1,720,440	1,727,674	—	1,727,674	100.42%
2004	2,076,224	2,089,097	—	2,089,097	100.62%
2005	2,196,749	2,240,492	—	2,240,492	101.99%



SOURCE: Finance Department

City of Oxnard, California

***Water Revenue Bond Coverage
Last Ten Fiscal Years***

Year Ended June 30	Gross Revenue	Direct Operating Expenses (1)	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
1996	12,887,673	11,599,467	1,288,206	715,000	144,788	859,788	1.5
1997	13,594,356	12,875,166	719,190	745,000	115,295	860,295	0.84
1998	13,508,174	13,364,858	143,316	551,127	157,283	708,410	0.2
1999	14,980,803	13,780,587	1,200,216	543,537	128,855	672,392	1.78
2000	16,529,128	15,057,247	1,471,881	534,642	230,776	765,418	1.92
2001	16,226,461	15,347,727	878,734	522,065	224,747	746,812	1.18
2002	17,856,094	18,141,656	(285,562)	794,388	709,225	1,503,613	-0.19
2003	20,602,479	16,782,851	3,819,628	225,000	730,142	955,142	4
2004	28,898,906	19,899,216	8,999,690	235,000	1,315,783	1,550,783	5.87
2005	34,609,573	18,351,471	16,258,102	1,150,000	2,682,330	3,832,330	4.24

NOTES: (1) The above operating expense figures do not include depreciation and debt service expenses.

City of Oxnard, California

*Wastewater Revenue Bond Coverage
Last Ten Fiscal Years*

Year Ended June 30	Total Revenue	Direct Operating Expenses (1)	Net Revenue Available for Debt Service	DEBT SERVICE REQUIREMENTS			
				Principal	Interest	Total	Coverage
1996	16,530,595	9,763,030	6,767,565	1,500,000	3,276,118	4,776,118	1.42
1997	17,132,675	9,555,298	7,577,377	1,560,000	3,220,618	4,780,618	1.59
1998	17,180,389	9,964,354	7,216,035	1,615,000	3,158,218	4,773,218	1.51
1999	18,371,484	11,561,115	6,810,369	1,685,000	2,843,492	4,528,492	1.5
2000	17,749,682	11,315,240	6,434,442	1,760,000	2,653,560	4,413,560	1.46
2001	18,254,171	11,591,100	6,663,071	1,840,000	2,568,810	4,408,810	1.51
2002	22,005,625	11,978,948	10,026,677	1,925,000	248,427	2,173,427	2.27
2003	23,515,790	16,445,581	7,070,209	1,805,000	1,883,286	3,688,286	1.92
2004	23,182,456	12,958,128	10,224,328	1,750,000	1,924,826	3,674,826	2.78
2005	36,892,293	14,715,076	22,177,217	1,815,000	5,969,101	7,784,101	2.85

NOTES: (1) The above operating expense figures do not include depreciation and debt service expenses.

SOURCE: Finance Department

City of Oxnard, California

*Demographic Statistics
Last Ten Fiscal Years*

Fiscal Year	Population (1)	Per Capita Income (2)	Median Age (3)	School Enrollment	Unemployment Rate (5)		
					City	State	US
1996	152,800	13,385	33	34,504	9.40%	7.30%	5.50%
1997	153,700	14,300	33	37,211	8.40%	6.20%	5.00%
1998	156,000	15,349	34	38,073	7.00%	6.30%	4.90%
1999	158,300	16,538	34	38,793	6.40%	5.40%	4.30%
2000	160,300	19,217	32	40,238	6.38%	5.30%	4.00%
2001	177,700	19,630	30	39,865	4.90%	4.90%	4.40%
2002	182,027	19,777	30	42,106	5.20%	6.50%	5.90%
2003	181,800	21,887	30	41,936	7.40%	6.80%	6.40%
2004	186,122	22,605	30	42,276	5.60%	6.60%	5.70%
2005	188,941	23,346	30	31,890	4.90%	5.40%	5.20%

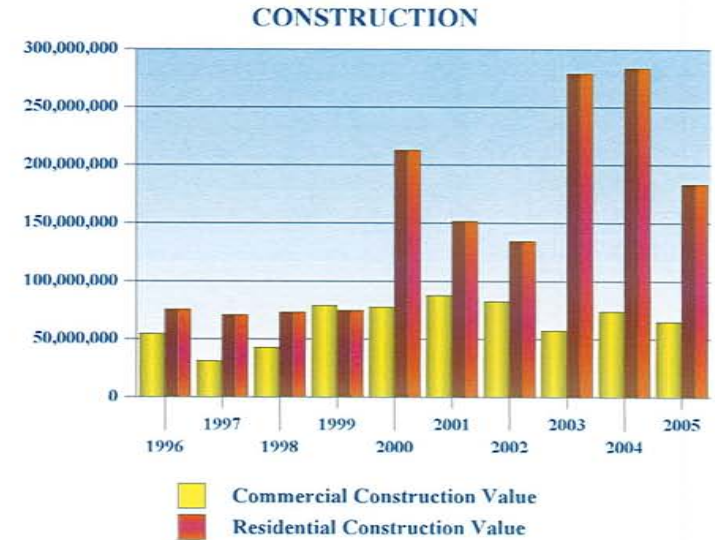
SOURCES:

- (1) California Department of Finance, Demographic Research Unit
- (2) CPI 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

Property Value, Construction and Bank Deposits Last Ten Fiscal Years

Fiscal Year	Property Values			Commercial Construction		Residential Construction		Bank* Deposits
	Commercial	Residential	Total	Number Of Units	Value	Number Of Units	Value	
1996	1,821,493,471	4,490,858,633	6,312,352,104	24	54,428,310	338	75,642,129	827,423
1997	1,822,016,387	4,485,815,079	6,307,831,466	29	31,264,797	392	70,772,213	903,927
1998	1,878,967,522	4,594,240,080	6,473,207,602	27	42,732,437	393	73,409,979	823,506
1999	1,951,680,008	4,653,629,276	6,605,309,284	66	78,960,175	356	74,685,262	752,363
2000	2,014,131,847	4,830,144,691	6,844,276,538	41	77,650,163	824	212,784,494	919,437
2001	2,267,262,765	5,378,551,952	7,645,814,717	41	87,711,175	625	151,748,368	784,519
2002	2,494,786,288	5,857,044,851	8,351,831,139	40	82,553,859	539	134,526,090	1,060,847
2003	2,673,117,741	6,420,500,506	9,093,618,247	70	57,272,955	980	279,229,594	904,433
2004	1,194,272,909	6,694,841,731	7,889,114,640	72	74,087,739	604	283,797,396	884,430
2005	3,341,067,161	8,168,388,379	11,509,455,540	41	65,157,490	540	183,530,021	1,353,183



* Amounts expressed in thousands

SOURCE: The Findley Reports (Fiscal year 1990 includes credit union and savings & loan institutions)

City of Oxnard, California

**Schedule of Insurance in Force
June 30, 2005**

Type of Coverage & Name of Insurer	Policy Number	Policy Period		Details of Coverage	Liability Limits	Deductible Self- insured Retention	Annual Premiums
		From	To				
LIABILITY:							
BICEPS	APEP100704	07/01/04	07/01/05	Municipal Liability 5 City Insurance Pool - In 97-98, the pool purchased commercial insurance for exposures between \$1 million and \$20 million	\$ 25,000,000	\$ 1,000,000	\$ 801,412
Navigators Insurance Company	SF02LIA270941	06/13/04	06/13/05	Marine Liability - This insurance is charged to the Mandalay Bay Assessment District	1,000,000	2500	25,000
PROPERTY:							
Public Entity Property Insrudance Program (PEPIP) - Various Insuring Companies	PPROP0405	07/01/04	07/01/05	All Risks excluding quake & flood - includes City buildings& contents & rental interruption when required by bond financing Automobile/Mobile Equipment Physical Damage including Comprehensive and Collision	750,000,000	10000	136,927
Lloyd's of London	HF 02 ABH6	04/21/04	04/21/05	Boiler and Machinery - includes air conditioning, heating and other types of machinery Las Posas Sewer Line - includes general liability for sewer line service into Camarillo Fine Arts - Carnegie Art Museum & Oxnard Public Library - protects the City for losses to exhibits of art belonging to others	500,000 1,800,000	10000 500	61,935 4,375
Clarendon American Insurance Co.	303134EQ-1	11/01/04	11/01/05	Difference in Conditions including Flood and Earthquake, excluding EQSL, Burglary and Theft;	1,250,000	5% of loss, subject	260,024
Empire Indemnity Insurance Co.	"			Real and Personal Property, Business	2,500,000	to \$100,000 per	
Glencoe Insurance Ltd.	"			Interruption/Extra Expense, EDP but excluding	1,250,000	occurrence	
Insurance Company of the West	XHO213302800			vehicles	5,000,000	minimum	
Clarendon American Insurance Co.	303134EQ-1				3,750,000		
Empire Indemnity Insurance Co.	"				7,500,000		
Glencoe Insurance Ltd.	"				3,750,000		
					\$25,000,000		
WORKERS' COMPENSATION:							
CSAC Excess Insurance		07/01/04	07/01/05	Excess Workers' Compensation	50,000,000	500,000	
EMPLOYEE BONDS:							
Fidelity & Deposit	CCP895567806	04/08/04	04/08/05	Public Employees Dishonesty Bond	500,000	5,000	5,233
Hartford Insurance Company	72BSBBV7296	11/22/03	11/22/04	City Treasurer, Dale V. Belcher	50,000	N/A	200
Hartford Insurance Company	72BSBBV7294	11/02/03	11/02/04	Asst. City Treasurer, Danielle Navas	50,000	N/A	250
Hartford Insurance Company	72BSBBV7298	11/24/03	11/24/04	City Clerk, Daniel Martinez	50,000	N/A	200
Hartford Insurance Company	72BSBBM8399	01/21/04	01/21/05	Asst. City Clerk, Jill Beaty	5,000	N/A	100
Hartford Insurance Company	57BSBAH2846	10/20/04	10/20/05	Finance Director, Marcie Medina	25,000		100

SOURCE: Finance Department

City of Oxnard, California

*Capital Asset Statistics by Function
Last Ten Fiscal Years*

Function	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	—	—	—	—	—	—	—	—	—	49
Fire stations	6	6	6	6	6	6	6	6	6	6
Sanitation										
Collection trucks	—	—	—	—	—	—	—	—	—	75
Highways and streets										
Streest (miles)	374	374	374	374	374	374	394	394	394	—
Steretlights	7,853	7,853	8,720	8,773	8,773	8,773	9,395	8,935	8,935	—
Traffic signals	—	—	—	—	—	—	—	—	—	—
Culture and recreation										
Parks acreage	—	—	—	—	—	—	—	—	—	—
Parks	34	37	37	37	37	37	39	39	39	45
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	36	36	36	36	36	36	36	36	36	33
Community centers	3	3	3	3	3	3	3	3	3	3
Water										
Water mains (miles)	275	500	545	545	545	545	425	430	430	500
Fire hydrants	3,500	3,500	3,500	3,900	3,920	3,920	4,150	4,180	4,180	4,180
Maximum daily treatment capacity	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	18,000,000
Sewer										
Number of customers	29,265	29,652	29,969	30,612	31,272	32,063	32,634	32,929	32,929	34,694
Miles of sewer lines	390	390	390	400	400	400	700	700	700	425

Sources: Various City departments

City of Oxnard, California

*State of California
Miscellaneous Statistics
As of June 30, 2005*

Date of Incorporation	June 30, 1903
Form of Government-General Law City	Council/Manager
Incorporated Area in square miles	25.9
Sphere of influence in square miles	30.8
Elections: (3)	General Municipal (11-07-04)
Number of registered voters	63,403
Number of votes cast	44,183
Percentage of votes cast to number of registered voters	69.69%
Number of full-time employees (2)	
General government	305
Public safety	491
Transportation	45
Community development	45
Culture & Leisure	79
Utilities	<u>201</u>
Total full-time employees	<u><u>1,166</u></u>
GENERAL GOVERNMENT:	
Miles of paved streets	403
Number of street lights - Edison	9,120
Number of street lights - City	650

City of Oxnard, California

*State of California
Miscellaneous Statistics
As of June 30, 2005*

PUBLIC SAFETY:

Police:

Number of volunteers	28
Number of sworn officers	237
Number of non-safety employees	135
Ratio of sworn officers over population (per thousand)	1.25:1

Fire:

Number of volunteers	0
Number of sworn officers	93
Number of fire hydrants	4,180

TRANSPORTATION:

Number of police vehicles	223
Number of fire vehicles	49
Number of refuse vehicles	75

CULTURE AND LEISURE:

Parks & Recreation facilities (public):

Parks	45
Ball fields	6
Golf course	1
Ball diamonds	31
Basketball courts	20
Craft/Activity buildings	9
Gymnasiums	2
Swimming pools	1
Tennis courts	33
Auditoriums	1
Museum	1
Community centers	3

Library:

Number of books	336,518
Number of microforms	8,299
Number of audio tapes	14,537
Number of video tapes	9,377
Number of CD-ROMS (data disk)	609

City of Oxnard, California

*State of California
Miscellaneous Statistics
As of June 30, 2005*

Education:

Number of enrollments:

Elementary	15,729
High school	16,161
College	6,482

UTILITY STATISTICS (1):

Water:

Storage capacity in gallons	18,000,000
Daily consumption in gallons	29,000,000
Miles of main pipes	500
Number of customers	37,276

Sewer (Secondary bio-filtration systems):

Daily treatment capacity in gallons	23,000,000
Miles of sewer pipes	425
Number of customers	34,694

SOURCE: (1) Public Works Department, Water and Wastewater Divisions
(2) Human Resources Department
(3) City Clerk's Office



Mayer Hoffman McCann P.C.
An Independent CPA Firm

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH THE PROPOSITION 111
2004-2005 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, 2005. These procedures, which were suggested by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII B 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:

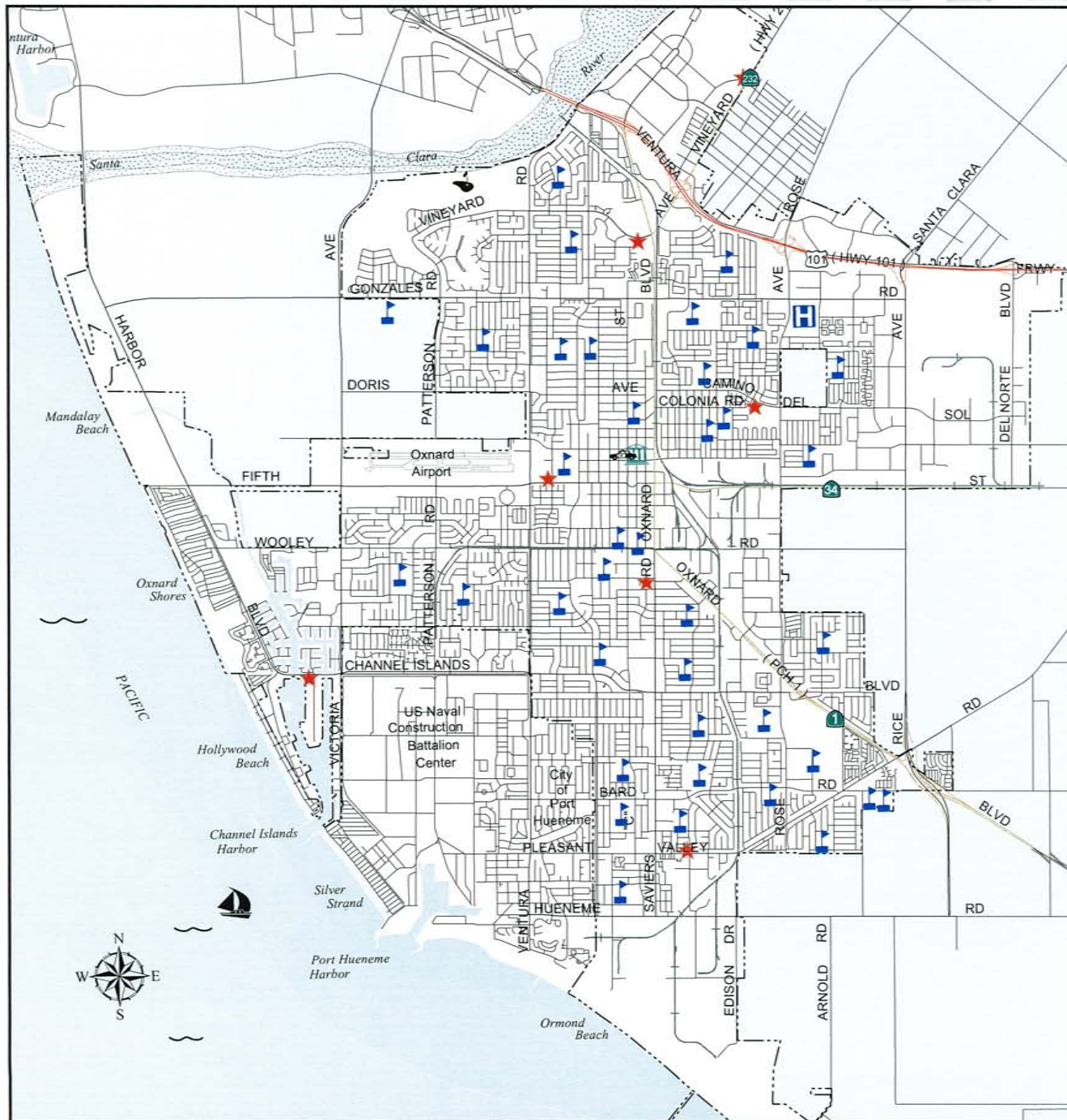
- A. We obtained the Appropriations Limitation Worksheet and determined that the 2004-2005 Appropriations Limit and annual adjustment factors were adopted by resolution of City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council.
- B. We recomputed the 2004-2005 Appropriations Limit to be \$138,093,741 by multiplying the 2003-2004 Prior Year Appropriations Limit by the annual adjustment factors. The City calculated a 2003-2004 appropriations limit of \$128,298,212.
- 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 XIII B of the California Constitution, as interpreted in the California League of Cities Article XIII B 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.

October 20, 2005
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



LEGEND

-  PUBLIC SAFETY
-  CITY HALL
-  FIRE STATION
-  HOSPITAL
-  GOLF COURSE
-  SCHOOL
-  PARK
-  CITY LIMIT
-  RAILROAD

CITY OF OXNARD



November 4, 2005

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

[Closing Date]

Governing Board
City of Oxnard Financing Authority
300 West Third Street
Oxnard, California 93030

\$12,575,000
City of Oxnard Financing Authority
Wastewater Revenue Bonds
Series 2006
(Final Opinion)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Oxnard Financing Authority (the “Authority”) of \$12,575,000 aggregate principal amount of the City of Oxnard Financing Authority Wastewater Revenue Bonds, 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 an Indenture, dated as of May 1, 2006 (the “Indenture”), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Indenture and in the Installment Purchase Agreement, dated as of May 1, 2006 (the “Installment Purchase Agreement”), by and between the City of Oxnard (the “City”) and the Authority, as applicable.

In such connection, we have reviewed the Indenture, the Installment Purchase Agreement, 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 Indenture, the Installment Purchase Agreement, 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 opinions, referred to in the second paragraph hereof.

Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Installment Purchase Agreement, 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 Indenture, the Installment Purchase Agreement, 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 undertake no responsibility for the accuracy, completeness, or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto. We express no opinion regarding the perfection or priority of the lien on the Revenues or the Net System Revenues.

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 Installment Payments under the Installment Purchase Agreement constitutes a valid and binding limited obligation of the City. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues. The Installment Purchase Agreement creates a valid pledge, to secure the payment of the Installment Payments, of the Net System Revenues.
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 CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by and between the City of Oxnard Financing Authority (the “Authority”) and Wells Fargo Bank, National Association, in its capacity as dissemination agent (the “Dissemination Agent”), in connection with the issuance by the Authority of its Wastewater Revenue Bonds, Series 2006, in the aggregate principal amount of \$12,575,000 (the “Bonds”). The Bonds are being issued 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 an Indenture, dated as of May 1, 2006 (the “Indenture”), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”), in order to provide funds to finance improvements to the City’s wastewater system. The Authority and the Dissemination Agent hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the parties hereto for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth in the Indenture and in the Installment Purchase Agreement, dated as of May 1, 2006 (the “Installment Purchase Agreement”), by and between the Authority and the City of Oxnard (the “City”), which apply to any capitalized term used in this Disclosure Agreement, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Annual Report Date*” shall mean the date in each year that is nine (9) months after the end of the Authority’s fiscal year, the end of which, as of the date of this Disclosure Agreement, is June 30.

“*Dissemination Agent*” shall mean, initially, Wells Fargo Bank, National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent that is so designated in writing by the Authority and has filed with the then-current Dissemination Agent a written acceptance of such designation.

“*Listed Events*” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“*National Repository*” shall mean any Nationally Recognized Municipal Securities Information Repository then listed by the SEC as a repository for purposes of the Rule.

“*Official Statement*” shall mean the Official Statement relating to the Bonds.

“*Participating Underwriter*” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Repository*” shall mean each National Repository and each State Repository.

“*Rule*” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

“*State Repository*” shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized by the SEC. As of the date of this Disclosure Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2007, provide to each Repository and any Participating Underwriter an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement, with a copy to the Trustee. Not later than fifteen (15) calendar days prior to said date, the Authority shall provide its Annual Report to the Dissemination Agent, if such Dissemination Agent is a different entity than the Authority. The Annual Report may be filed using the SEC-approved Electronic Transmission Facilities provided by the Texas Municipal Advisory Council at website <http://www.disclosureusa.org>. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from and later than the balance of the Annual Report if they are not available by the applicable Annual Report Date. If the Authority’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Authority shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished hereunder. The Dissemination Agent may conclusively rely upon such certification of the Authority and shall have no duty or obligation to review such Annual Report.

(b) If the Authority is unable to provide the Repositories with an Annual Report by the date required in subsection (a), the Authority shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

1. determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any;
2. file a report with the Authority and the Trustee (if the Dissemination Agent is other than the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided; and
3. take any other actions mutually agreed upon between the Dissemination Agent and the Authority.

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

(a) Audited financial statements of the City, which include information regarding the funds and accounts of the Authority, if any, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available at the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial

statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information with respect to the City, the Authority and the Bonds for the fiscal year to which the Annual Report relates, which information may be provided by its inclusion in the audited financial statements of the City for such Fiscal Year described in subsection (a) above:

1. Principal amount of the Bonds (including principal amount and years of maturity of Bonds, if any, called for redemption in advance of maturity) and any bonds issued to refund the same.
2. Balance in the funds and accounts established under the Indenture as of the fiscal year for which the annual report relates.
3. If a reserve fund insurance policy is not in effect and the amount on deposit in the Reserve Fund is not equal to the Reserve Fund Requirement, the amount of the delinquency or surplus, as applicable.
4. Information regarding any material changes in the status of construction and/or operation of the Project, as described in the Official Statement under the heading "THE PROJECT."
5. Information regarding any material changes to the facilities comprising the Wastewater System, or the operation thereof, as described in the Official Statement under the following subheadings of the section entitled "THE WASTEWATER SYSTEM":
 - Service Area
 - Sources of Wastewater System Revenues
 - Wastewater Rates and Charges
 - Wastewater Connection Fees
 - Actual and Projected Operating Results (only actual results required)
 - Fiscal Year 2006-2007 Budget (updated for applicable Fiscal Year)
 - Outstanding Debt
 - Plans for Future Indebtedness

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City, the Authority or related public entities, which have been submitted to each of the Repositories or the SEC. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Authority shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the security.
7. Modifications to rights of security holders.
8. Bond calls.
9. Defeasances.
10. Release, substitution, or sale of property securing repayments of the securities.
11. Rating changes.

(b) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, the Authority shall as soon as possible determine if such event would be material under applicable federal securities law.

(c) If the Authority determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities law, the Authority shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository, with a copy to the Trustee and the Participating Underwriter. Such notice may be filed using the SEC-approved Electronic Transmission Facilities provided by the Texas Municipal Advisory Council at website <http://www.disclosureusa.org>. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The obligations of the Authority and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Authority may from time to time appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be appointed as the Dissemination Agent. The initial Dissemination Agent shall be Wells Fargo Bank, National Association.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to annual or event information to be provided hereunder, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Authority or type of business conducted;

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

(c) the proposed amendment or waiver (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of the Authority or nationally recognized bond counsel, materially impair the interest of Bond owners.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City and the Authority to meet their respective obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Authority to comply with any provisions of this Disclosure Agreement any Participating Underwriter or any holder or beneficial owner of the Bonds, or the Trustee on behalf of the holders of the Bonds, may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense, and liabilities that it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the Authority pursuant to this Disclosure Agreement. The Authority shall pay the reasonable fees and expenses of the Dissemination Agent for its duties hereunder.

Section 12. Beneficiaries. The Disclosure Agreement shall inure solely to the benefit of the City, the Authority, the Dissemination Agent, the Trustee, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Date: [Closing Date]

CITY OF OXNARD FINANCING AUTHORITY

By: _____
Authorized Signatory

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Signatory

EXHIBIT A TO CONTINUING DISCLOSURE AGREEMENT

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Oxnard Financing Authority

Name of Bond Issue: City of Oxnard Financing Authority Wastewater Revenue Bonds,
Series 2006

NOTICE IS HEREBY GIVEN that the City of Oxnard Financing Authority has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated [Closing Date]. The Authority anticipates that the Annual Report will be filed by _____.

Dated: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Signatory

cc: City of Oxnard Financing Authority

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APPENDIX F

SPECIMEN BOND INSURANCE POLICY

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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



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.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

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



President



Secretary

Authorized Representative

