

In the opinion of Goodwin Procter LLP, Los Angeles, California, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings, and judicial decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants and requirements, interest on the 2010A Bonds is excluded 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. In the further opinion of Bond Counsel, interest on the 2010A Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes and is not included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and judicial decisions, interest on the 2010B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code, but is exempt from State of California personal income taxes. 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 2010A Bonds or the 2010B Bonds. See "TAX MATTERS."

\$16,455,000
CITY OF OXNARD FINANCING AUTHORITY
WATER REVENUE PROJECT BONDS
SERIES 2010A

\$83,670,000
CITY OF OXNARD FINANCING AUTHORITY
WATER REVENUE PROJECT BONDS
SERIES 2010B
(Federally Taxable Build America Bonds)

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 Water Revenue Project Bonds, Series 2010A (the "2010A Bonds"), are being issued in the aggregate principal amount of \$16,455,000 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 (commencing with Section 6584) of the California Government Code (the "Act"), and the provisions of a Trust Indenture, dated as of February 1, 2010 (the "2010A Indenture"), by and among the Authority, the City of Oxnard, California (the "City"), and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The City of Oxnard Financing Authority Water Revenue Project Bonds, Series 2010B (Federally Taxable Build America Bonds) (the "2010B Bonds" and, together with the 2010A Bonds, the "Bonds"), are being issued in the aggregate principal amount of \$83,670,000 by the Authority pursuant to the Act and the provisions of a Trust Indenture, dated as of February 1, 2010 (the "2010B Indenture"; and each of the 2010A Indenture and the 2010B Indenture, an "Indenture"), by and among the Authority, the City, and the Trustee. Additional authority for the issuance of the 2010B Bonds arises under the American Recovery and Reinvestment Act of 2009 ("ARRA").

The 2010B Bonds will be issued as bonds designated as "Build America Bonds" under the provisions of ARRA, the interest on which 2010B Bonds is not excluded from gross income for purposes of federal income taxation. The Authority expects to receive interest subsidy payments from the United States Department of the Treasury equal to 35% of the interest payable on the 2010B Bonds, and the owners of the 2010B Bonds will not receive any tax credits as a result of their ownership of 2010B Bonds. See "THE BONDS — Designation of 2010B Bonds as Build America Bonds" and "TAX MATTERS — 2010B Bonds."

The proceeds from the sale of the Bonds of each series will be used (i) to finance a portion of the cost of certain capital improvements to the Water System (as defined herein), (ii) to fund the reserve fund established for each series of Bonds under the applicable Indenture, (iii) to pay all or a portion of interest on the Bonds of each series through December 1, 2011, and (iv) to finance certain costs of issuance related to the Bonds of each series. See "THE BONDS — Estimated Sources and Uses of Bond Proceeds," "SECURITY FOR THE BONDS — Reserve Funds," and "THE 2010 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 of each series 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 of each series. 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 of each series 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 applicable Bonds as described herein. Interest on the Bonds of each series is payable semiannually on each June 1 and December 1, commencing June 1, 2010, 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 2010A Bonds are subject to optional redemption prior to the stated maturities thereof, as described herein. The 2010B Bonds are subject to mandatory sinking fund redemption, special optional redemption upon the occurrence of an Interest Subsidy Termination Event, or a make-whole optional redemption, as described herein. See "THE BONDS — Optional Redemption of 2010A Bonds," "— Special Optional Redemption of 2010B Bonds Upon Occurrence of Interest Subsidy Termination Event," "— Make-Whole Optional Redemption of 2010B Bonds," and "— Mandatory Sinking Fund Redemption of 2010B Bonds."

The 2010A Bonds and the 2010B Bonds are limited obligations of the Authority, payable on a parity basis solely from certain installment payments (the "2010 Installment Payments") to be received by the Authority pursuant to an Installment Purchase Agreement, dated as of February 1, 2010 (the "2010 Installment Purchase Agreement"), by and between the Authority and the City, which 2010 Installment Payments will be assigned by the Authority to the Trustee pursuant to an Assignment Agreement, dated as of February 1, 2010, by and between the Authority and the City. The 2010A Bonds and the 2010B Bonds are further separately secured by certain amounts on deposit in funds and accounts held under the 2010A Indenture or the 2010B Indenture, as applicable. See "SECURITY FOR THE BONDS."

NEITHER THE FAITH AND CREDIT OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA (THE "STATE"), OR ANY POLITICAL SUBDIVISION OF THE STATE NOR THE TAXING POWER OF THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. THE BONDS OF EACH SERIES ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE ON A PARITY BASIS SOLELY FROM AND SECURED SOLELY BY THE 2010 INSTALLMENT PAYMENTS AND THE BONDS OF EACH SERIES ARE FURTHER SEPARATELY SECURED BY AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS PLEDGED THEREFOR UNDER THE APPLICABLE INDENTURE. THE BONDS OF EACH SERIES ARE NEITHER GENERAL OR SPECIAL OBLIGATIONS OF THE CITY NOR GENERAL OBLIGATIONS OF THE AUTHORITY, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE EXCLUSIVELY FROM THE 2010 INSTALLMENT PAYMENTS AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS PLEDGED THEREFOR UNDER THE APPLICABLE INDENTURE, AS MORE FULLY DESCRIBED HEREIN. THE OBLIGATION OF THE CITY TO MAKE 2010 INSTALLMENT PAYMENTS UNDER THE 2010 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. THE AUTHORITY IS NOT REQUIRED TO ADVANCE ANY MONEYS DERIVED FROM ANY SOURCE OTHER THAN THE 2010 INSTALLMENT PAYMENTS AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS PLEDGED THEREFOR UNDER THE APPLICABLE INDENTURE FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE APPLICABLE SERIES OF BONDS. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE 2010 INSTALLMENT PAYMENTS CONSTITUTE A DEBT OR INDEBTEDNESS OF THE AUTHORITY, THE CITY, 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 of each series are offered when, as, and if delivered to and received by the Underwriter, subject to the approval of legality by Goodwin Procter LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by the City Attorney and by Disclosure Counsel, Goodwin Procter LLP, Los Angeles, 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 February 11, 2010.



MATURITY SCHEDULE

\$16,455,000

CITY OF OXNARD FINANCING AUTHORITY WATER REVENUE PROJECT BONDS SERIES 2010A

<u>Maturity Date (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾ No.</u>	<u>Maturity Date (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾ No.</u>
2012	\$1,215,000	3.000%	1.010%	691879 EH9	2018	\$1,535,000	5.000%	3.400%	691879 EQ9
2013	\$450,000	3.000	1.420	691879 EJ5	2019	1,610,000	5.000	3.670	691879 ER7
2013	805,000	4.000	1.420	691879 EK2	2020	700,000	4.000	3.850	691879 ES5
2014	1,300,000	3.000	1.860	691879 EL0	2020	995,000	5.000	3.850	691879 ET3
2015	1,340,000	5.000	2.380	691879 EM8	2021	1,770,000	5.500	4.060 ⁽²⁾	691879 EU0
2019	1,410,000	4.000	2.820	691879 EN6	2022	1,865,000	5.500	4.150 ⁽²⁾	691879 EV8
2017	1,460,000	5.000	3.130	691879 EP1					

\$83,670,000

CITY OF OXNARD FINANCING AUTHORITY WATER REVENUE PROJECT BONDS SERIES 2010B (Federally Taxable Build America Bonds)

\$18,435,000	6.819%	Term Bond due June 1, 2030	Price: 100.000%	CUSIP⁽¹⁾ No. 691879 EW6
\$18,680,000	6.800%	Term Bond due June 1, 2036	Price: 98.158%	CUSIP⁽¹⁾ No. 691879 EX4
\$46,555,000	7.000%	Term Bond due June 1, 2040	Price: 100.000%	CUSIP⁽¹⁾ No. 691879 EY2

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(2) Priced to optional redemption date of June 1, 2020; 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, nor will there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

This 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 Authority, the City, 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 Authority or the City. 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 Authority or the City 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.

CITY OF OXNARD, CALIFORNIA

MAYOR AND CITY COUNCIL

Dr. Thomas E. Holden, *Mayor*
Andres Herrera, *Mayor Pro Tem*
Dean Maulhardt, *Councilmember*
Dr. Irene G. Pinkard, *Councilwoman*
Bryan A. MacDonald, *Councilman*

GOVERNING BOARD OF THE AUTHORITY

Dr. Thomas E. Holden, *Chairman*
Andres Herrera, *Vice Chairman*
Dean Maulhardt, *Board Member*
Dr. Irene G. Pinkard, *Board Member*
Bryan A. MacDonald, *Board Member*

CITY OFFICIALS

Edmund F. Sotelo, *City Manager*
Karen R. Burnham, *Assistant City Manager*
Ken Ortega, *Director of Public Works*
Alan Holmberg, *City Attorney*
Daniel Martinez, *City Clerk*
Danielle Navas, *City Treasurer*
James Cameron, *Chief Financial Officer*
Michael J. More, *Financial Services Manager*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

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Los Angeles, California

Trustee

Wells Fargo Bank, National Association
Los Angeles, California

Consultant

Black & Veatch
Los Angeles, California

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\$16,455,000
CITY OF OXNARD FINANCING AUTHORITY
WATER REVENUE PROJECT BONDS
SERIES 2010A

\$83,670,000
CITY OF OXNARD FINANCING AUTHORITY
WATER REVENUE PROJECT BONDS
SERIES 2010B
(Federally Taxable Build America Bonds)

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 (1) the City of Oxnard Financing Authority Water Revenue Project Bonds, Series 2010A, in the aggregate principal amount of \$16,455,000 (the “2010A Bonds”), and (2) the City of Oxnard Financing Authority Water Revenue Project Bonds, Series 2010B (Federally Taxable Build America Bonds), in the aggregate principal amount of \$83,670,000 (the “2010B Bonds” and, together with the 2010A Bonds, 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 of each series 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 and the Water System

The City of Oxnard (the “City”) was incorporated under the general laws of the State of California in 1903. The City is located in the western portion of Ventura County (the “County”), approximately 62 miles northwest of the City of Los Angeles. The population of the City was estimated to be approximately 197,067 in 2009. The Water System (as defined herein) serves the entire City, as well as a small unincorporated area of the County. See “THE WATER SYSTEM” and “APPENDIX B – General Information Concerning the City of Oxnard.”

Authorization

The 2010A Bonds are being issued by the City of Oxnard Financing Authority, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the “Authority”), 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 a Trust Indenture, dated as of February 1, 2010 (the “2010A Indenture”), by and among the Authority, the City of Oxnard, California (the “City”), and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The 2010B Bonds are being issued by the Authority pursuant to the Act and the provisions of a Trust Indenture, dated as of February 1, 2010 (the “2010B Indenture”; each of the 2010A Indenture and the 2010B Indenture, an “Indenture” and, collectively, the “Indentures”), by and among the Authority, the City, and the Trustee.

Designation of 2010B Bonds as Build America Bonds

The 2010B Bonds will be issued as bonds designated as “Build America Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009 (“ARRA”), the interest on which 2010B Bonds is not excluded from gross income for purposes of federal income taxation. The Authority expects to receive an interest subsidy payment from the United States Department of the Treasury (the “Treasury”) equal to 35% of the interest payable on such 2010B Bonds (each, an “Interest Subsidy Payment”), and the owners of the 2010B Bonds will not receive any tax credits as a result of their ownership of 2010B Bonds. See “– Interest Subsidy Payments for 2010B Bonds” below, “THE BONDS – Designation of 2010B Bonds as Build America Bonds,” “SECURITY FOR THE BONDS – Interest Subsidy Payments for 2010B Bonds,” and “TAX MATTERS – 2010B Bonds.”

Purpose of Issuance

The proceeds from the sale of each series of Bonds will be used (i) to finance a portion of the cost of certain capital improvements to the Water System (as defined herein), (ii) to fund the reserve fund established for each series of Bonds under the applicable Indenture, (iii) to pay all or a portion of interest on the Bonds of each series through December 1, 2011, and (iv) to finance certain costs of issuance related to the Bonds of each series. See “THE BONDS – Estimated Sources and Uses of Bond Proceeds,” “SECURITY FOR THE BONDS – Reserve Funds,” and “THE 2010 PROJECT.”

Registration, Date, and Maturity of Bonds

The Bonds of each series 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 of each series. The Bonds of each series will be dated the date of their initial delivery and will mature on the dates and in the principal amounts set forth on the inside cover page hereof.

Payment of the Bonds

Interest on the Bonds of each series is payable semiannually on June 1 and December 1, commencing June 1, 2010 (each, an “Interest Payment Date”), and will be paid by check, mailed by first class mail to the registered owners thereof (“Owners”) as of the fifteenth day of the calendar month preceding the applicable Interest Payment Date, whether or not such day is a Business Day (each, a “Record Date”); provided, however, that any Owner of \$1,000,000 or more in aggregate principal amount of Bonds of either series may request in writing payment of such interest by wire transfer in immediately available funds to a designated account in the United States. Principal of and any redemption premium with respect to each Bond 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 2010A Bonds. The 2010A Bonds maturing on or before June 1, 2020, are not subject to optional redemption. The 2010A Bonds maturing on or after June 1, 2021, are subject to redemption, as a whole or in part, on any date on or after June 1, 2020, in the order of maturity as directed by the City and by lot within each maturity, in integral multiples of \$5,000, from amounts prepaid by the City pursuant to the 2010 Installment Purchase Agreement (as defined herein) or any other source of funds at a Redemption Price equal to the principal amount thereof together with accrued interest to the date fixed for redemption, without premium. See “THE BONDS – Optional Redemption of 2010A Bonds.”

Special Optional Redemption of 2010B Bonds Upon the Occurrence of an Interest Subsidy Termination Event. The 2010B Bonds are subject to redemption on any date prior to their maturity, as a whole or in part, at the option of the City, in the order of maturity as directed by the City and by lot within each maturity, in integral multiples of \$5,000, from amounts prepaid by the City pursuant to the 2010 Installment Purchase Agreement or any other source of funds, upon and after the occurrence of an Interest Subsidy Termination Event (as defined herein), at an Interest Subsidy Termination Optional Redemption Price (as defined herein). See “THE BONDS – Special Optional Redemption of 2010B Bonds Upon Occurrence of Interest Subsidy Termination Event.”

Make-Whole Optional Redemption of 2010B Bonds. The 2010B Bonds are subject to redemption on any date prior to their maturity, as a whole or in part, at the option of the City, in the order of maturity as directed by the City and by lot within each maturity, in integral multiples of \$5,000, from amounts prepaid by the City pursuant to the 2010 Installment Purchase Agreement or any other source of funds, at a Make-Whole Optional Redemption Price (as defined herein). See “THE BONDS – Make-Whole Optional Redemption of 2010B Bonds.”

Mandatory Sinking Fund Redemption of 2010B Bonds. The 2010B Bonds maturing on June 1, 2030, June 1, 2036, and June 1, 2040 (collectively, the “2010B Term Bonds”), are subject to mandatory redemption in part on June 1 in the years and in the amounts set forth herein, at a redemption price equal to the principal amount of the 2010B Term Bonds to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium. See “THE BONDS – Mandatory Sinking Fund Redemption of 2010B Bonds.”

Security for the Bonds

Payment from 2010 Installment Payments; Pledge of Net Water System Revenues. The Bonds of each series are limited obligations of the Authority and are payable solely from installment payments (the “2010 Installment Payments”) to be made by the City to the Authority pursuant to the Installment Purchase Agreement, dated as of February 1, 2010 (the “2010 Installment Purchase Agreement”), by and between the City and the Authority, together with moneys on deposit in certain funds held under the 2010A Indenture or the 2010B Indenture, as applicable. Pursuant to the 2010A Indenture, the portion of the 2010 Installment Payments received by the Trustee thereunder is to be applied to the payment of the principal of and interest on the 2010A Bonds. Pursuant to the 2010B Indenture, the portion of the 2010 Installment Payments received by the Trustee thereunder is to be applied to the payment of the principal of and interest on the 2010B Bonds. The 2010 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 2010A Bonds and 2010B Bonds on a parity basis, without any discrimination or preference. The 2010 Installment Payments will be assigned by the Authority to the Trustee pursuant to an Assignment Agreement, dated as of February 1, 2010 (the “Assignment Agreement”), by and between the Authority and the Trustee. The 2010 Installment Payments are payable solely from Net Water System Revenues. See “SECURITY FOR THE BONDS – Pledge of Net Water System Revenues to Pay 2010 Installment Payments” and “ – Pledge of 2010 Installment Payments to Pay Bonds.” See also “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Selected Definitions,” “ – Indentures,” and “ – 2010 Installment Purchase Agreement.”

The obligation of the City to make 2010 Installment Payments is secured by a pledge of and lien on the Net Water System Revenues on a parity with the obligation to pay the Parity Obligations. See “PARITY OBLIGATIONS.”

Reserve Funds. Pursuant to each of the 2010A Indenture and the 2010B Indenture, the City will be required to maintain amounts on deposit (or obtain one or more qualified reserve fund insurance

policies in lieu of or guaranteeing each such deposit) in the applicable Reserve Fund created under each Indenture, which Reserve Fund will be held by the Trustee under the applicable Indenture and pledged to the payment of principal of and interest on the 2010A Bonds or the 2010B Bonds, as applicable, in an amount equal to the applicable Reserve Requirement. See “SECURITY FOR THE BONDS – Reserve Funds” and “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Indentures.”

Interest Subsidy Payments for 2010B Bonds. The Authority has elected to designate the 2010B Bonds as Build America Bonds under the provisions of ARRA. The Authority expects to receive an Interest Subsidy Payment from the Treasury equal to 35% of the interest payable on such 2010B Bonds. Pursuant to the 2010B Indenture, the Authority, or the Authority’s authorized designated recipient, shall apply and transfer all Interest Subsidy Payments, if, as, and when received by the Authority or the Authority’s authorized designated recipient, to the Payment Fund for application in accordance with the 2010B Indenture as a credit against the portion of the 2010 Installment Payment applicable to the 2010B Bonds due by the City with respect to the next Interest Payment Date. The Interest Subsidy Payments do not constitute a full faith and credit guarantee of the United States Government, but are required to be paid by the Treasury under ARRA. The Authority is obligated to make all payments of principal of and interest on the 2010B Bonds irrespective of whether such Interest Subsidy Payments are received by the Authority or its authorized designated recipient and deposited into the Payment Fund. The amount of any Interest Subsidy Payment is subject to legislative changes by the United States Congress. Interest Subsidy Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by the Authority to an agency of the United States. The Authority makes no assurances about future legislative or policy changes or the netting of other tax liabilities against the Interest Subsidy Payments by the Treasury that may affect the amount or receipt of Interest Subsidy Payments. **No assurance can be given that the Authority will receive the Interest Subsidy Payments. In addition, the Interest Subsidy Payments do not constitute Water System Revenues and have not been pledged to the payment of the 2010 Installment Payments or, until such Interest Subsidy Payments have been deposited into the Payment Fund, to the payment of principal and interest with respect to the 2010B Bonds.** See “SECURITY FOR THE BONDS – Interest Subsidy Payments for 2010B Bonds.”

Parity Obligations and Additional City Bonds or Contracts

The 2010 Installment Payments are payable from the Net Water System Revenues on an equal basis with the 2006 Installment Payments, the 2004 Installment Payments, and the 2001 Installment Payments, as such terms are defined herein (collectively, the “Parity Obligations”). See “PARITY OBLIGATIONS.” The 2010 Installment Payments also will be payable from the Net Water System Revenues on an equal basis with any City Bonds or Contracts issued or executed, as applicable, in the future in accordance with the terms of the 2010 Installment Purchase Agreement. See “SECURITY FOR THE BONDS – Additional City Bonds or Contracts.”

Rate Covenant

The 2010 Installment Purchase Agreement provides that the City will fix, prescribe, and collect rates and charges for the Water System, which will be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to the sum of (a) 100% of the Debt Service (*i.e.* principal and interest due with respect to the 2010 Installment Payments, the outstanding Parity Obligations, and any additional City Bonds or Contracts for such Fiscal Year), plus (b) the amount by which the amount on deposit in the Revenue Fund on the last day of the immediately preceding Fiscal Year was less than 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 Water 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 of each series, the Authority will covenant in the Continuing Disclosure Agreement, dated as of the date of delivery of the Bonds (the “Continuing Disclosure Agreement”), by and between the Authority and the Trustee, as dissemination agent, to provide certain financial information and operating data relating to the Authority and the City and notices of certain events, if material. See “CONTINUING DISCLOSURE” and “APPENDIX E – Form of Continuing Disclosure Agreement.”

Limited Obligations

Neither the faith and credit of the Authority, the City, the State of California (the “State”), or any political subdivision of the State nor the taxing power of the City, the State, or any political subdivision of the State is pledged to the payment of the Bonds. The Authority has no taxing power. The Bonds of each series are limited obligations of the Authority payable on a parity basis solely from and secured solely by the 2010 Installment Payments and the Bonds of each series are further separately secured by amounts in certain funds and accounts pledged therefor under the applicable Indenture. The Bonds of each series are neither general or special obligations of the City nor general obligations of the Authority, but are limited obligations of the Authority payable exclusively from the 2010 Installment Payments and amounts in certain funds and accounts pledged therefor under the applicable Indenture, as more fully described herein. The obligation of the City to make 2010 Installment Payments under the 2010 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. The Authority is not required to advance any moneys derived from any source other than the 2010 Installment Payments and amounts in certain funds and accounts pledged therefor under the applicable Indenture for the payment of the principal of or interest on the applicable series of Bonds. Neither the Bonds nor the obligation of the City to make 2010 Installment Payments constitute a debt or indebtedness of the Authority, the City, 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 Water System, see “THE WATER 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 WATER SYSTEM.” 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 2010A Bonds are being issued pursuant to the Act and the provisions of the 2010A Indenture. The 2010B Bonds are being issued pursuant to the Act and the provisions of the 2010B Indenture. The Bonds of each series will be dated the date of their initial delivery and will mature on the dates and in the principal amounts set forth on the inside cover page hereof. Interest on the Bonds of each series 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 of each series will be issued as fully registered bonds in the denomination of \$5,000 each or any integral multiple thereof; provided, however, that no Bond shall have principal represented thereby maturing in more than one year. 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 registration books 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.”

Designation of 2010B Bonds as Build America Bonds

The 2010B Bonds will be issued as bonds designated as “Build America Bonds” under the provisions of ARRA, the interest on which 2010B Bonds is not excluded from gross income for purposes of federal income taxation. The Authority expects to receive an Interest Subsidy Payment from the Treasury pursuant to ARRA equal to 35% of the interest payable on the 2010B Bonds on each Interest Payment Date, and the owners of the 2010B Bonds will not receive any tax credits as a result of their ownership of 2010B Bonds. The Interest Subsidy Payment does not constitute a full faith and credit guarantee of the United States, but is required to be paid by the Treasury under ARRA. The amount of any Interest Subsidy Payment is subject to legislative changes by the United States Congress. Interest Subsidy Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by the Authority to an agency of the United States. The Authority makes no assurances about future legislative or policy changes or the netting of other tax liabilities against the Interest Subsidy Payments by the Treasury that may affect the amount or receipt of Interest Subsidy Payments.

Pursuant to the 2010B Indenture, the Authority, or the Authority’s authorized designated recipient, shall apply and transfer all Interest Subsidy Payments, if, as, and when received by the

Authority or the Authority's authorized designated recipient, to the Payment Fund, which Interest Subsidy Payments, if any, shall be applied in accordance with the 2010B Indenture as a credit against a portion of the 2010 Installment Payment applicable to the 2010B Bonds due by the City with respect to the next Interest Payment Date. Notwithstanding the foregoing, no assurance can be given that the Authority will receive the Interest Subsidy Payments. The Interest Subsidy Payments do not constitute Water System Revenues and have not been pledged to the payment of the 2010 Installment Payments or, unless such Interest Subsidy Payments have been deposited into the Payment Fund, the payment of principal and interest with respect to the 2010B Bonds. The City is obligated to make all 2010 Installment Payments applicable to the 2010B Bonds, and the Authority is obligated to make all payments of principal and interest with respect to the 2010B Bonds, whether or not any Interest Subsidy Payments are received by the Authority or its authorized designated recipient pursuant to ARRA. See "SECURITY FOR THE BONDS – Interest Subsidy Payments for 2010B Bonds" and "TAX MATTERS – 2010B Bonds."

Optional Redemption of 2010A Bonds

The 2010A Bonds maturing on or before June 1, 2020, are not subject to optional redemption. The 2010A Bonds maturing on or after June 1, 2021, are subject to redemption, as a whole or in part, on any date on or after June 1, 2020, in the order of maturity as directed by the City and by lot within each maturity, in integral multiples of \$5,000, from amounts prepaid by the City pursuant to the 2010 Installment Purchase Agreement or any other source of funds at a Redemption Price equal to the principal amount thereof together with accrued interest to the date fixed for redemption, without premium.

Special Optional Redemption of 2010B Bonds Upon Occurrence of Interest Subsidy Termination Event

The 2010B Bonds are subject to redemption on any date prior to their maturity, as a whole or in part, at the option of the City, in the order of maturity as directed by the City and by lot within each maturity, in integral multiples of \$5,000, from amounts prepaid by the City pursuant to the 2010 Installment Purchase Agreement or any other source of funds, upon and after the occurrence of an Interest Subsidy Termination Event (as defined herein), at a Redemption Price (the "Interest Subsidy Termination Optional Redemption Price") equal to the greater of (1) 100% of the principal amount of the 2010B Bonds to be redeemed, plus accrued interest on the 2010B Bonds to be redeemed to the redemption date, or (2) the sum of the present value of the remaining scheduled payments of principal of and interest on the 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010B Bonds are to be redeemed, discounted to the date on which the 2010B Bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points, plus accrued interest on the 2010B Bonds to be redeemed to the redemption date.

An "Interest Subsidy Termination Event" will have occurred if the Authority or City reasonably determines, which determination shall be conclusive, that: (i) Section 54AA or Section 6431 of the Internal Revenue Code of 1986, as amended (the "Code"), has been amended in a material way; or (ii) there is any guidance published by the Internal Revenue Service ("IRS") or the Treasury with respect to Section 54AA or Section 6431 of the Code; or (iii) any other determination by the IRS or the Treasury, which determination is not the result of any act or omission by the Authority or the City to satisfy the requirements to qualify to receive Interest Subsidy Payments, any of which events results in the Authority's or the Authority's authorized designated recipient's right to receive any Interest Subsidy Payment being reduced or eliminated.

For purposes of determining the Interest Subsidy Termination Optional Redemption Price and the Make-Whole Optional Redemption Price (see “ – Make-Whole Optional Redemption of 2010B Bonds” below), the following terms have been defined in the 2010B Indenture as follows:

“Treasury Rate” means, with respect to any redemption date for a particular 2010B Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (as defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (as defined below), as calculated by the Designated Investment Banker (as defined below).

“Comparable Treasury Issue” means, with respect to any redemption date for a particular 2010B Bond, the United States Department of the Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the 2010B Bond to be redeemed and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2010B Bond to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular 2010B Bond, (1) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (as defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

“Designated Investment Banker” means one of the Reference Treasury Dealers (as defined below) appointed by the City.

“Reference Treasury Dealer” means each of the four firms, specified by the City from time to time, that are primary United States Government securities dealers in the City of New York (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2010B Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third Business Day preceding such redemption date.

Make-Whole Optional Redemption of 2010B Bonds

The 2010B Bonds are subject to redemption on any date prior to their maturity, as a whole or in part, at the option of the City, in the order of maturity as directed by the City and by lot within each maturity, in integral multiples of \$5,000, from amounts prepaid by the City pursuant to the 2010 Installment Purchase Agreement or any other source of funds, at a Redemption Price (the “Make-Whole Optional Redemption Price”) equal to the greater of (1) 100% of the principal amount of the Bonds to be redeemed, plus accrued interest on the Bonds to be redeemed to the redemption date, or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010B Bonds are to be redeemed, discounted to the date on which the 2010B Bonds are to be redeemed on a semi-annual basis, assuming a 360 day year

consisting of twelve 30-day months, at the Treasury Rate, plus 40 basis points, plus accrued interest on the 2010B Bonds to be redeemed to the redemption date.

Mandatory Sinking Fund Redemption of 2010B Bonds

The 2010B Term Bonds maturing on June 1, 2030 (the “2030 2010B Term Bonds”), are subject to mandatory redemption in part on June 1 in the following years in the following amounts at a redemption price equal to the principal amount thereof together with accrued interest to the date fixed for redemption, without premium:

Mandatory Redemption Date (June 1)	Sinking Fund Amount
2023	\$1,970,000
2024	2,060,000
2025	2,150,000
2026	2,240,000
2027	2,345,000
2028	2,445,000
2029	2,555,000
2030 (maturity)	2,670,000

The 2010B Term Bonds maturing on June 1, 2036 (the “2036 2010B Term Bonds”), are subject to mandatory redemption in part on June 1 in the following years in the following amounts at a redemption price equal to the principal amount thereof together with accrued interest to the date fixed for redemption, without premium:

Mandatory Redemption Date (June 1)	Sinking Fund Amount
2031	\$2,785,000
2032	2,910,000
2033	3,040,000
2034	3,170,000
2035	3,315,000
2036 (maturity)	3,460,000

The 2010B Term Bonds maturing on June 1, 2040 (the “2040 2010B Term Bonds”), are subject to mandatory redemption in part on June 1 in the following years in the following amounts at a redemption price equal to the principal amount thereof together with accrued interest to the date fixed for redemption, without premium:

Mandatory Redemption Date (June 1)	Sinking Fund Amount
2037	\$10,875,000
2038	11,370,000
2039	11,885,000
2040 (maturity)	12,425,000

In the event of a special optional redemption upon the occurrence of an Interest Subsidy Termination Event or make-whole optional redemption of the 2030 2010B Term Bonds, the 2036 2010B Term Bonds, or the 2040 2010B Term Bonds, the foregoing annual sinking fund payments shall be reduced in equal percentages, as nearly as practicable, provided that the reductions shall be made in multiples of \$5,000. The City shall provide the Trustee with the amended sinking fund payments schedule calculated as set forth above.

Notice of Redemption

The Trustee will mail a notice of such redemption, in the form and substance as prescribed in the 2010A Indenture or the 2010B Indenture, as applicable, to affected Owners, and to all Securities Depositories and the national Information Services, not less than 30 days nor more than 60 days prior to the applicable redemption date. Neither failure to receive notice nor any defect in such notice or mailing will affect the redemption of any Bond. From and after any such redemption date, interest on the Bonds to be redeemed will cease to accrue.

Book-Entry Only System

The Bonds of each series will be initially delivered in the form of one fully registered Bond for each of the maturities of the Bonds of such series, registered in the name of Cede & Co., as nominee of DTC, as Owner of all the Bonds of such series. 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 will act as securities depository for the Bonds of each series. The Bonds of each series will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds of each series in the aggregate principal amount of each such series, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship

with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

To facilitate subsequent transfers, all Bonds of each series deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds of each series 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 of each series; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds of each series are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds of a series 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 any other DTC nominee) will consent or vote with respect to Bonds of each series unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds of the applicable series are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds of each series 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 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, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds of either series at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Estimated Sources and Uses of Bond Proceeds

The following table details the estimated sources and uses of the proceeds from the sale of the Bonds of each series.

Table 1
Estimated Sources and Uses of Funds

Estimated Sources:	2010A Bonds	2010B Bonds
Principal Amount	\$16,455,000.00	\$83,670,000.00
Plus: Original Issue Premium	1,523,209.35	--
Less: Original Issue Discount	--	(339,042.00)
Less: Underwriter's Discount	<u>(74,047.50)</u>	<u>(502,020.00)</u>
Total Sources	\$17,904,161.85	\$82,828,938.00
Estimated Uses: ⁽¹⁾		
Deposit to Capitalized Interest Account of Payment Fund ⁽²⁾	\$ 1,128,712.50	\$ 5,641,518.33
Deposit to Acquisition Fund ⁽³⁾	14,910,062.71	68,489,937.29
Deposit to Reserve Fund ⁽⁴⁾	1,797,820.94	8,367,000.00
Deposit to Costs of Issuance Fund ⁽⁵⁾	<u>67,565.70</u>	<u>330,482.38</u>
Total Uses	\$17,904,161.85	\$82,828,938.00

⁽¹⁾ The funds and accounts for the 2010A Bonds are the funds and accounts established under the 2010A Indenture; the funds and accounts for the 2010B Bonds are the funds and accounts established under the 2010B Indenture.

⁽²⁾ Represents capitalized interest for the 2010A Bonds or the 2010B Bonds, as applicable.

⁽³⁾ Moneys in each Acquisition Fund established under the 2010A Indenture or the 2010B Indenture, as applicable, are expected to be used for the payment of 2010 Project costs.

⁽⁴⁾ Represents the Reserve Requirement for the 2010A Bonds or the 2010B Bonds, as applicable.

⁽⁵⁾ Moneys in each Costs of Issuance Fund established under the 2010A Indenture or the 2010B Indenture, as applicable, 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 related to the 2010A Bonds or the 2010B Costs, as applicable.

Debt Service on the Bonds

The table below presents the annual debt service on the 2010A Bonds and the 2010B Bonds (including sinking fund redemptions), assuming that there are no optional, special optional, or make-whole optional redemptions, for the year ending on June 1 in the years shown below:

Table 2
Debt Service Schedule

Year Ending June 1	Principal of 2010A Bonds	Interest on 2010A Bonds	Total Debt Service on 2010A Bonds	Principal of 2010B Bonds	Interest on 2010B Bonds	Total Debt Service on 2010B Bonds	Total Debt Service on Bonds
2010		\$ 229,922.92 ⁽¹⁾	229,922.92		\$ 1,767,997.20 ⁽¹⁾	\$ 1,767,997.20	\$ 1,997,920.12
2011		752,475.00 ⁽¹⁾	752,475.00		5,786,172.66 ⁽¹⁾	5,786,172.66	6,538,647.66
2012	\$ 1,215,000.00	752,475.00 ⁽¹⁾	1,967,475.00		5,786,172.66 ⁽¹⁾	5,786,172.66	7,753,647.66
2013	1,255,000.00	716,025.00	1,971,025.00		5,786,172.66	5,786,172.66	7,757,197.66
2014	1,300,000.00	670,325.00	1,970,325.00		5,786,172.66	5,786,172.66	7,756,497.66
2015	1,340,000.00	631,325.00	1,971,325.00		5,786,172.66	5,786,172.66	7,757,497.66
2016	1,410,000.00	564,325.00	1,974,325.00		5,786,172.66	5,786,172.66	7,760,497.66
2017	1,460,000.00	507,925.00	1,967,925.00		5,786,172.66	5,786,172.66	7,754,097.66
2018	1,535,000.00	434,925.00	1,969,925.00		5,786,172.66	5,786,172.66	7,756,097.66
2019	1,610,000.00	358,175.00	1,968,175.00		5,786,172.66	5,786,172.66	7,754,347.66
2020	1,695,000.00	277,675.00	1,972,675.00		5,786,172.66	5,786,172.66	7,758,847.66
2021	1,770,000.00	199,925.00	1,969,925.00		5,786,172.66	5,786,172.66	7,756,097.66
2022	1,865,000.00	102,575.00	1,967,575.00		5,786,172.66	5,786,172.66	7,753,747.66
2023				\$ 1,970,000.00	5,786,172.66	7,756,172.66	7,756,172.66
2024				2,060,000.00	5,651,838.36	7,711,838.36	7,711,838.36
2025				2,150,000.00	5,511,366.96	7,661,366.96	7,661,366.96
2026				2,240,000.00	5,364,758.46	7,604,758.46	7,604,758.46
2027				2,345,000.00	5,212,012.86	7,557,012.86	7,557,012.86
2028				2,445,000.00	5,052,107.30	7,497,107.30	7,497,107.30
2029				2,555,000.00	4,885,382.76	7,440,382.76	7,440,382.76
2030				2,670,000.00	4,711,157.30	7,381,157.30	7,381,157.30
2031				2,785,000.00	4,529,090.00	7,314,090.00	7,314,090.00
2032				2,910,000.00	4,339,710.00	7,249,710.00	7,249,710.00
2033				3,040,000.00	4,141,830.00	7,181,830.00	7,181,830.00
2034				3,170,000.00	3,935,110.00	7,105,110.00	7,105,110.00
2035				3,315,000.00	3,719,550.00	7,034,550.00	7,034,550.00
2036				3,460,000.00	3,494,130.00	6,954,130.00	6,954,130.00
2037				10,875,000.00	3,258,850.00	14,133,850.00	14,133,850.00
2038				11,370,000.00	2,497,600.00	13,867,600.00	13,867,600.00
2039				11,885,000.00	1,701,700.00	13,586,700.00	13,586,700.00
2040				12,425,000.00	869,750.00	13,294,750.00	13,294,750.00
Totals	\$16,455,000.00	\$6,198,072.92	\$22,653,072.92	\$83,670,000.00	\$145,864,185.78	\$229,534,185.78	\$252,187,258.70

(1) All or a portion of the interest is expected to be paid from moneys on deposit in applicable Capitalized Interest Account.

Source: Underwriter.

PARITY OBLIGATIONS

Description of Parity Obligations

The 2010 Installment Payments are payable from the Net Water System Revenues on an equal basis with the outstanding Parity Obligations, which are more particularly described below:

2006 Installment Payments. The 2010 Installment Payments are payable from the Net Water System Revenues on an equal basis with installment payments (the “2006 Installment Payments”) payable under that certain Installment Purchase Agreement, dated as of May 1, 2006 (the “2006 Installment Purchase Agreement”), by and between the City and the Authority. The 2006 Installment Payments are pledged to the payment of debt service on bonds previously issued by the Authority (the “2006 Bonds”) pursuant to the provisions of a Trust Indenture, dated as of May 1, 2006 (the “2006 Indenture” and, together with the 2006 Installment Purchase Agreement, the “2006 Agreements”), by and among the City, the Authority, and Wells Fargo Bank, National Association, as trustee for the 2006 Bonds (the “2006 Trustee”). Proceeds from the sale of the 2006 Bonds were used by the Authority to finance certain capital improvements to the Water System, including a portion of phase one of the Groundwater Recovery Enhancement and Treatment Program (the “GREAT Program”), a desalter for the City’s Blending Station No. 3, a replacement and improvement program for water distribution, a master planned facilities improvements project, a retrofit project for the City’s Automated Meter Reading Program (“AMR”), and appurtenances and appurtenant work relating to the foregoing (collectively, the “2006 Project”). Interest on the 2006 Bonds is payable on June 1 and December 1, and principal of the 2006 Bonds is payable on June 1, through June 1, 2036.

2004 Installment Payments. The 2010 Installment Payments are payable from the Net Water System Revenues on an equal basis with installment payments (the “2004 Installment Payments”) payable under that certain Installment Purchase Agreement, dated as of February 1, 2004 (the “2004 Installment Purchase Agreement”), by and between the City and the Authority. The 2004 Installment Payments are pledged to the payment of debt service on bonds previously issued by the Authority (the “2004 Bonds”) pursuant to the provisions of a Trust Indenture, dated as of February 1, 2004 (the “2004 Indenture” and, together with the 2004 Installment Purchase Agreement, the “2004 Agreements”), by and among the City, the Authority, and Wells Fargo Bank, National Association, as trustee for the 2004 Bonds (the “2004 Trustee”). Proceeds from the sale of the 2004 Bonds were used by the Authority to finance certain improvements to the Water System, including cast iron pipe replacement, improvement of hydraulic systems, hydrant upgrades, improvements to the Blending Station No. 3 Water Condition Facility and Well Pumping Plant, improvements to Blending Station No. 5 and to phase 2 of the Blending Station No. 1 Master Planned Improvements Projects, upgrades to the Supervisory Control and Data Acquisition System (“SCADA”), improvements related to phase 1 of the GREAT Program, and improvements related to the AMR Retrofit Program and the Water Well Improvement Program (collectively, the “2004 Project”). Interest on the 2004 Bonds is payable on June 1 and December 1, and principal of the 2004 Bonds is payable on June 1, through June 1, 2034.

2001 Installment Payments. The 2010 Installment Payments are payable from the Net Water System Revenues on an equal basis with installment payments (the “2001 Installment Payments”) payable under that certain Amended and Restated Installment Purchase Agreement, dated as of June 1, 2001, by and between the City and the Authority, as amended by the First Amendment to Amended and Restated Installment Purchase Agreement, dated as of January 27, 2004 (collectively, the “2001 Restated Installment Purchase Agreement”), by and between the Authority and the City. The 2001 Installment Payments are pledged to the payment of debt service on bonds previously issued by the Authority (the “2001 Bonds”) pursuant to the provisions of an Indenture of Trust, dated as of June 1, 2001 (the “2001 Indenture” and, together with the 2001 Restated Installment Purchase Agreement, the “2001

Agreements”), by and among the City, the Authority, and Wells Fargo Bank, National Association, as trustee for the 2001 Bonds (the “2001 Trustee”). Proceeds from the sale of the 2001 Bonds were used by the Authority to finance and refinance certain improvements to the Water System, including modifications to the Blending Station No. 1 Disinfection System, the replacement of cast iron pipe in the City’s downtown area, an upgrade of Blending Station No.1 to improve its energy efficiency, improvements to the City’s AMR, the replacement and upgrading of existing pipeline corrosion protection systems, and the rehabilitation of certain water wells (collectively, the “2001 Project”). Interest on the 2001 Bonds is payable on June 1 and December 1, and principal of the 2001 Bonds is payable on June 1, through June 1, 2030.

Priority of Payments. All Water System Revenues are deposited into the Revenue Fund, which was created pursuant to the 2001 Restated Installment Purchase Agreement. Pursuant to the 2010 Installment Purchase Agreement, moneys on deposit in the Revenue Fund will be used, first, to pay Maintenance and Operation Costs (as defined herein) and, second, to pay, on an equal parity basis, the 2010 Installment Payments and the outstanding Parity Obligations, which Parity Obligations are comprised of the 2006 Installment Payments, the 2004 Installment Payments, the 2001 Installment Payments, and any other City Bonds or Contracts that are on a parity with the 2010 Installment Payments. In the event that there are insufficient funds in the Revenue Fund to pay the 2010 Installment Payments and the Parity Obligations, the City is obligated to transfer moneys in the Revenue Fund to the foregoing obligations on a *pro rata* basis, without any discrimination or preference.

Additional City Bonds or Contracts

Additional City Bonds or Contracts may be issued or executed, as applicable, by the City that will be on a parity with the 2010 Installment Payments if the conditions for additional obligations described under the caption “SECURITY FOR THE BONDS – Additional City Bonds or Contracts” are satisfied. The 2010 Installment Purchase Agreement constitutes a Contract and is therefore subject to the limitations referenced in the preceding sentence. The Authority has obtained a certificate from Black & Veatch, Los Angeles, California (“Black & Veatch”), certifying that such limitations have been met in connection with the issuance of the Bonds. See also “SECURITY FOR THE BONDS – Additional City Bonds or Contracts” and “RISK FACTORS – Additional Parity Obligations.”

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Debt Service on Bonds and Parity Obligations

The following table describes the debt service obligations with respect to the 2010A Bonds, the 2010B Bonds, and the outstanding Parity Obligations:

Table 3
Debt Service Schedule
(Bonds and Outstanding Parity Obligations)

Payment Date (June 1)	Principal of 2010A Bonds	Interest on 2010A Bonds	Principal of 2010B Bonds	Interest on 2010B Bonds	Principal of 2006 Bonds	Interest on 2006 Bonds	Principal of 2004 Bonds	Interest on 2004 Bonds	Principal of 2001 Bonds	Interest on 2001 Bonds	Total Debt Service
2010		\$ 229,923		\$ 1,767,997	\$ 800,000	\$ 2,625,385	\$ 1,005,000	\$ 2,020,014	\$ 300,000	\$ 508,796	\$ 9,257,115
2011		752,475		5,786,173	840,000	2,593,385	1,030,000	1,993,884	310,000	496,496	13,802,413
2012	\$1,215,000	752,475		5,786,173	875,000	2,551,385	1,065,000	1,962,984	325,000	483,321	15,016,338
2013	1,255,000	716,025		5,786,173	920,000	2,507,635	1,095,000	1,928,904	340,000	469,103	15,017,840
2014	1,300,000	670,325		5,786,173	965,000	2,461,635	1,150,000	1,874,154	355,000	453,803	15,016,090
2015	1,340,000	631,325		5,786,173	1,015,000	2,413,385	1,190,000	1,833,904	370,000	437,118	15,016,905
2016	1,410,000	564,325		5,786,173	1,060,000	2,370,248	1,235,000	1,789,874	385,000	419,543	15,020,162
2017	1,460,000	507,925		5,786,173	1,105,000	2,322,548	1,285,000	1,742,944	405,000	401,063	15,015,652
2018	1,535,000	434,925		5,786,173	1,150,000	2,275,585	1,335,000	1,693,150	425,000	380,813	15,015,646
2019	1,610,000	358,175		5,786,173	1,215,000	2,218,085	1,385,000	1,639,750	445,000	359,563	15,016,746
2020	1,695,000	277,675		5,786,173	1,270,000	2,157,335	1,455,000	1,570,500	470,000	337,313	15,018,996
2021	1,770,000	199,925		5,786,173	1,325,000	2,102,725	1,530,000	1,497,750	495,000	313,813	15,020,386
2022	<u>1,865,000</u>	<u>102,575</u>		5,786,173	1,390,000	2,043,100	1,605,000	1,421,250	515,000	289,063	15,017,161
2023			\$ 1,970,000	5,786,173	1,450,000	1,977,075	1,685,000	1,341,000	545,000	263,313	15,017,561
2024			2,060,000	5,651,838	1,520,000	1,908,200	1,770,000	1,256,750	570,000	236,063	14,972,851
2025			2,150,000	5,511,367	1,595,000	1,836,000	1,855,000	1,168,250	600,000	207,563	14,923,180
2026			2,240,000	5,364,758	1,670,000	1,760,238	1,950,000	1,075,500	630,000	177,563	14,868,059
2027			2,345,000	5,212,013	1,745,000	1,683,000	2,050,000	978,000	660,000	146,063	14,819,076
2028			2,445,000	5,052,107	1,835,000	1,595,750	2,150,000	875,500	695,000	112,238	14,760,595
2029			2,555,000	4,885,383	1,925,000	1,504,000	2,260,000	768,000	730,000	76,619	14,704,002
2030			2,670,000	4,711,157	2,025,000	1,407,750	2,370,000	655,000	<u>765,000</u>	<u>39,206</u>	14,643,113
2031			2,785,000	4,529,090	2,930,000	1,306,500	2,490,000	536,500			14,577,090
2032			2,910,000	4,339,710	3,075,000	1,160,000	2,615,000	412,000			14,511,710
2033			3,040,000	4,141,830	3,230,000	1,006,250	2,745,000	281,250			14,444,330
2034			3,170,000	3,935,110	3,395,000	844,750	<u>2,880,000</u>	<u>144,000</u>			14,368,860
2035			3,315,000	3,719,550	6,585,000	675,000					14,294,550
2036			3,460,000	3,494,130	<u>6,915,000</u>	<u>345,750</u>					14,214,880
2037			10,875,000	3,258,850							14,133,850
2038			11,370,000	2,497,600							13,867,600
2039			11,885,000	1,701,700							13,586,700
2040			<u>12,425,000</u>	<u>869,750</u>							<u>13,294,750</u>
Totals ⁽¹⁾	\$16,455,000	\$6,198,073	\$83,670,000	\$145,864,186	\$53,825,000	\$49,652,699	\$43,185,000	\$32,460,812	\$10,335,000	\$6,608,436	\$448,254,204

(1) Totals may not add due to rounding.
Source: Underwriter.

SECURITY FOR THE BONDS

Pledge of Net Water System Revenues to Pay 2010 Installment Payments

Pursuant to the 2010 Installment Purchase Agreement, all Net Water System Revenues and all amounts on deposit in the Revenue Fund are irrevocably pledged to the payment of the 2010 Installment Payments and the outstanding Parity Obligations. The Net Water System Revenues will not be used for any other purpose while any of the 2010 Installment Payments and Parity Obligations remain unpaid; provided, however, that out of the Net Water System Revenues there may be apportioned such sums for such purposes as are expressly permitted by the 2010 Installment Purchase Agreement, the 2006 Installment Purchase Agreement, the 2004 Installment Purchase Agreement, and the 2001 Restated Installment Purchase Agreement. The pledge of Net Water System Revenues to the payment of the foregoing amounts shall constitute a first and exclusive lien on Net Water System Revenues and on the Revenue Fund and other funds and accounts created under the 2010 Installment Purchase Agreement, the 2010A Indenture, the 2010B Indenture, the 2006 Agreements, the 2004 Agreements, or the 2001 Agreements, as applicable, subject to application of amounts on deposit therein as permitted by such documents.

The term “Net Water System Revenues” is defined in the 2010 Installment Purchase Agreement to mean, (i) for any Fiscal Year, the Water System Revenues for such Fiscal Year less the Maintenance and Operation Costs for such Fiscal Year, or (ii) for purposes of satisfying the requirements of the 2010 Installment Purchase Agreement with respect to the execution of any additional Contracts or the issuance of any additional City Bonds, the Water System Revenues for the selected 12-month period less the Maintenance and Operation Costs for the same 12-month period.

The term “Water System Revenues” is defined in the 2010 Installment Purchase Agreement to mean all income, rents, rates, fees, charges, and other moneys derived from the ownership of or operation of the Water System, including, without limiting the generality of the foregoing, (1) all in lieu charges and groundwater augmentation charges (including investment earnings thereon) collected by or on behalf of the City, (2) all income, rents, rates, fees, charges, business interruption insurance proceeds, or other moneys derived by the City from the sale, furnishing, and supplying of the water, drainage or other services, facilities, and commodities sold, furnished, or supplied through the facilities of or in the conduct or operation of the business of the Water System, and (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, proceeds, or other moneys, including City reserves; but excluding in all cases (a) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City, (b) proceeds of taxes or benefit assessments restricted by law to be used by the City to pay amounts due on bonds or other obligations hereafter incurred, (c) any and all revenues derived from the ownership or operation of or in connection with, and pledged to, Separate Facilities, and (d) connection fees and charges.

The term “Maintenance and Operation Costs” is defined in the 2010 Installment Purchase Agreement to mean (1) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with generally accepted accounting principles applicable to governmental agencies, including, but not limited to, the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the City that are charged directly or apportioned to the Water System, including, but not limited, to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2001 Restated Installment Purchase Agreement, the 2004 Installment Purchase Agreement, the 2006

Installment Purchase Agreement, the 2010 Installment Purchase Agreement, City Bonds, or any other Contract or of any resolution or indenture authorizing the issuance of any City Bonds or Contract, and (2) all payments under any contract for the purchase of water; but excluding in all cases depreciation, replacement, and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

The term “Water System” is defined in the 2010 Installment Purchase Agreement to mean the whole and each and every part of the waterworks system serving the City (including, without limitation, the 2001 Project, the 2004 Project, the 2006 Project, and the 2010 Project), whether owned or operated by the City or another party, including the portion thereof existing on the date of issuance of the Bonds, and including all additions, betterments, extensions, and improvements to such water system or any part thereof hereafter acquired or constructed, but not including any Separate Facilities. “Separate Facilities” are any capital items acquired after the date of issuance of the Bonds that are not financed from the proceeds of City Bonds or Contracts having a parity claim on the Revenue Fund or Water System Revenues.

Pledge of 2010 Installment Payments to Pay Bonds

Pursuant to each of the Indentures, all 2010 Installment Payments are pledged to, and are permitted to be used only for, the punctual payment of the 2010A Bonds and the 2010B Bonds, on a parity basis. Each of the Indentures provides that all 2010 Installment Payments to which the Authority may at any time be entitled are to be paid directly to the Trustee pursuant to the terms of the Assignment Agreement and that the Trustee is to deposit (i) all 2010 Installment Payments applicable to the 2010A Bonds, as and when received, in the Payment Fund established under the 2010A Indenture, and (ii) all 2010 Installment Payments applicable to the 2010B Bonds, as and when received, in the Payment Fund established under the 2010B Indenture.

Rate Covenant

The City has covenanted in the 2010 Installment Purchase Agreement that it will, to the fullest extent permitted by law, fix, prescribe, and collect rates and charges for the Water System that will be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to the sum of (a) 100% of the Debt Service in such Fiscal Year, plus (b) the amount by which the amount on deposit in the Revenue Fund on the last day of the immediately preceding Fiscal Year was less than 25% of Maximum Annual Debt Service as of such day.

The term “Debt Service,” as defined in the 2010 Installment Purchase Agreement, includes the payment of the 2010 Installment Payments and any outstanding Parity Obligations, as well as any payments associated with Contracts or City Bonds that may be executed or issued in the future.

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 will not reduce the rates and charges then in effect unless the Net Water System Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the rate covenant. The City has taken proactive steps to responsibly meet the City’s increasing water resource obligations and to improve the financial condition of the water enterprise. See “MANAGEMENT OF THE WATER SYSTEM” and “THE WATER SYSTEM – Water Supply.”

Allocation of Water System Revenues; Flow of Funds

Pursuant to the 2010 Installment Purchase Agreement, the City has agreed that all Water System Revenues shall be received by the City in trust and shall be deposited when and as received in a special fund designated as the “Revenue Fund,” which fund was established by the 2001 Restated Installment Purchase Agreement, and which fund the City agrees and covenants to maintain and to hold separate and apart from other funds so long as any 2010 Installment Payments, Additional Payments, or Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the City as provided in the 2010 Installment Purchase Agreement, the 2010A Indenture, the 2010B Indenture, the 2001 Agreements, the 2004 Agreements, the 2006 Agreements, and the documents executed in connection with the issuance of any City Bonds or other Contracts.

The City shall, from the moneys in the Revenue Fund, pay all Maintenance and Operation Costs as they become due and payable.

All remaining moneys in the Revenue Fund shall be transferred, without preference or priority:

- (a) to the Trustee, to pay Debt Service under the 2010 Installment Purchase Agreement, in the amounts and at the times required by the 2010 Installment Purchase Agreement and described below;
- (b) to the 2001 Trustee, to pay Debt Service under the 2001 Restated Installment Purchase Agreement, in the amounts and at the times required by the 2001 Restated Installment Purchase Agreement;
- (c) to the 2004 Trustee, to pay Debt Service under the 2004 Installment Purchase Agreement, in the amounts and at the times required by the 2004 Installment Purchase Agreement;
- (d) to the 2006 Trustee, to pay Debt Service under the 2006 Installment Purchase Agreement, in the amounts and at the times required by the 2006 Installment Purchase Agreement; and
- (e) if other Contracts or City Bonds are executed or issued (see “ – Additional City Bonds or Contracts” below), to other trustees or parties entitled to payment for City Bonds or other Contracts on a parity with the 2010 Installment Payments, in the amounts and at the times required by the documents executed in connection with the issuance of the City Bonds or other Contracts.

In the event of any insufficiency of such moneys to pay all amounts in (a) through (e) above, the City will transfer moneys in the Revenue Fund to the parties in (a) through (e) above ratably without any discrimination or preference.

After the deposits described above have been made, remaining moneys in the Revenue Fund shall be transferred, without preference or priority:

- (i) to the Trustee, as trustee for the 2010A Bonds, to replenish the Reserve Fund established under the 2010A Indenture (or reserve fund surety bond) securing the 2010A Bonds, and as trustee for the 2010B Bonds, to replenish the Reserve Fund established under the 2010B Indenture (or reserve fund surety bond) securing the

2010B Bonds, in the amounts and at the times required by the 2010 Installment Purchase Agreement and as described below;

- (ii) to the 2001 Trustee, to replenish any reserve fund (or reserve fund surety bond) securing the 2001 Bonds, in the amounts and at the times required by the 2001 Restated Installment Purchase Agreement;
- (iii) to the 2004 Trustee, to replenish any reserve fund (or reserve fund surety bond) securing the 2004 Bonds, in the amounts and at the times required by the 2004 Installment Purchase Agreement;
- (iv) to the 2006 Trustee, to replenish any reserve fund (or reserve fund surety bond) securing the 2006 Bonds, in the amounts and at the times required by the 2006 Installment Purchase Agreement; and
- (v) if other Contracts or City Bonds are executed or issued (see “– Additional City Bonds or Contracts” below), to other trustees or parties entitled to payment for City Bonds or other Contracts on a parity with the 2010 Installment Payments to replenish any reserve fund (or reserve fund surety bond) securing the City Bonds or other Contracts, in the amounts and at the times required by the documents executed in connection with the issuance of the City Bonds or other Contracts.

In the event of any insufficiency of such moneys to pay all amounts in (i) through (v) above, the City will transfer moneys in the Revenue Fund to the parties in (i) through (v) above ratably without any discrimination or preference.

All 2010 Installment Payments shall be set aside by the City at the following times in the following respective special funds, in the following order of priority and all moneys in each of such funds shall be held in trust and shall be applied, used, and withdrawn only for the purposes authorized in the 2010 Installment Purchase Agreement:

Payment Funds. On or before the fifth last Business Day of each month, the City shall, from the moneys in the Revenue Fund, transfer to the Trustee, as trustee for each of the 2010A Bonds and the 2010B Bonds, respectively, for deposit in the applicable Payment Fund established under each of the 2010A Indenture and the 2010B Indenture, respectively, a sum equal to (1) one-sixth of the portion of the next 2010 Installment Payment designated as 2010A Bond interest or 2010B Bond interest, as applicable, as set forth in the 2010 Installment Purchase Agreement, and coming due on the next 2010 Installment Payment Date (provided, however, that if there are fewer than six such dates prior to the first Interest Payment Date, then the portion of such interest coming due on such 2010 Installment Payment Date that is payable monthly on each such date is a fraction, the numerator of which is one and the denominator of which is the number of such dates) and (2) one-twelfth of the portion of the next 2010 Installment Payment designated as 2010A Bond principal or 2010B Bond principal, as applicable, as set forth in the 2010 Installment Purchase Agreement, and coming due on the next applicable 2010 Installment Payment Date (provided, however, that if there are fewer than twelve such dates prior to the first Interest Payment Date on which principal of Bonds is payable, then the portion of such principal coming due on such 2010 Installment Payment Date that is payable monthly on each such date is a fraction, the numerator of which is one and the denominator of which is the number of such dates).

No deposit need be made in the applicable Payment Fund of 2010 Installment Payments if the amount in such Payment Fund is at least equal to the amount of the 2010 Installment Payment due and

payable during the current Bond Year with respect to the 2010A Bonds or the 2010B Bonds, as applicable.

Reserve Funds. On or before the last day of each month, the City shall, from the moneys in the applicable Revenue Fund after the transfers described in above have been made to the applicable Payment Fund, transfer to the Trustee, as trustee for each of the 2010A Bonds and the 2010B Bonds, respectively, for deposit in the applicable Reserve Fund established under each of the 2010A Indenture and the 2010B Indenture, respectively, that sum, if any, equal to one-twelfth of the amount necessary, calculated on the date of any transfer described above, to restore the applicable Reserve Fund to an amount equal to the applicable Reserve Requirement; provided however, that the City may provide for the applicable Reserve Fund at any time, in whole or in part, by (i) a policy of insurance issued by a municipal bond insurance company rated in the highest rating category of each rating agency then rating the 2010A Bonds or the 2010B Bonds, as applicable, (ii) a letter of credit rated in the two highest rating categories (excluding gradations within a rating category) of each rating agency then rating the 2010A Bonds or the 2010B Bonds, as applicable, (iii) a surety bond rated in the highest rating category of each rating agency then rating the 2010A Bonds or the 2010B Bonds, as applicable, or (iv) any other security device rated in the highest rating category of each rating agency then rating the 2010A Bonds or the 2010B Bonds, as applicable.

No transfer of moneys for deposit to the applicable Reserve Fund in connection with the 2010 Installment Payments need be made if the amount contained therein or amount represented by a Reserve Fund Surety Bond is at least equal to the applicable Reserve Requirement.

Surplus. On the last day of each month, moneys on deposit in the Revenue Fund not necessary to make any of the payments required above and not disbursed under the 2001 Agreements, the 2004 Agreements, the 2006 Agreements, and any agreements relating to City Bonds or other Contracts may be expended by the City at any time to pay for (i) Additional Payments and (ii) any purpose permitted by law. Such Additional Payments include: (a) all reasonable compensation to the Trustee pursuant to the 2010A Indenture and the 2010B Indenture, as applicable, for all services rendered under the 2010A Indenture and the 2010B Indenture, as applicable, and for all reasonable expenses, charges, costs, liabilities, legal fees, and other disbursements incurred in and about the performance of its powers and duties under the 2010A Indenture and the 2010B Indenture; (b) the reasonable fees and expenses of such accountants, consultants, attorneys, and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, or opinions or provide such other services required under the 2010 Installment Purchase Agreement, the 2010A Indenture, or the 2010B Indenture; and (c) to the extent not already paid under the 2001 Restated Installment Purchase Agreement, the 2004 Installment Purchase Agreement, or the 2006 Installment Purchase Agreement, all amounts necessary to pay any insurance premiums required to be made from time to time under the 2010 Installment Purchase Agreement.

Reserve Funds

Pursuant to each of the 2010A Indenture and the 2010B Indenture, the City will be required to maintain or cause to be maintained a separate Reserve Fund for each of the 2010A Bonds and the 2010B Bonds. Each Reserve Fund will be pledged to the payment of principal of and interest on the 2010A Bonds or the 2010B Bonds, as applicable, at the applicable Reserve Requirement. The term "Reserve Requirement" is defined in each Indenture to mean, as of any date of calculation, an amount equal to the least of (i) 10% of the aggregate principal amount of the 2010A Bonds or 2010B Bonds, as applicable, originally issued, (ii) Maximum Annual Debt Service on the 2010A Bonds or 2010B Bonds, as applicable, or (iii) 125% of the Average Annual Debt Service on the 2010A Bonds or 2010B Bonds, as applicable. The term "Maximum Annual Debt Service" is defined in each of the Indentures to mean, at

any point in time, with respect to the 2010A Bonds or 2010B Bonds, as applicable, then outstanding, the greatest amount of Annual Debt Service on the 2010A Bonds or 2010B Bonds, as applicable, in the then current or any succeeding Bond Year prior to the maturity of the 2010A Bonds or 2010B Bonds, as applicable. The term “Average Annual Debt Service” is defined in each of the Indentures to mean the amount determined by dividing the sum of all Annual Debt Service due in each of the Bond Years following the date of such calculation by the number of such Bond Years. The term “Annual Debt Service” is defined in each of the Indentures to mean, for any Bond Year, the sum of (1) the interest payable on all outstanding 2010A Bonds or 2010B Bonds, as applicable, in such Bond Year, assuming that all outstanding serial 2010A Bonds or 2010B Bonds, as applicable, are retired as scheduled and that all outstanding term 2010A Bonds or 2010B Bonds, if any, are redeemed or paid from applicable sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of any sale of any 2010A Bonds or 2010B Bonds, as applicable), and (2) the principal amount of all outstanding 2010A Bonds or 2010B Bonds, as applicable, maturing by their terms in such Bond Year.

The City may elect at any time to cause the applicable Reserve Requirement for the Bonds of each series to be funded in whole or in part by a qualified reserve fund insurance policy in lieu of the required deposit to the applicable Reserve Fund. See “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Indentures – Reserve Funds.”

Interest Subsidy Payments for 2010B Bonds

In February 2009, as part of ARRA, the United States Congress added Sections 54AA and 6431 to the Code. These provisions permit state and local governments to obtain certain tax advantages when bonds issued by such entities are designated as “Build America Bonds.” Build America Bonds are qualified bonds under Section 54AA(g) of the Code if they meets certain requirements of the Code and related Treasury regulations, and if the issuer has made an irrevocable election to have such requirements and regulations apply to such bonds. Interest on Build America Bonds is not excluded from gross income for purposes of the federal income taxation, and owners of Build America Bonds will not receive any tax credits as a result of ownership of such Build America Bonds when an issuer has elected to receive an interest subsidy payment.

Under the Code, an issuer of Build America Bonds may apply to receive interest subsidy payments with respect to such bonds directly from the Treasury. The amount of such an interest subsidy payment is established under the Code as 35% of the corresponding interest payable on the related Build America Bond. To receive an interest subsidy payment, under currently existing procedures, the issuer of the Build America Bond must file a tax return (now designated as Form 8038-CP) between ninety (90) and forty-five (45) days prior to the corresponding bond interest payment date. Depending on the timing of the filing and other factors, the interest subsidy payment may be received before or after the corresponding interest payment date.

The Authority has elected to designate the 2010B Bonds as Build America Bonds. Pursuant to the 2010B Indenture, the Authority, or the Authority’s authorized designated recipient, shall apply and transfer all Interest Subsidy Payments, if, as, and when received by the Authority or the Authority’s authorized designated recipient, to the Payment Fund for application in accordance with the 2010B Indenture as a credit against the portion of the 2010 Installment Payment applicable to the 2010B Bonds due by the City with respect to the next Interest Payment Date. Notwithstanding the foregoing, no assurance can be given that the Authority will receive the Interest Subsidy Payments. The Interest Subsidy Payment does not constitute a full faith and credit guarantee of the United States, but is required to be paid by the Treasury under ARRA. The amount of any Interest Subsidy Payment is subject to legislative changes by the United States Congress. Interest Subsidy Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by the Authority to an agency of the United

States. The Authority makes no assurances about future legislative or policy changes or the netting of other tax liabilities against the Interest Subsidy Payments by the Treasury that may affect the amount or receipt of Interest Subsidy Payments.

No assurance can be given that the Authority will receive the Interest Subsidy Payments. The Interest Subsidy Payments do not constitute Water System Revenues and have not been pledged to the payment of the 2010 Installment Payments or, until such Interest Subsidy Payments have been deposited into the Payment Fund, the payment of principal and interest with respect to the 2010B Bonds. The City is obligated to make all 2010 Installment Payments applicable to the 2010B Bonds, and the Authority is obligated to make all payments of principal and interest with respect to the 2010B Bonds, whether or not any Interest Subsidy Payments are received by the Authority or its authorized designated recipient pursuant to ARRA.

Interest Subsidy Payments will only be paid if the 2010B Bonds are, and continue to be, qualified as Build America Bonds under the Code. For the 2010B Bonds to be and remain qualified as Build America Bonds under the Code, the Authority must comply with certain requirements and must establish certain facts and expectations with respect to the 2010B Bonds, the use and investment of proceeds thereof, and the use of property financed thereby. There are currently no procedures for requesting an Interest Subsidy Payment after the 45th day prior to an Interest Payment Date; therefore, if the Authority fails to file the necessary tax return in a timely fashion, it is possible that the Authority will never receive such Interest Subsidy Payment. In the 2010B Indenture, the Authority has covenanted to take all actions necessary to assure that the proceeds of the 2010B Bonds are expended and federal tax requirements are met so as to cause the 2010B Bonds to be treated as Build America Bonds eligible for the Interest Subsidy Payments. In particular, the Authority has covenanted to file IRS Form 8038-CP (or any successor form designated by the Treasury or the IRS) with the IRS within the forty-five day period beginning on the day that is ninety days prior to each Interest Payment Date. See “TAX MATTERS – 2010B Bonds.”

Additional City Bonds or Contracts

Pursuant to the 2010 Installment Purchase Agreement, the City may at any time execute any Contract or issue any City Bonds, as the case may be, in accordance therewith, provided that the terms of each of the 2001 Restated Installment Purchase Agreement, the 2004 Installment Purchase Agreement, and the 2006 Installment Purchase Agreement have been satisfied and:

(1) there shall not have occurred and be continuing an Event of Default under the terms of the 2010 Installment Purchase Agreement, the 2010A Indenture, or the 2010B Indenture; and

(2) the City obtains or provides a certificate or certificates prepared by an Independent Financial Consultant showing that:

(a) the Net Water System Revenues, as shown by the books of the City for the twelve calendar months ending 90 days prior to the end of the month in which such additional obligations are incurred (the “Look-Back Period”), shall have amounted to at least the sum of (x) 100% of Debt Service for such Look-Back Period, plus (y) the amount by which the amount on deposit in the Revenue Fund on the first day of such Look-Back Period was less than 25% of Maximum Annual Debt Service on all outstanding City Bonds and Contracts calculated on the first day of such Look-Back Period; for purposes of preparing the certificate or certificates described above, the Independent Financial Consultant or Consultants may rely upon financial statements prepared by the City for all or any part of the Look-Back Period, which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the Fiscal Year or Look-Back Period are not available;

(b) the estimated Net Water System Revenues for the twelve calendar months following the date of incurring such additional obligations will be at least equal to 100% of Maximum Annual Debt Service on all City Bonds and Contracts to be outstanding immediately after the incurring of such additional obligations; and

(c) the amount on deposit in the Revenue Fund on the date of incurring such additional obligations is at least equal to 25% of Maximum Annual Debt Service on all outstanding City Bonds and Contracts as of the date of incurring of such additional obligations.

For purposes of the computations to be made as described in subparagraph (b) above, the determination of the Net Water System Revenues:

(1) may take into account any increases in rates and charges that relate to the Water System and shall take into account any reduction in such rates and charges, which will be effective prior to or at the time of incurring such proposed additional obligations;

(2) may take into account an allowance for any estimated increase in such Net Water System Revenues from any revenue producing additions to or improvements or extensions of the Water 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 an Independent Financial Consultant; and

(3) for the period contemplated by subparagraph (b) above, Maintenance and Operation Costs of the Water System shall be deemed to be the same as for the period for which a calculation is done pursuant to subparagraph (a) above, but adjusted, if deemed necessary by the Independent Financial Consultant, for any increased Maintenance and Operation Costs of the Water System that are, in the judgment of the Independent Financial Consultant, essential to maintaining and operating the Water System.

The certificate or certificates described above shall not be required if the additional obligations being incurred are for the purpose of refunding then outstanding City Bonds or Contracts 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 City Bonds or Contracts after the incurring of such additional obligations will not exceed Maximum Annual Debt Service on all City Bonds or Contracts outstanding prior to the incurring of such additional obligations.

The Authority has obtained a certificate from Independent Financial Consultant Black & Veatch certifying that the conditions set forth in the 2001 Restated Installment Purchase Agreement, the 2004 Installment Purchase Agreement, and the 2006 Installment Purchase Agreement, which conditions are substantially identical to those conditions described above, have been met in connection with the execution and delivery of the 2010 Installment Purchase Agreement and the issuance of the Bonds. See also "PARITY OBLIGATIONS – Additional City Bonds or Contracts" and "RISK FACTORS - Additional Parity Obligations."

Insurance; Reconstruction, Repair, and Replacement

The City has covenanted in the 2010 Installment Purchase Agreement to maintain insurance on the Water System with responsible insurers in amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with facilities similar to the Water System so long as such insurance is available at reasonable rates. The City currently insures the buildings and facilities associated with the Water System through the Public Entity Property Insurance Program, a joint purchase insurance program. The insurance policy provides for a deductible of \$25,000 and is

applied on a replacement cost basis. However, the insurance does not cover and no claim can be made by the City for damages to, or the destruction of, the pipes of the Water System.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds, if any, thereof will be applied to the reconstruction, repair, or replacement of the damaged or destroyed portion of the Water System. The City will begin reconstruction, repair, or replacement promptly after receipt of such Net Proceeds, and will continue and properly complete such reconstruction, repair, or replacement as expeditiously as possible, and will pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair, or replacement so that the same will be completed and the Water System will be free and clear of all claims and liens. The City has covenanted to reconstruct, repair, or replace the damaged or destroyed portions of the Water System promptly if a failure to reconstruct, repair, or replace such portions would impair or adversely affect the ability of the City to pay 2010 Installment Payments. If and to the extent such Net Proceeds are not so applied, they will be applied either to additions, betterments, extensions, or improvements to the Water System or if the City elects not to apply such Net Proceeds to such capital items or if such Net Proceeds are not fully expended for such purposes, such Net Proceeds not required by the City for such purposes shall be deposited in the Revenue Fund and applied to the payment of the 2010 Installment Payments and Debt Service on outstanding Contracts and City Bonds.

If all or any part of the Water System will be taken by eminent domain proceedings, the Net Proceeds thereof will be applied either to additions, betterments, extensions, or improvements to the Water System or if the City elects not to apply such Net Proceeds to such capital items or if such Net Proceeds are not fully expended for such purposes, such Net Proceeds not required by the City for such purposes are required to be used to pay 2010 Installment Payments.

Limitations on Remedies

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the 2010A Bonds, the 2010B Bonds, the 2010A Indenture, the 2010B Indenture, and the 2010 Installment Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinions of Bond Counsel (the forms of which are attached as Appendix D), will be similarly qualified.

RISK FACTORS

Investment in the 2010A Bonds or the 2010B 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 2010A Bonds or the 2010B Bonds, as applicable, 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 of each series are payable solely from (i) the 2010 Installment Payments, which are payable from the Net Water System Revenues, and (ii) amounts held in certain funds and accounts

established under the 2010A Indenture or the 2010B Indenture, as applicable. Consequently, the payment of principal of and interest on the Bonds of each series will be dependent upon the availability and sufficiency of such Net Water System Revenues. Neither the faith and credit of the Authority, the City, the State, or any political subdivision of the State nor the taxing power of the City, the State, or any political subdivision of the State is pledged to the payment of the Bonds. The Authority has no taxing power. The obligation of the City to make 2010 Installment Payments under the 2010 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 Bonds nor the 2010 Installment Payments constitute a debt or indebtedness of the Authority, the City, 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 Water 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 water 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 the 2010 Installment Payments, which could in turn adversely impact the Authority's ability to make payments of the principal of or interest on the Bonds of each series.

Increased Regulations

The adoption by federal or State agencies of more stringent regulations could adversely affect Net Water System Revenues. A significant change in standards for water storage and delivery 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 2010 Installment Payments due under the 2010 Installment Purchase Agreement, which would in turn adversely impact the Authority's ability to pay the principal of and interest on the Bonds of each series 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 or increases in expenses, such as the cost of energy or chemicals, could reduce Net Water System Revenues, which could in turn require substantial increases in rates or charges in order to comply with the rate covenant in the 2010 Installment Purchase Agreement. The City's ability to make its required 2010 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. See "MANAGEMENT OF THE WATER SYSTEM."

Acts of Nature; Disasters

The cost to provide water service to the City's customers depends, in large part, on the supply of water. There are numerous acts of nature or disasters that may adversely affect both the supply of water available to the City and the cost of that water. Droughts are the most obvious example of an act of nature that could greatly increase the costs of supplying water to the City's customers. Storms, fires, and environmental disasters are also examples of events that could impact the supply and cost of water, which could reduce Net Water System Revenues, which could in turn require substantial increases in rates or charges in order to comply with the rate covenant in the 2010 Installment Purchase Agreement. The City's ability to make its required 2010 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. See “THE WATER SYSTEM – Water Supply.”

Seismic Activity; Flood Plain; Limited Insurance

The 2010 Installment Purchase Agreement does not require the City to maintain earthquake or flood insurance on the Water 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 Water 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 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 Water System or portions of it. In such a case, under certain circumstances, the Net Water System Revenues could possibly be reduced or eliminated if the City was unable to provide water services to its customers, or if large amounts of Water System Revenues were required to be applied to make extensive repairs to the Water System. Such a reduction or elimination of Net Water System Revenues could impair the ability of the City to make 2010 Installment Payments, which in turn would impair the ability of the Authority to make payments of principal of and interest on the Bonds of each series when due.

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

Some of the components of the Water 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.

A Santa Clara River flood insurance study prepared by FEMA (the “Santa Clara River Study”) has reevaluated stormwater flows within the Santa Clara River. The Santa Clara River Study replaces the previous study performed prior to implementation of the 1985 Flood Insurance Rate Map (“Flood Insurance Rate Map”). Both the calculated base flood peak flow and the physical characteristics of the river have changed since the previous study. The updated maps will potentially place numerous properties in the Cities of Oxnard, Fillmore, and Santa Paula, as well as areas of unincorporated Ventura County, within areas of special flood hazard. The City and the County, through its Watershed Protection District, have been actively engaged in discussions with FEMA staff regarding the proposed changes.

No final document has been released by FEMA concerning the inclusion of properties within the Flood Insurance Rate Map. If the Flood Insurance Rate Map is modified by FEMA, certain portions of

the Water System may be included within the boundaries of the revised map. The impact to the City's Water System has not been evaluated. The revision to the Flood Insurance Rate Map is expected to primarily affect homeowners by placing their properties in a flood zone, thus increasing the need of such homeowners to purchase flood insurance.

Additional Parity Obligations

The 2010 Installment Payments are payable from the Net Water System Revenues on an equal basis with the outstanding Parity Obligations and any other City Bonds or Contracts that may be executed or issued in the future. As the payments are made on a parity, insufficient Net Water System Revenues may cause a deficit in the ability of the City to pay the appropriate amounts due on each of the 2010 Installment Payments and outstanding Parity Obligations and any other City Bonds or Contracts that may be issued or executed in the future. In the event of such a deficit, the City is obligated to transfer moneys in the Revenue Fund to fund its payment obligations on a *pro rata* basis, without discrimination or preference. No priority is allotted to the 2010 Installment Payments and, consequently, in the event of such a deficit, the City would not have sufficient Net Water System Revenues to pay the 2010 Installment Payments in full and the Authority may have to make draws on the Reserve Funds established under the 2010A Indenture and the 2010B Indenture.

Limited Recourse on Default

If the City defaults on its obligation to make 2010 Installment Payments, the Trustee, as assignee of the Authority, has the right to accelerate the total unpaid principal amount of the 2010 Installment Payments. However, in the event of a default and such acceleration, there can be no assurance that the City will have sufficient Net Water System Revenues to pay the accelerated 2010 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 of each series 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 of each series 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 of either series, and from time to time there may be no market for such Bonds, 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 WATER SYSTEM REVENUES AND EXPENDITURES” for a discussion of these limitations.

Loss of Tax Exemption on 2010A Bonds

As discussed under the caption “TAX MATTERS,” interest on the 2010A Bonds could become included in gross income for purposes of federal income taxation, retroactive to the date the 2010A 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 2010A Indenture and the 2010 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 WATER SYSTEM REVENUES AND EXPENDITURES

California Constitution Article XIII B – Limitations on Appropriations

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

Appropriations of an entity of local government subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance, and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle

weight fees above January 1, 1990 levels. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues, and (iii) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amount permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

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 water service 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 2010 Installment Purchase Agreement that it will, in each year, prescribe rates and charges sufficient to provide for payments of the 2010 Installment Payments, the outstanding Parity Obligations, and any additional City Bonds or Contracts that are issued by the City 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 2010 Installment Purchase Agreement, and/or the Authority’s ability to pay principal of or interest on the Bonds of each series. In such event, there can be no assurance that remedies will be available to fully protect the interests of the holders of any of the Bonds. See “RISK FACTORS – Limitations on Available Remedies.”

Article XIII D contains several new provisions affecting the ability of local governments to impose or increase “fees” and “charges,” defined for purposes of Article XIII D 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 XIII D 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 Water System is a fee or charge as a condition of property development within the meaning of Article XIII D, 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 water service charges are not property related fees or charges within the meaning of Article XIII D, the City further believes that its water 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 XIII D 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 water service charge, will be prevented by such a majority protest.

Moreover, Article XIID 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 XIID), 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 water service charges are charges for water service within the meaning of Article XIID, although no assurance can be given that a court would not determine otherwise.

Article XIID states that, beginning July 1, 1997, all “fees” or “charges” must comply with its provisions. It is unclear how the provisions of Article XIID 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 water-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 XIID (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 2010 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 2010 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 XIII B, XIII C, and XIII D 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 Water 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, 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>
Dr. Thomas E. Holden	Chairman
Andres Herrera	Vice Chairman
Dean Maulhardt	Board Member
Dr. Irene G. Pinkard	Board Member
Bryan A. MacDonald	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 Chief Financial Officer 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 of the Authority are listed below:

<u>Name</u>	<u>Position</u>
James Cameron	Controller
Michael More	Assistant Controller
Alan Holmberg	General Counsel
Daniel Martinez	Secretary

Neither the Authority nor its Board members have any obligations or liability to the owners of the Bonds with respect to the payment of 2010 Installment Payments by the City under the 2010 Installment Purchase Agreement, or with respect to the performance of the City of other covenants made by it in the 2010 Installment Purchase Agreement.

MANAGEMENT OF THE WATER SYSTEM

General

The City's water system is operated by the Water Section of the City's Water Resources Division (the "Water Section"), a unit of the Utility Services Branch of the City's Public Works Department. The Water Section employs a staff of 51 full time equivalent employees. The Utility Services Branch's management team consists of a Utility Services Manager (acting in the capacity of Assistant Public Works Director), a Water Resources Manager, a Water Programs Manager, and two Chief Operators. The Utility Services Manager is responsible for the overall management of the Water Section, as well as the wastewater section of the City's Water Resources Division, and focuses primarily on long-range water resource planning issues. The Water Resources Manager reports directly to the Utility Services Manager. The Water Resources Manager and the Water Programs Manager assist the Utility Services Manager in the day-to-day management and administration of the Water Section. The Chief Operators are responsible for operations and management services relating to the Water System. The Water Section, like the Public Works Department, operates under the direction of the City Manager with financial oversight provided by the City's Chief Financial Officer.

The City has taken proactive steps to responsibly meet its increasing water resource obligations and to improve the financial condition of the water enterprise. Earlier this decade, the water enterprise experienced increasing expenses that were not being offset by increasing revenues. The charges, fees, and rate structure in effect prior to Fiscal Year 2003-04 did not generate sufficient revenues to offset expenditures and fund required capital infrastructure reinvestment. Such revenue shortfall coincided with the Fox Canyon Groundwater Management Agency ("FCGMA") groundwater allocation cutbacks and the decision by the City to curtail imported water deliveries due to rising wholesale water purchase costs. In January 2003, the Water Section addressed these issues by updating the Water System Master Plan, conducting a comprehensive Water Rate Study, and adjusting user charges, fees, and rates. Consequently, the water enterprise has consistently met or exceeded its rate covenants since Fiscal Year 2002-03. See "THE WATER SYSTEM – Water Supply."

Water System Master Plan

In 2003, the City completed an analysis of its current water infrastructure system in order to identify any deficiencies that would impair the City's ability to provide water services in the future and to address future demand. In that regard, the City conducted a comprehensive review of the City's existing and projected supplies and demands and capital and operational improvements that would be necessary to serve the City's needs until 2020 (the "Water System Master Plan"). The Water System Master Plan was developed by Kennedy/Jenks Consultants, Ventura, California. An update of the Water System Master Plan is presently underway and is expected to be completed in late 2010.

Water Rate Study

In 2003, the City completed a study of the water rates and cost of water service (the "Water Rate Study"), which resulted in a complete restructuring of water rates. The Water Rate Study was conducted by Kennedy/Jenks Consultants, Ventura, California, to determine appropriate rates, rate levels, and rate structures for the City's water utility operations in order to enable the City to continue to meet its water utility operation obligations on a financially sound basis. The Water Rate Study included analysis to determine revenue and funding requirements, which included projections of operating revenues, operating expenses, capital expenditures, and a five-year projection of the anticipated capital improvement expenditures and each project's funding source. On December 17, 2002, the City Council of the City adopted Ordinance No. 2617, implementing revisions to the rates and charges imposed on current City

water customers, as recommended in the Water Rate Study. The adopted rates include an inverted tiered-block rate structure to account for demand characteristics and costs imposed on the Water System, thereby encouraging conservation and generating sufficient revenue to recover the actual cost of providing service within each customer class.

In June 2007, an update to the Water Rate Study was initiated by Black & Veatch. Based on initial review, rate increases for the water enterprise in the amount of 3% per year were approved by the City Council for both Fiscal Year 2007-08 and Fiscal Year 2008-09. Such rate increases were in addition to any increase in rates resulting from increased costs charged by the City's wholesale suppliers of water, which are charged as an administrative pass-through to the City's retail customers.

In 2009, the City completed the update of the Water Rate Study (the "Updated Water Rate Study"), which recommended further rate increases to accommodate future capital needs, including construction of the City's GREAT Program facilities. The Updated Water Rate Study recommended rate increases of 1.5% and 2% in Fiscal Years 2009-10 and 2010-11, respectively.

On November 4, 2009, the City Council adopted Ordinance No. 2819, which established increased water rates as recommended in the Updated Water Rate Study. The increases in water rates for Fiscal Years 2009-10 and 2010-11 total 1.5% and 2%, respectively.

THE 2010 PROJECT

The City is purchasing the 2010 Project from the Authority with the 2010 Installment Payments pursuant to the 2010 Installment Purchase Agreement. The components of the Water System's GREAT Program comprising the 2010 Project consist generally of the Advanced Water Purification Facility (the "AWPF") and the Recycled Water Backbone System (the "RWB"), together with appurtenances and appurtenant work related thereto, each component of which is described in detail below. The facilities comprising the 2010 Project are subject to substitution in the manner set forth in the 2010 Installment Purchase Agreement. See "APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – 2010 Installment Purchase Agreement."

Advanced Water Purification Facility

The AWPF will treat secondary treated wastewater from the City's Wastewater Treatment Plant to produce approximately 6.25 million gallons per day of high-quality purified water. Ultimately, the City intends to expand the AWPF to produce up to 25 million gallons of recycled water per day. Such recycled water will conform to California Department of Public Health "Title 22" Recycled Water criteria for groundwater recharge. By treating all recycled water to the most stringent criteria (i.e., the groundwater recharge criteria), the City has the flexibility to deliver recycled water for (1) irrigation of landscape and edible food crops to reduce agricultural pumping of the local aquifers, and (2) direct injection into the groundwater basin to relieve overdrafted aquifers and serve as a barrier to seawater intrusion. Both in-lieu water supply alternatives generate groundwater conservation credits that the City will use at its recently completed Brackish Water Desalter Facility in order to reduce increases in imported State Water Project water from Northern California. The AWPF will in essence produce a new local water source, since the secondary treated wastewater that the AWPF will treat is currently discharged to the Pacific Ocean. The City expects to begin construction on the AWPF in early 2010 after awarding a bid for construction in December 2009, with final completion of the AWPF expected to occur in March 2012.

Recycled Water Backbone System

The RWB will convey the purified water produced by the AWPf to existing and new landscape irrigation customers, existing and new industrial customers, and potential groundwater recharge sites within the City limits. The City plans to design and construct the RWB in phases, beginning at the AWPf site. The RWB is expected to be operational and ready to receive purified water by the time the AWPf is constructed and operational.

Appurtenances and Appurtenant Work

The 2010 Project will include appurtenances and appurtenant work related to the 2010 Project components described above, including, but not limited to, aquifer storage and recovery wells, customer retrofits, operational permit studies and reports, street resurfacing, and right-of-way acquisition.

2010 Project Implementation

The following is a summary of the implementation schedule for the 2010 Project, including key milestones:

Table 4
Implementation Schedule for
2010 Project

Action	Date Completed/ To Be Completed
Environmental Planning	April 2004
Preliminary Design of AWPf	September 2006
Obtain Title 22 Permit to Discharge	February 2009
Final Design of AWPf	June 2009
Plan for Financing	August 2009
Final Design of Backbone Pipeline	November 2009
Award AWPf Construction Contract	December 2009
Award Backbone Pipeline construction contract(s)	February 2010
Completion of Backbone Pipeline Construction	July 2011
Substantial Completion of AWPf (Recycled Water in Production)	September 2011
Final Completion of AWPf	March 2012

Source: City.

Since the inception of the GREAT Program, the City has financed and completed several studies and reports as part of its planning and regulatory requirements. The following table summarizes the status of such studies and reports:

Table 5
Status of Studies and Reports for
GREAT Program

Study or Report	Preparer	Completion Date
Recycled Water Master Plan – Phase 1	Kennedy/Jenks Consultants	January 2009
Recycled Water Backbone System Preliminary Design Report	Black and Veatch	July 2008
Title 22 Report	CH2M HILL	March 2008
Title XVI Report	CH2M HILL	February 2008
Oxnard Recycled Water Facilities Plan	Kennedy/Jenks Consultants	January 2007
AWPF Preliminary Design Report	CH2M HILL	September 2006
AWPF Project Definition Report	CH2M HILL	April 2006
2005 Urban Water Management Plan	Kennedy/Jenks Consultants	January 2006
Decision Science Model and Selection of Treatment Process	CH2M HILL	June 2005
Program Environmental Impact Report (SCH #2003011045)	CH2M HILL	February 2004
GREAT Program Advanced Planning Study	Kennedy/Jenks Consultants	June 2002

Source: City.

Several GREAT Program projects were identified during planning. The projects were subsequently divided into phases of the GREAT Program. The following table lists the phase one projects of the GREAT Program and the implementation status of each such project:

Table 6
Status of Phase One Projects of
GREAT Program

Project Component	Status
Blending Station Number 5	Construction Complete (May 2007)
Desalter at Blending Station No. 1	Construction Complete (November 2008)
AWPF	<ul style="list-style-type: none"> • Design Complete (May 2009) • Recycled Water Production (September 2011, estimated) • Construction Complete (March 2012, estimated)
RWB	<ul style="list-style-type: none"> • Design Complete (November 2009) • Construction Complete (July 2011, estimated)

Source: City.

Additional Funding for 2010 Project

The City has been awarded a total of \$20,000,000 in federal economic recovery funding under ARRA (the “ARRA Funds”) to be applied toward the design, planning, and construction of the GREAT Program, including the 2010 Project. Such funding is part of a \$1 billion investment of ARRA funds provided by the United States Department of the Interior for water projects across the western United States. The ARRA Funds, together with the proceeds from the sale of the Bonds, are expected to be sufficient to finance the costs of the 2010 Project.

THE WATER SYSTEM

Water Supply

To supply water to its residents, the City blends water from three different sources: imported surface water from the Calleguas Municipal Water District (“CMWD”), groundwater from the United Water Conservation District (“UWCD”), and groundwater from its own wells, each of which is described below:

Calleguas Municipal Water District. CMWD is a member of the Metropolitan Water District of Southern California, from which it purchases State Project Water. CMWD wholesales water directly to various cities throughout Ventura County including the City.

United Water Conservation District. UWCD diverts water from the Santa Clara River into the El Rio Spreading Grounds, recharging the groundwater aquifers. This groundwater is then pumped from several of UWCD’s own active wells. The El Rio Pumping Station provides pressurized groundwater directly to the City via the Oxnard-Hueneme Pipeline.

Local Wells. The City operates three active groundwater wells. Local water is disinfected with chloramine before the water enters the distribution system. Each water well produces approximately 3,000 gallons per minute, is between 250-400 horsepower, and is between 15-25 years old. All three of the City’s water wells recently underwent both chemical and mechanical treatment and redevelopment, and are estimated to have an additional 30-40 years of life expectancy.

Each of the water sources varies in price and quality, with groundwater from the City wells and UWCD generally being lower in cost and quality than the imported surface water from CMWD. To strike a balance between cost and quality, the City blends groundwater (from either its own wells or from UWCD) with imported surface water on a one-to-one basis. This blended water meets all federal and state drinking water requirements.

The FCGMA manages groundwater extractions in the Oxnard Plain. The FCGMA was created in 1982 at the direction of the State Water Resources Control Board to address ongoing overdraft and seawater intrusion into the Oxnard Plain Basin. The purpose of the FCGMA is to manage the region’s groundwater supply by protecting the quantity and quality of local groundwater resources and by balancing the supply and demand for groundwater resources.

In order to eliminate groundwater overdraft and bring extractions within safe yields by 2010, the FCGMA adopted Ordinance No. 5 in 1990. Ordinance No. 5 established baseline allocations and a schedule of pumping allocation reductions. The baseline pumping allocation is based on historical extractions during the 5-year period from 1985 to 1989. A series of five percent (5%) reductions to baseline pumping allocations are scheduled every five years until a twenty-five percent (25%) reduction is achieved in the year 2010. To date, reductions of fifteen percent (15%) from 1985 to 1989 pumping levels have been implemented and two additional five percent (5%) reductions are scheduled in 2007 and 2010. These reductions were incorporated into the Water System Master Plan.

Extractions beyond the current pumping allocation (with reductions) are subject to a penalty fee, which is based on the cost to import water and the current groundwater conditions within the FCGMA. If pumpers utilize less than their pumping allocation, conservation credits are accrued. Similarly, if “foreign water” is recharged into the aquifer, storage credits are accrued. Credits can be utilized at a later date or can be transferred to other parties with the approval of FCGMA. The Water Section has accrued water

conservation credits during those years when water demands were lower and imported water deliveries exceeded local water production. The use of the water conservation credits over recent years has enabled the City to stabilize its water rates and charges instead of paying the FCGMA penalty. However, the one-time use of accrued water conservation credits has accelerated the depletion of the City's water conservation credit balance. This limits the ability of the Water Section to plan for emergency water supply contingencies and further reduces operational flexibility.

The following table sets forth the projected sources of supply of and demand for water, assuming that the GREAT Program is fully implemented, that water is purchased from CMWD at Tier 1 Rates only, and that the City does not extract groundwater in excess of its FCGMA-imposed allocation.

Table 7
City of Oxnard Water System
Projected Sources of Supply and Demand
(Acre-Feet)

	<u>2010</u>	<u>2015</u>	<u>2020</u>	<u>2025</u>
<i>Supply</i>				
CMWD Allocation ⁽¹⁾	12,500	12,500	12,500	12,500
Groundwater-City Wells ⁽²⁾	8,400	8,400	8,400	8,400
UWCD Surface Water Allocation ⁽³⁾	6,800	6,800	6,800	6,800
UWCD M&I Supplemental	5,200	3,000	1,000	1,000
UWCD Ferro Pit Allocation	5,500	1,000		
FCGMA Groundwater Credits Banked	400			
Miscellaneous Groundwater Allocation Transfers		1,800	3,200	3,500
Less: Brine Loss	<u>(2,100)</u>	<u>(4,200)</u>	<u>(6,300)</u>	<u>(8,400)</u>
<i>Total Supply</i>	36,700	29,300	25,600	23,800
<i>Projected Demand</i>	36,700	38,800	40,900	39,900
<i>Surplus (Deficit)</i>	0	(9,500)	(15,300)	(16,100)
GREAT Program Recycled Water	<u>0</u>	<u>14,000</u>	<u>21,000</u>	<u>21,000</u>
<i>Surplus (Deficit)</i>	0	4,500	5,700	4,900

⁽¹⁾ The maximum City entitlement of CMWD water is 13,400 (17,379 AFY, minus implementation of 23% reduction), which entitlement includes sub-allocations for Procter & Gamble Paper Production (2,800 AFY) and the Port Hueneme Water Agency (3,262 AFY).

⁽²⁾ The maximum City allocation is 8,400 AFY, which includes the existing cutbacks (FCGMA, up to 25%) and no anticipated future cutbacks in the City's allocation.

⁽³⁾ Assumes the most conservative availability of the City's allocation from UWCD, which includes a total of 6,800 AFY for the City and the Ocean View Municipal Water District.

Note: This table indicates an analysis through the year 2025; however the Bonds do not mature until 2040.

Source: City.

Key Elements of the GREAT Program

Tertiary Treatment at the Advanced Water Purification Facility. This is the first step in producing recycled water that could be used for irrigation purposes. Currently, secondary treated wastewater from the Oxnard Wastewater Treatment Plant is discharged to the Pacific Ocean without beneficial reuse. The design work for the Tertiary Treatment at the Advanced Water Purification Facility is expected to be funded by the proceeds of the Bonds.

Advanced Treatment. Although tertiary treatment is generally sufficient for water recycling in most cases, Oxnard's situation is somewhat unusual. Due to its coastal location and industrial discharges to the sanitary sewer system, the wastewater is relatively high in salts. Advanced treatment of the tertiary treated water to remove salts, creating a purified water, will allow it to be used without harming the irrigated crops or landscaping.

Recycled Water Distribution Backbone System. The purified water produced by the Advanced Water Purification Facility can be used for agricultural irrigation purposes. An ongoing study has identified users of the UWCD's Pumping-Trough-Pipeline as prime candidates for recycled water. Other potential users include agricultural customers along Hueneme Road. Distributed recycled water will generate groundwater credits that the City could use for potable water production. Alternately, the purified water can be used for landscape irrigation and industrial processes. The Recycled Water Backbone Study (Kennedy/Jenks Consultants, October 2005) has identified several potential existing and new customers who could use the high-quality purified water in lieu of potable water. This will potentially reduce existing and future demands on the potable water system. Proceeds from the Bonds are expected to fund the design of distribution systems to serve potential recycled water customers.

Groundwater Injection System. One of the issues with recycled water is that its demand is highly seasonal. During the wet months, when the demand for recycled water is low, advanced treated recycled water could be injected into the ground to address seawater intrusion concerns. The injection of recycled water into the ground introduces a new supply of water, resulting in groundwater credits for the City's use through FCGMA.

Groundwater Desalter. The groundwater credits resulting from water recycling and groundwater injection could be extracted by UWCD at their El Rio Facility or at City-owned extraction facilities, which would then be treated at a groundwater desalter. Proceeds from the Bonds are expected to fund the construction of the Blending Station No. 1 Desalter and the Blending Station No. 3 Desalter.

Concentrate Collection System. Both the Advanced Water Purification Facility and Groundwater Desalter generate brines that would prove detrimental to recycled water quality if they were introduced into the City's sanitary sewers. A separate collection pipeline will be used to isolate the brine from the sanitary sewage. Depending upon the routing of the pipeline, it could also collect industrial brines from private sources. By isolating these brines, the amount of required treatment at the advanced treatment facility will be decreased.

Wetlands Restoration/Development. The collected brines are an acceptable water source to develop or restore coastal wetlands in the Ormond Beach area. Habitat in this area would benefit a number of sensitive or endangered species.

Service Area and Customers

As of June 30, 2009, there were 40,206 water accounts serving a population of approximately 197,067 within the City and a small unincorporated portion of the County. Since Fiscal Year 2007-08,

the number of accounts has increased by approximately 1.71%, and since Fiscal Year 2004-05, the number of accounts has increased by approximately 7.86%. Approximately 86% of the consumer base for water service is comprised of residential consumers, while the balance is comprised of commercial and industrial consumers.

Historic Water Usage

The City records the volume of water delivered by its distribution system to users in the City. The following table summarizes water deliveries to users in the City for the previous eight Fiscal Years.

Table 8
City of Oxnard Water System
Historic Water Usage
(Acre-Feet)

Fiscal Year Ended June 30	City Groundwater	UWCD Groundwater	Imported Water ⁽¹⁾	Total Water Usage
2002	8,663.43	5,638.55	12,604.34	26,906.32
2003	4,666.69	9,315.02	12,764.80	26,746.51
2004	10,740.72	5,894.45	9,103.85	25,739.02
2005	12,488.38	2,507.09	14,349.95	29,345.42
2006	13,504.39	4,523.50	11,052.47	29,080.36
2007	7,811.98	10,347.06	13,005.71	31,164.75
2008	1,368.14	13,504.01	14,985.35	29,857.50
2009	7,435.00	12,113.00	12,498.00	32,046.00

⁽¹⁾ From CMWD.
Source: City.

Projected Water Usage

The following table lists the City's estimated water deliveries for the current and the next six Fiscal Years.

Table 9
City of Oxnard Water System
Projected Water Usage
(Acre-Feet)

Fiscal Year Ending June 30	Groundwater Produced by City Wells	Groundwater Produced by City Credits	Regional Water Purchase	Imported Water Purchase	UWCD Ferro Pit Allocations	UWCD M&I Supplemental	AWPF	Less: Brine Loss	Total Projected Water Usage
2010	8,400	400	6,800	12,500	5,500	5,200	--	(2,100)	36,700
2011	8,400	6,200	6,800	12,500	5,500	--	--	(2,100)	37,300
2012	8,400	5,700	6,800	12,500	1,000	3,000	2,500	(2,100)	37,800
2013	8,400	8,300	6,800	12,500	1,000	3,000	2,700	(4,200)	38,500
2014	8,400	8,500	6,800	12,500	1,000	3,000	2,700	(4,200)	38,700
2015	8,400	--	6,800	12,500	1,000	300	14,000	(4,200)	38,800

Source: City of Oxnard Water Supply Strategies 2006-2016, Updated December 2009.

Ten Largest Users

The following table lists the City's ten largest users of the Water System. Together, these ten entities accounted for approximately 10.09% of Water System Revenues in Fiscal Year ended June 30, 2009.

Table 10
City of Oxnard Water System
Ten Largest Users
(as of June 30, 2009)

User	Type of Business	Revenue	Percentage of Annual Revenue
Procter & Gamble Paper Production	Manufacturer	\$1,934,147	5.55%
International Paper	Manufacturer	556,590	1.60
Gills Onion	Food Processor	251,474	0.72
Coastal Green Vegetable	Agriculture	209,802	0.60
RRI Energy Ormond Beach	Utility	181,260	0.52
Puretec	Industrial Water Company	125,496	0.36
Oxnard College	College	95,461	0.27
St. John's Regional Medical Center	Hospital	88,733	0.25
Southland Sod Farms	Agriculture	38,831	0.11
Hiji Brothers	Agriculture	35,360	0.10
Totals		\$3,517,154	10.09%

Source: City.

Rates and Charges

The City has the power to establish rates and charges as needed to operate the Water System. Charges are established by the City Council and are not subject to review or approval by any other agency. As revenue sources to operate the Water System, the City principally relies on (i) water user charges and (ii) connection charges.

User Charges. Prior to December 2002, increases in operating and non-operating expenses were not being offset by water user charges. In December 2002, the City adopted a Water Rate Study, prepared by Kennedy/Jenks Consultants, Ventura, California, which revised the fixed and variable user charges for water service to provide the City with sufficient income to cover its projected expenditures. An inverted block rate structure was implemented to increase water sales revenues, which had been declining in recent years. The rate increase recommended in the Water Rate Study took effect January 1, 2003. Since that date, the City has implemented several additional rate increases (July 1, 2003, January 1, 2004, July 1, 2004, January 1, 2005, July 1, 2005, and January 1, 2006), passing through increased costs from CMWD and UWCD. The City Council also approved Ordinance No. 2490, which allows "pass through" rate increases to be implemented without further City Council action.

The current fixed user charges, classified by meter size and customer type, are described in following table:

Table 11
City of Oxnard Water System
Monthly Water Service Charges

<u>Meter Size</u>	<u>Single Family</u>	<u>Multifamily</u>	<u>Commercial and Industrial</u>
3/4 "	\$ 11.59	\$ 9.89	\$ 7.99
1"	18.27	15.58	12.29
1 1/2 "	33.81	28.40	22.17
2"	56.39	44.01	34.46
3"	115.15	98.87	73.71
4"	195.45	160.70	126.05
6"	405.50	336.20	258.01
8"	582.49	483.03	376.39
10"	937.61	777.31	596.79

Source: City.

The following table summarizes the variable water rates charged by the Water System for the different categories of water users using the inverted block rate structure.

Table 12
City of Oxnard Water System
Monthly Commodity Rates ⁽¹⁾

<u>Water Usage (Hundred Cubic Feet)</u>	<u>Single Family</u>	<u>Multifamily</u>	<u>Commercial and Industrial</u>
0 to 6	\$2.070		
7 to 12	2.300		
Over 12	3.220		
0 to 17		\$1.700	
17 to 32		1.880	
Over 32		2.810	
0 to 13			\$1.700
13 to 23			1.880
Over 23			2.810

(1) Rates adopted November 3, 2009, pursuant Ordinance No. 2819.

Source: City.

Procter & Gamble. The Water Rate Study also made a recommendation to provide a separate contractual agreement for water service with the City's largest user, Procter & Gamble Paper Products Company ("P&G"). P&G is served with unblended imported potable water, the only customer of the City in this category. On December 20, 2002, P&G and the City entered into a Water Service Agreement that established the P&G annual charge for calendar year 2003 as \$1,546,061, to be billed and paid in twelve equal monthly payments. One component of the annual charge is the "fixed utility charge," which is intended to reimburse the City for direct and indirect costs attributable to providing water service to the P&G facility that are incurred by the City. The original "fixed utility charge" in the Water Service Agreement was \$196,246. The Water Service Agreement allows for an adjustment to be made to the "fixed utility charge" every three years. To date, however, the "fixed utility charge" has not been revised. The annual charge to P&G for Fiscal Year 2009 was \$1,934,146.50. The Water Service Agreement provides for an annual "true-up" to reconcile the annual charge to P&G in comparison to the actual imported water usage.

Connection Charges. The Water Rate Study also evaluated the fees and charges associated with connecting new users to the City's Water System. The previous connection fee had been in place since 1991 and did not adequately provide the funding needed for capital improvements and expansions to the Water System. The Water Rate Study included a recommendation for the implementation of a "Capital Facility Charge" and a "Water Resource Development Fee" to fund new water supply projects to accommodate future growth. Effective January 1, 2003, the Capital Facility Charge is \$341 per meter equivalent and the Water Resource Development Fee is \$2,792 per meter equivalent. These fees, which are excluded from the definition of Water System Revenues, are paid as set forth in the following table.

Table 13
City of Oxnard Water System
Connection Fee Equivalency Factor, Charges and Fees

Meter Size	Equivalency Factor	Capital Facility Charge	Water Resource Development Fee	Total
3/4"	1	\$ 341	\$ 2,792	\$ 3,133
1"	2	682	5,583	6,265
1 1/2"	3	1,023	8,375	9,398
2"	5	1,706	13,958	15,664
3"	11	3,752	30,708	34,460
4"	17	5,799	47,458	53,257
6"	33	11,257	92,125	103,382
8"	53	18,080	147,958	166,038
10"	113	38,548	315,457	354,005
12"	180	61,404	502,498	563,902
Over 12"		to be calculated by Public Works Director		

Source: City.

Comparative Water Rates

Set forth below is a schedule of comparative monthly water rates for typical residential customers in the City and surrounding areas.

Table 14
City of Oxnard Water System
Comparative Monthly Rates for
Typical Residential Customers

Service Area	Monthly 1/4" Meter Charge (\$/month)	Average Commodity Rate ⁽¹⁾ (\$/hcf ⁽²⁾)	Typical Bill ⁽³⁾
City of Fillmore	\$25.18	\$0.42	\$30.22
City of Ventura	7.52	2.02	31.76
City of Camarillo	14.38	1.51	32.48
City of Oxnard	11.76	2.22	38.37
City of Thousand Oaks	10.06	2.73	42.82
City of Santa Paula	26.76	1.76	47.88
City of Port Hueneme	0.00	4.12	49.48
City of Ojai	29.20	2.49	59.10
City of Simi Valley	31.79	2.40	60.59

(1) Average of all block rates.

(2) "hcf" = hundred cubic feet.

(3) Based on usage of 12 hcf.

Source: City.

Billing and Collection Procedures and Delinquencies

Customers are billed on a monthly basis for approximately 30 day periods. Bills are due upon presentation and are considered delinquent after 21 days. If the amount due is unpaid after 30 days, a late charge of 10% of the current charges is assessed. When late charges are assessed, a late notice is mailed to the customer stating the date their service will be terminated if the account is not brought current. The customer is allowed 14 days after the notice is mailed to pay, or service will be terminated. Two working days prior to termination of service, a notice of closure is delivered to the service address and a notice fee of \$11.00 is charged to the account. If the customer still does not pay, service is terminated and a turn-off fee of \$64.00 is charged to the account. The customer must pay outstanding fees and charges before water service is restored.

Financial Information

Financial Statements. A copy of the most recent audited financial statements (the “Financial Statements”) of the City, including information on the Water System, prepared by the City’s Finance Department and audited by a certified public accountant firm (the “Auditor”) is included as Appendix C hereto. The Auditor’s letter concludes that the Financial Statements present fairly, in all material respects, the financial position of the City as of June 30, 2009, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles. The Financial Statements should be read in their entirety with particular emphasis on those pages dealing with the City’s enterprise funds. The Auditor has not reviewed or audited this Official Statement.

The summary operating results contained under “Historic Operating Results and Debt Service Coverage” are derived from the Financial Statements (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto. The Auditor has not reviewed or audited the summary operating results or any other portion of this Official Statement.

Historic Operating Results and Debt Service Coverage. The two tables below present a summary of operating results of the Water System for the Fiscal Years ending June 30, 2005, through June 30, 2009. The tables have not been reviewed or audited by the City’s Auditor.

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Table 15
City of Oxnard Water System
Combined Statement of Revenues, Expenses
and Changes in Fund Net Assets
(Fiscal Year Ended June 30)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<i>Operating Revenues</i>					
Charges for Services	\$34,334,436	\$31,959,989	\$32,936,665	\$33,449,586	\$36,797,364
Connection Fees ⁽¹⁾	0	0	3,665,610	1,897,437	1,205,329
Miscellaneous and Reimbursements	<u>0</u>	<u>0</u>	<u>48,068</u>	<u>31,924</u>	<u>475,061</u>
<i>Total Operating Revenues</i>	<u>\$34,334,436</u>	<u>\$31,959,989</u>	<u>\$36,650,343</u>	<u>\$35,378,947</u>	<u>\$38,477,754</u>
<i>Operating Expenses</i>					
Salaries and Wages	3,663,499	3,764,383	4,210,571	4,499,030	4,588,162
Contractual Services	1,006,809	1,549,337	1,284,374	1,547,279	2,015,756
Operating Supplies	9,983,299	12,988,700	13,553,448	16,872,314	15,195,818
Utilities	569,530	557,932	437,612	305,832	594,897
Depreciation and Amortization	1,747,598	2,189,190	2,262,555	2,608,763	2,491,740
General and Administrative	2,843,649	2,726,621	2,915,789	4,148,686	3,139,823
Repairs and Maintenance	<u>284,686</u>	<u>278,032</u>	<u>272,286</u>	<u>359,475</u>	<u>349,368</u>
<i>Total Operating Expenses</i>	<u>\$20,099,070</u>	<u>\$24,054,195</u>	<u>\$24,936,635</u>	<u>\$30,341,379</u>	<u>\$28,375,564</u>
<i>Operating Income (Loss):</i>	<i>\$14,235,366</i>	<i>\$7,905,794</i>	<i>\$11,713,708</i>	<i>\$5,037,568</i>	<i>\$10,102,190</i>
<i>Non Operating Revenues (Expenses)</i>					
Intergovernmental	0	190,678	205,143	0	0
Interest Income	275,138	2,061,345	3,863,669	2,990,938	1,917,626
Interest Expense	<u>(2,991,172)</u>	<u>(2,746,408)</u>	<u>(6,131,927)</u>	<u>(3,271,159)</u>	<u>(1,305,104)</u>
Total Nonoperating Revenues (Expenses)	<u>(\$2,716,034)</u>	<u>(\$494,385)</u>	<u>(\$2,063,115)</u>	<u>(\$280,221)</u>	<u>\$612,522</u>
<i>Changes in Net Assets</i>	<i>\$11,519,332</i>	<i>\$7,411,409</i>	<i>\$9,650,593</i>	<i>\$4,757,347</i>	<i>\$10,714,712</i>
<i>Total Net Assets – July 1</i>	<i>\$68,763,997</i>	<i>\$80,283,329</i>	<i>\$87,694,738</i>	<i>\$97,345,331</i>	<i>\$102,102,678</i>
<i>Total Net Assets – June 30</i>	<i>\$80,283,329</i>	<i>\$87,694,738</i>	<i>\$97,345,331</i>	<i>\$102,102,678</i>	<i>\$112,817,390</i>

(1) In Fiscal Years ending June 30, 2005, and June 30, 2006, connection fees are included in "Charges for Services."
Source: City of Oxnard Comprehensive Annual Financial Reports.

Table 16
City of Oxnard Water System
Historic Revenues, Expenses, and Debt Service Coverage
(Fiscal Year Ended June 30)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<i>Revenues</i>					
Charges for Services	\$26,281,187	\$28,766,738	\$32,936,665	\$33,449,586	\$36,797,362
Interest Income	275,138	2,061,345	3,863,669	2,990,928	1,917,626
Intergovernmental Revenue	0	0	205,143	0	0
Other Income	<u>5,396,891</u>	<u>51,646</u>	<u>48,068</u>	<u>31,924</u>	<u>475,061</u>
Total Revenues ⁽¹⁾	\$31,953,216	\$30,879,729	\$37,053,545	\$36,472,438	\$39,190,051
<i>Expenses</i>					
Total Operation and Maintenance Expenses	<u>18,351,472</u>	<u>21,865,005</u>	<u>22,674,080</u>	<u>27,732,616</u>	<u>25,883,824</u>
Net Water System Revenues	\$13,601,744	\$9,014,724	\$14,379,465	\$8,739,822	\$13,306,227
Annual Debt Service ⁽²⁾	\$3,832,330	\$3,834,430	\$6,686,344	\$6,487,715	\$7,260,115
Coverage ⁽³⁾	3.55	2.35	2.15	1.35	1.83

(1) Totals do not include connection fees.

(2) Includes debt service on 2001 Bonds, 2004 Bonds, and 2006 Bonds.

(3) Coverage is calculated by dividing Net Water System Revenues by Annual Debt Service. The debt service coverage ratios do not take into consideration the balance in the Revenue Fund, which balance is permitted to be included in debt service coverage calculations for purposes of satisfying the City's rate covenant.

Source: City.

Projected Operating Results and Debt Service Coverage

The City's estimated projected operating results for the Water System for the Fiscal Years ending June 30, 2010, through June 30, 2014, are set forth in the following table, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the City's estimate of projected financial results based upon its judgment of the probable occurrence of future events. The assumptions set forth in part in the footnotes to the chart set forth below are material in the development of the City's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

Table 17
City of Oxnard Water System
Projected Revenues, Expenses, and Debt Service Coverage
(Fiscal Year Ending June 30)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<i>Revenues</i>					
Charges for Services	\$37,250,200	\$38,526,300	\$39,967,600	\$43,625,100	\$45,329,300
Interest Income	769,300	921,300	1,267,200	1,499,100	1,598,700
Other Income	<u>2,560,000</u>	<u>2,560,000</u>	<u>2,560,000</u>	<u>2,560,000</u>	<u>2,560,000</u>
Total Revenues ⁽¹⁾	\$40,579,500	\$42,007,600	\$43,794,800	\$47,684,200	\$49,488,000
<i>Expenses</i>					
Total Operation and Maintenance Expenses	\$24,965,900	\$24,965,100	\$25,478,100	\$29,396,800	\$30,587,400
Net Water System Revenues	\$15,613,600	\$17,042,500	\$18,316,700	\$18,287,400	\$18,900,600
Annual Debt Service ^{(2) (3)}	\$7,319,402	\$7,460,805	\$10,843,157	\$12,553,240	\$12,551,490
Coverage ⁽⁴⁾	2.13	2.28	1.69	1.46	1.51

(1) Totals do not include connection fees.

(2) Includes scheduled debt service on the 2001 Bonds, the 2004 Bonds, the 2006 Bonds, and the Bonds.

(3) Debt service on Bonds includes estimated reductions in debt service from Interest Subsidy Payments, capitalized interest, and Reserve Fund earnings, which amounts are not permitted to be included in debt service coverage calculations for purposes of satisfying the City's rate covenant.

(4) Coverage is calculated by dividing Net Water System Revenues by Annual Debt Service. The debt service coverage ratios do not take into consideration the balance in the Revenue Fund, which balance is permitted to be included in debt service coverage calculations for purposes of satisfying the City's rate covenant.

Source: City.

Investment of City Funds

The Revenue Fund, into which all Water System Revenues are initially deposited, the Reserve Funds established under the 2010A Indenture and the 2010B Indenture, and all other funds held under the 2010 Installment Purchase Agreement, the 2010A Indenture, and the 2010B Indenture are required to be invested in certain Permitted Investments as provided under the 2010A Indenture, the 2010B Indenture, and the 2010 Installment Purchase Agreement. See "APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Selected Definitions" attached hereto for the definition of Permitted Investments.

All other funds held by the City are invested in accordance with the City's Investment Policy. The primary objectives of the City's Investment Policy are, in order of priority, safety of principal, liquidity and yield. These objectives are intended to assure the economic status of the City while protecting funds and obtaining the highest yield with the understanding that all investments meet specified criteria for safety and liquidity. The City's current comprehensive Investment Policy was approved by the City Council in September 2009.

All investments, including the Permitted Investments and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the 2010A Indenture, the 2010B Indenture, or the 2010 Installment Purchase Agreement, or other amounts held by the City, could have a material adverse affect

on the City's finances. See the audited financial statements of the City attached hereto as Appendix C for a description of the City's investments at June 30, 2009.

The City's Investment Policy may be changed at any time by the City Council (subject to the State law provisions relating to authorized investments) and as the California Government Code is amended. There can be no assurance, therefore, that the State law and/or the Investment Policy will not be amended in the future to allow for investments that are currently not permitted under State law or the Investment Policy or that the objectives of the City with respect to investments or its investment holdings at any point will not change.

No Prepayment from Net Proceeds

In the event of any damage to or destruction of the Water System caused by the perils covered by insurance, or in the event all or any part of the Water System is taken by eminent domain proceedings, the Net Proceeds from such damage or taking, as applicable, will be applied to the reconstruction, repair, or replacement of the damaged or destroyed portion of the Water System or, in the case of eminent domain proceedings, applied to additions, betterments, extensions, or improvements to the Water System. Neither the 2010A Indenture nor the 2010B Indenture contains any provision to prepay the principal of or interest on the Bonds of either series from Net Proceeds. In such circumstances revenue generated by the Water System could be impaired and could affect the ability of the City to make the 2010 Installment Payments. Such impairment could affect the payment of the principal of and interest on the Bonds. See the caption "SECURITY FOR THE BONDS – Insurance; Reconstruction, Repair, and Replacement."

TAX MATTERS

2010A Bonds

Bond Counsel Opinion

In the opinion of Goodwin Procter LLP, Los Angeles, California, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings, and judicial decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants and requirements, interest on the 2010A Bonds is excluded from gross income for United States federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is further of the opinion that interest on the 2010A Bonds is not a specific preference item for purposes of the United States federal individual or corporate alternative minimum taxes and is not included in adjusted current earnings in calculating corporate alternative minimum taxable income. A copy of the proposed form of opinion of Bond Counsel with respect to the 2010A Bonds is set forth in Appendix D attached hereto and will accompany the 2010A Bonds.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for United States federal income tax purposes of interest received by persons such as the owners of the 2010A Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to assure that interest on the 2010A Bonds will not be included in gross income for United States federal income tax purposes. Inaccuracy of these representations or failure to comply with those covenants may result in interest on the 2010A Bonds being included in gross income for United States federal income tax purposes, possibly from the date of issuance of the 2010A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and 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 2010A Bonds may adversely affect the tax status of interest on the 2010A Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the 2010A Bonds may affect the United States federal or State tax status of interest on the 2010A Bonds or the tax consequences of ownership of the 2010A 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 2010A Bonds from gross income for United States federal income tax purposes.

Although Bond Counsel has rendered an opinion that interest on the 2010A Bonds is excluded from gross income for United States federal and State personal income tax purposes, a U.S. holder's United States federal and State tax liability may otherwise be affected by the ownership or disposition of the 2010A Bonds. The nature and extent of such other tax consequences will depend upon the U.S. holder's particular circumstances, including other items of income or deduction. Bond Counsel has expressed no opinion regarding any such other tax consequences. Accordingly, before purchasing any of the 2010A Bonds, all potential purchasers should consult their tax advisors concerning collateral tax consequences with respect to the 2010A 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 United States federal income tax purposes. No assurances can be given as to whether or not the IRS will commence an audit of the 2010A 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 2010A 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. Bond Counsel is not obligated to defend the tax-exempt status of the 2010A Bonds. Neither the Authority nor Bond Counsel is responsible to pay or reimburse the costs of any owner with respect to any audit or litigation relating to the 2010A Bonds.

Original Issue Discount and Premium

If the 2010A Bonds' "stated redemption price at maturity" (generally the sum of all payments required under the 2010A Bonds other than payments of stated interest payable at least annually over the term of such 2010A Bonds) exceeds their issue price by more than a de minimis amount, the difference constitutes "original issue discount" or "OID" the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 2010A Bonds that is excluded from gross income for United States federal income tax purposes. OID with respect to any maturity of the 2010A Bonds accrues daily over the term to maturity of such 2010A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). Any accruing OID is added to the adjusted basis of such 2010A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2010A Bonds. U.S. holders of the 2010A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2010A Bonds with original issue discount.

In general, if the 2010A Bonds are issued for an amount greater than the stated principal amount of the 2010A Bonds, the 2010A Bonds will be considered to have “amortizable bond premium.” No deduction is allowable for the amortizable bond premium in the case of bonds, like the 2010A Bonds, the interest on which is excluded from gross income for United States federal income tax purposes. However, the amount of tax-exempt interest received, and a U.S. holder’s basis in a 2010A Bond issued with acquisition premium, would be reduced by the amount of amortizable bond premium properly allocable to such U.S. holder. U.S. holders of 2010A Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the 2010A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor, with a Form W-9 “Request for Taxpayer Identification Number and Certification,” or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2010A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect excludability of the interest on the 2010A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

2010B Bonds

The following is a summary of certain United States federal income tax considerations relating to the acquisition, ownership, and disposition of the 2010B Bonds by a U.S. holder (as defined below). Except where noted, this summary deals only with 2010B Bonds held as capital assets that are purchased in the initial offering at their “issue price,” and does not represent a detailed description of the United States federal income tax considerations applicable to a holder that is subject to special treatment under United States federal income tax laws, including: a dealer in securities or currencies; a financial institution; a regulated investment company; a real estate investment trust; a tax-exempt organization; an insurance company; a person holding 2010B Bonds as part of a hedging, integrated, conversion, or straddle transaction, or a person deemed to sell 2010B Bonds under the constructive sale provisions of the Code; a trader in securities that has elected the mark-to-market method of accounting; a person liable for alternative minimum tax; an entity that is treated as a partnership for United States federal income tax purposes; a person that is an investor in a pass-through entity; a U.S. person whose “functional currency” is not the U.S. dollar; or a U.S. expatriate. For purposes of this discussion, the issue price of a particular maturity of the 2010B Bonds is the first price at which a substantial amount of such maturity of the 2010B 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).

This summary is based upon provisions of the Code, and applicable regulations, rulings, and judicial decisions in effect as of the date hereof. Those authorities may be changed, perhaps retroactively, or may be subject to differing interpretations, so as to result in United States federal income tax consequences different from those discussed below. This summary does not address all aspects of United

States federal income tax, does not deal with all tax considerations that may be relevant to holders in light of their personal circumstances, and does not address any state, local, foreign, or gift tax considerations.

For purposes of this discussion, a “U.S. holder” is a beneficial holder of 2010B Bonds that is: an individual citizen or resident of the United States; a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia; an estate the income of which is subject to United States federal income taxation regardless of its source; a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership holds 2010B Bonds, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the 2010B Bonds, you should consult your own tax advisors.

If you are considering the purchase of 2010B Bonds, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the ownership of the 2010B Bonds in light of your own specific situation, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

Bond Counsel Opinion

The Authority has made an irrevocable election to treat the 2010B Bonds as “Build America Bonds” that entitle the issuer to certain interest subsidy payments. As a result of this election, interest on the 2010B Bonds will not be excluded from the gross income of a U.S. holder for United States federal income tax purposes. In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and judicial decisions, interest on the 2010B Bonds is not excluded from gross income for United States federal income tax purposes under Section 103 of the Code, but is exempt from State of California personal income taxes. A copy of the proposed form of opinion of Bond Counsel with respect to the 2010B Bonds is set forth in Appendix D attached hereto and will accompany the 2010B Bonds. The following discussion is a summary of certain United States federal income tax considerations relevant to a U.S. holder of 2010B Bonds.

Payment of Interest

Subject to the discussion on bond premium below, if the 2010B Bonds are not issued with more than a de minimis amount of “original issue discount” or “OID,” interest on a 2010B Bond will generally be taxable as ordinary income at the time it is paid or accrued in accordance with a U.S. holder’s usual method of accounting for tax purposes.

If the 2010B Bonds’ “stated redemption price at maturity” (generally the sum of all payments required under the 2010B Bonds other than payments of stated interest payable at least annually) exceeds their issue price by more than a de minimis amount, a U.S. holder will be required, regardless of its method of accounting, to include such excess in income as OID as it accrues in accordance with a constant-yield method based on a compounding of interest in advance of the receipt of cash attributable to that income. However, a U.S. holder of 2010B Bonds generally will not be required to include separately in income cash payments received on the 2010B Bonds to the extent of such excess (other than payments of stated interest).

In general, if the 2010B Bonds are issued for an amount greater than the stated principal amount of the 2010B Bonds, the 2010B Bonds will be considered to have “amortizable bond premium.” A U.S. holder may generally elect to amortize any such bond premium on a 2010B Bond over the term of the 2010B Bond on a constant yield method as an offset to interest when includible in income under the U.S. holder’s regular method of accounting. Bond premium on a 2010B Bond held by a U.S. holder that does not make the amortization election will decrease the gain or increase the loss otherwise recognized on the disposition of a 2010B Bond. The tax rules relating to bond premium are complex. Making an election to amortize bond premium may affect how a U.S. holder treats debt instruments other than the 2010B Bonds and an election may not be revoked without consent. A U.S. holder should consult its tax advisor regarding any available elections.

Sale, Exchange, Redemption, or Other Taxable Disposition of 2010B Bonds

A U.S. holder will generally recognize gain or loss upon the sale, exchange, redemption, or other taxable disposition of a 2010B Bond equal to the difference between the amount realized (less an amount equal to any accrued interest not previously included in income, which will be taxable as such) upon the sale, exchange, redemption, or other taxable disposition and the adjusted tax basis in the 2010B Bond. A U.S. holder’s tax basis in a 2010B Bond will generally be equal to the amount paid for the 2010B Bond. Any gain or loss recognized on a taxable disposition of the 2010B Bond will generally be capital gain or loss. If a U.S. holder is an individual and, at the time of the sale, exchange, redemption, or other taxable disposition, has held the 2010B Bond for more than one year, such capital gain will be subject to reduced rates of taxation. The ability to deduct capital losses may be limited under the Code.

Information Reporting and Backup Withholding

Information reporting requirements generally will apply to payments of interest on the 2010B Bonds and to the proceeds of a sale of 2010B Bonds unless a U.S. holder is an exempt recipient such as a corporation. Backup withholding will apply to those payments if a U.S. holder fails to provide a correct taxpayer identification number, certification of exempt status, or fails to report in full interest and dividend income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against United States federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

Risk of Audit by Internal Revenue Service

The IRS has recently announced that it intends to require all issuers of Build America Bonds to complete a questionnaire regarding their post-issuance compliance with the applicable provisions of ARRA and the Code. The IRS’s compliance-check protocol stipulates that the IRS can follow up with an audit. No assurances can be given as to whether or not the IRS will commence an audit of the 2010B 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 2010B Bonds may have no right to participate in such procedure. Any such audit will not affect such owners’ right to receive interest on the 2010B Bonds or the amount or federal tax treatment of interest payable thereon.

IRS Circular 230 Disclosure

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, ANY TAX ADVICE CONTAINED IN THIS SUMMARY (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY

ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE CODE. TAX ADVICE CONTAINED IN THIS SUMMARY (INCLUDING ANY ATTACHMENTS) IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THE SUMMARY. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

RATINGS

Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies ("S&P"), has assigned its municipal bond rating of "A+" to the 2010A Bonds and "A+" to the 2010B Bonds. There is no assurance that any such ratings will be in effect for any given period of time or that any of them will not be revised downward or withdrawn entirely by the applicable rating agency if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price of the 2010A Bonds or the 2010B Bonds, as applicable. Such ratings reflect only the views of the rating agency and an explanation of the significance of the rating may be obtained only from the rating agency furnishing the same.

CONTINUING DISCLOSURE

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 the Municipal Securities Rulemaking Board. 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 Securities and Exchange Commission 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 of each series are being purchased by E. J. De La Rosa & Co., Inc. (the "Underwriter"). The Underwriter has agreed to purchase the 2010A Bonds at a price of \$17,904,161.85 (which represents the aggregate principal amount of the 2010A Bonds, less an Underwriter's discount of \$74,047.50, plus a net original issue premium of \$1,523,209.35). The Underwriter has agreed to purchase the 2010B Bonds at a price of \$82,828,938.00 (which represents the aggregate principal amount of the 2010B Bonds, less an Underwriter's discount of \$502,020.00, less a net original issue discount of \$339,042.00).

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 of each series 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 of each series 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 2010A Bonds, the 2010B Bonds, the 2010A Indenture, the 2010B Indenture, or the 2010 Installment Purchase Agreement, 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 2010 Installment Payments when due.

CERTAIN LEGAL MATTERS

Goodwin Procter LLP, Los Angeles, California, Bond Counsel, will render an opinion with respect to the 2010A Bonds and an opinion with respect to the 2010B Bonds in substantially the forms set forth in Appendix D hereto. Copies of such opinions will be furnished to the Underwriter at the time of delivery of the Bonds of each series. Certain legal matters will be passed upon for the City and the Authority by the City Attorney and by Disclosure Counsel, Goodwin Procter LLP, Los Angeles, California.

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 of each series and of statutes and 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/ James Cameron
Controller

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the 2010A Indenture, the 2010B Indenture, and the 2010 Installment Purchase Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to said documents.

SELECTED DEFINITIONS

“Additional Payments” means the following additional payments, to be made solely from the Water System Revenues and from no other source, in consideration for the purchase of the 2010 Project:

(a) all reasonable compensation to the Trustee pursuant to the 2010A Indenture and the 2010B Indenture for all services rendered under the 2010A Indenture and the 2010B Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees, and other disbursements incurred in and about the performance of its powers and duties under the 2010A Indenture and the 2010B Indenture;

(b) the reasonable fees and expenses of such accountants, consultants, attorneys, and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, or opinions or provide such other services required under the 2010 Installment Purchase Agreement, the 2010A Indenture, or the 2010B Indenture; and

(c) to the extent not already paid under the 2001 Restated Installment Purchase Agreement, the 2004 Installment Purchase Agreement, or the 2006 Installment Purchase Agreement, all amounts necessary to pay any insurance premiums required to be made from time to time under the 2010 Installment Purchase Agreement.

“Assignment Agreement” means that certain Assignment Agreement, by and between the Authority and the Trustee, dated as of February 1, 2010, by and between the Authority and the Trustee, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

“Authorized City Representative” means the City Manager (or his or her designee), the Treasurer (or his or her designee), the Chief Financial Officer (or his or her designee), or such other officer or employee of the City or other person who has been designated as such representative by resolution of the City Council of the City.

“Beneficial Owner” means with respect to any Book-Entry Bond, the person who is the beneficial owner of such Bond, according to the records of the Depository or its agent, and with respect to any Bond not in book-entry form, the Owner thereof.

“Bond Year” means any twelve-month period beginning on June 2 in any year and extending to the next succeeding June 1, both dates inclusive, except that the first Bond Year shall begin on the Delivery Date and end on June 1, 2010.

“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 2010A Indenture or the 2010B Indenture, as applicable.

“Build America Bonds” means the 2010B Bonds with respect to which the Authority has irrevocably elected (i) to apply the provisions of Section 54AA(d) of the Code to the 2010B Bonds and intends that the 2010B Bonds be treated as “build America bonds” within the meaning of Section 54AA(d) of the Code and (ii) to apply the provisions of Section 54AA(g) of the Code to the 2010B Bonds and intends that the 2010B Bonds be treated as “qualified bonds” within the meaning of Section 54AA(g) of the Code, such that the 2010B Bonds will bear interest that is not excluded from the gross income of the owners thereof for purposes of federal income taxation and, as provided for in Sections 54AA(b) and 6431 of the Code, the 2010B Bonds are eligible to receive Interest Subsidy Payments and for which the Authority or the Authority’s authorized designated recipient has filed the required Internal Revenue Service forms.

“Business Day” means any day other than (1) a Saturday, a Sunday, or a day on which banking institutions in the State are authorized or obligated by law or executive order to be closed, (2) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed, or (3) a day on which commercial banks are authorized or obligated by law or executive order to be closed in the city in which the Principal Corporate Trust Office of the Trustee is located.

“Capitalized Interest Account” means the account by that name within the Payment Fund established pursuant to the 2010A Indenture or the 2010B Indenture, as applicable.

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

“City Bonds” means all revenue bonds or notes of the City authorized, executed, issued, and delivered by the City, the payments of which are on a parity with the 2010 Installment Payments and that are secured by a pledge of and lien on the Water System Revenues.

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

“Comparable Treasury Issue” means, with respect to any redemption date for a particular 2010B Bond, the United States Department of the Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the 2010B Bond to be redeemed and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2010B Bond to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular 2010B Bond, (1) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

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

“Contracts” means the 2010 Installment Purchase Agreement and any amendments and supplements thereto, the 2001 Restated Installment Purchase Agreement, the 2004 Installment Purchase Agreement, the 2006 Installment Purchase Agreement, and all contracts of the City authorized and

executed by the City, the Contract Payments under which are on a parity with the 2010 Installment Payments and that are secured by a pledge and lien on the Water System Revenues.

“Costs of Issuance” means, with respect to the 2010A Bonds or the 2010B Bonds, as applicable, all items of expense directly or indirectly payable by or reimbursable to the Authority or City and related to the authorization, execution, and delivery of the 2010 Installment Purchase Agreement, the 2010A Indenture, the 2010B Indenture, and the related sale of the Bonds of such series, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing fees, initial fees and charges of the Trustee, fees and charges of the Authority, legal fees and charges, fees and expenses of consultants and professionals, fees and expenses of the financial advisor, fees and charges for preparation, execution, and safekeeping of the Bonds of such series and any other charge, cost, or fee in connection with the original sale, execution, and delivery of the Bonds of such series.

“Debt Service” means, for any Fiscal Year or any other 12-month period, the sum of:

(a) the interest payable during such Fiscal Year or 12-month 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 prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized),

(b) that portion of the principal amount of all outstanding serial City Bonds maturing in such Fiscal Year or other 12-month period,

(c) that portion of the principal amount of all outstanding term City Bonds required to be prepaid or paid in such Fiscal Year or other 12-month period, and

(d) that portion of the Contract Payments payable during such Fiscal Year or other 12-month period (except to the extent such interest is capitalized);

provided that, as to any such City Bonds or Installment Payments bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be the rate set forth in the applicable Qualified Swap, and if there is no Qualified Swap in effect with respect thereto, the greatest of (a) the actual interest rate on such City Bonds or Contract Payments on the date of calculation, or if the indebtedness is not yet outstanding, the initial interest rate (if established and binding), (b) if the City Bonds or Contracts have been outstanding for at least twelve months, the average rate over the twelve calendar months immediately preceding the date of calculation, and (c) (i) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer “Revenue Bond Index” (or comparable index if no longer published) plus 50 basis points, or (ii) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; provided, however, that for purposes of any portion of Sections 5.3 (Additional Obligations) and 6.13 (Amount of Rates and Charges) of the 2010 Installment Purchase Agreement, measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period; and

provided further that, if any series or issue of such City Bonds or Contract Payments have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Debt Service shall be determined for the Fiscal Year or other 12-month period of determination as if the principal of and interest on such series or issue of such City Bonds or Contract Payments were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

provided further that, as to any such City Bonds or Contract Payments or portions thereof bearing no interest but that are sold at a discount and which discount accretes with respect to such City Bonds or Contract Payments or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that, the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the City Bonds and Contracts for which such debt service reserve fund was established and in each preceding year until such amount is exhausted; and

provided further that, Debt Service shall not include interest that is paid from investment earnings on amounts on deposit in the applicable Reserve Fund and transferred to the applicable Payment Fund (each as defined in the 2010A Indenture or the 2010B Indenture, as applicable); and

provided further that, commencing on and continuing after the date that none of the 2001 Restated Installment Purchase Agreement, the 2004 Installment Purchase Agreement, and the 2006 Installment Purchase Agreement are in force or effect, for purposes of any portion of Sections 5.3 (Additional Obligations) and 6.13 (Amount of Rates and Charges) of the 2010 Installment Purchase Agreement measuring actual debt service coverage during a test period, Debt Service with respect to all City Bonds, Contract Payments, and bonds issued by the Authority secured by such Contract Payments for which the City or the Authority is entitled to receive Interest Subsidy Payments or any similar payments from the United States Department of the Treasury shall be determined net of all such Interest Subsidy Payments or similar payments from the United States Department of the Treasury received or scheduled to be received by the City or the Authority during such test period.

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

“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 Authority discontinues use of the Depository pursuant to the 2010A Indenture or the 2010B Indenture, as applicable, 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 Authority with the consent of the Trustee.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the City.

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

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the City, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the City, and who, or each of whom:

- (a) is in fact independent and not under domination of the City;
- (b) does not have any substantial interest, direct or indirect, with the City; and

(c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Information Services” means Financial Information, Inc.’s “Financial Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 55 Broad Street, 28th Floor, New York, New York 10004; Moody’s Investors Service “Municipal and Government,” 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bonds Department; and Standard and Poor’s “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then current guidelines of the Securities and Exchange Commission, to such other services providing information with respect to called bonds, or to no such services, as the Authority may indicate in a Written Request of the Authority delivered to the Trustee.

“Interest Payment Date” means June 1 and December 1 in each year commencing on June 1, 2010, and any date on which the unpaid 2010 Installment Payments are declared to be due and payable immediately and provided such declaration is not rescinded or annulled, all in accordance with the 2010 Installment Purchase Agreement.

“Interest Subsidy Payment” means, with respect to Build America Bonds, each payment received by the Authority or the Authority’s authorized designated recipient directly from the United States Department of the Treasury in an amount equal to 35% of the corresponding interest payable on such Build America Bonds, as provided for in Sections 54AA(b) and 6431 of the Code.

“Interest Subsidy Termination Event” will have occurred if the Authority or City reasonably determines, which determination shall be conclusive, that: (i) Section 54AA or Section 6431 of the Code has been amended in a material way; or (ii) there is any guidance published by the Internal Revenue Service or the United States Department of the Treasury with respect to Section 54AA or Section 6431 of the Code; or (iii) any other determination by the Internal Revenue Service or the United States Department of the Treasury, which determination is not the result of any act or omission by the Authority or the City to satisfy the requirements to qualify to receive Interest Subsidy Payments – any of which events results in the Authority’s or the Authority’s authorized designated recipient’s right to receive any Interest Subsidy Payment being reduced or eliminated.

“Interest Subsidy Termination Optional Redemption Price” means a redemption price equal to the greater of (1) 100% of the principal amount of the 2010B Bonds to be redeemed, plus accrued interest on the 2010B Bonds to be redeemed to the redemption date; or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010B Bonds are to be redeemed, discounted to the date on which the 2010B Bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points, plus accrued interest on the 2010B Bonds to be redeemed to the redemption date.

“Letter of Representations” means the letter of the Authority (and accepted by the Trustee) delivered to and accepted by DTC on or prior to delivery of the Book-Entry Bonds setting forth the basis on which DTC serves as depository for such Book-Entry Bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the Authority (and accepted by the Trustee) delivered to and accepted by DTC.

“Make-Whole Optional Redemption Price” means a redemption price equal to the greater of (1) 100% of the principal amount of the 2010B Bonds to be redeemed, plus accrued interest on the 2010B

Bonds to be redeemed to the redemption date; or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010B Bonds are to be redeemed, discounted to the date on which the 2010B Bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30-day months, at the Treasury Rate, plus 40 basis points, plus accrued interest on the 2010B Bonds to be redeemed to the redemption date.

“Maintenance and Operation Costs” means (1) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with generally accepted accounting principles applicable to governmental agencies, including, but not limited to, the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the City that are charged directly or apportioned to the Water System, including, but not limited, to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2001 Restated Installment Purchase Agreement, the 2004 Installment Purchase Agreement, the 2006 Installment Purchase Agreement, the 2010 Installment Purchase Agreement, City Bonds, or any other Contract or of any resolution or indenture authorizing the issuance of any City Bonds or Contract, and (2) all payments under any contract for the purchase of water; but excluding in all cases depreciation, replacement, and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

“Maximum Annual Debt Service” means at any point in time, with respect to the 2010A Bonds or the 2010B Bonds, as applicable, then Outstanding, the greatest amount of Annual Debt Service on the Bonds in the then current or any succeeding Bond Year prior to the maturity of the Bonds of such series.

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

“Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

“Net Water System Revenues” means (i) for any Fiscal Year, the Water System Revenues for such Fiscal Year less the Maintenance and Operation Costs for such Fiscal Year, or (ii) in applying the provisions of the 2010 Installment Purchase Agreement with respect to Additional Obligations only, the Water System Revenues for the selected 12-month period less the Maintenance and Operation Costs for the same 12-month period.

“Nominee” means, initially, Cede & Co., as nominee of the Depository, as determined from time to time pursuant to the 2010A Indenture or the 2010B Indenture, as applicable.

“Original Purchaser” means E. J. De La Rosa & Co., Inc.

“Outstanding,” when used as of any particular time with respect to any Bond, means (subject to the provisions of the 2010A Indenture or the 2010B Indenture, as applicable) any Bond issued under the 2010A Indenture or the 2010B Indenture, as applicable, except:

(a) any Bond previously cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) any Bond which has been paid or is deemed to have been paid within the meaning of the 2010A Indenture or the 2010B Indenture, as applicable; and

(c) any Bond in lieu of or in exchange or in substitution for which another Bond or other Bonds shall have been executed and delivered by the Trustee pursuant to the 2010A Indenture or the 2010B Indenture, as applicable.

“Participants” means those broker-dealers, banks, and other financial institutions from time to time for which DTC holds Book-Entry Bonds as securities depository.

“Payment Fund” means the fund by that name established in the 2010A Indenture or the 2010B Indenture, as applicable.

“Permitted Investments” means, if and to the extent permitted by law:

(1) for all purposes including defeasance investments in refunding escrow accounts (the Trustee is entitled to rely upon investment direction of the City as a certification that such investment is a Permitted Investment):

(a) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below); or

(b) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;

(2) For all purposes other than defeasance investments in refunding escrow accounts:

(a) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Rural Economic Community Development Administration (formerly the Farmers Home Administration), General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association (GNMA), U.S. Department of Housing & Urban Development (PHA’s), Federal Housing Administration and Federal Financing Bank;

(b) direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations rated “Aaa” by Moody’s or “AAA” by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), and senior debt obligations of the Federal Home Loan Bank System;

(c) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks (including those of the Trustee and its affiliates) which have rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(d) commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by S&P and “P-1” by Moody’s and which matures not more than 270 days after the date of purchase;

(e) investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services;

(f) pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations or any state of the United States of America of any agency, instrumentality or local governmental unit of any such state, 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

(i) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of S&P and Moody’s or any successors thereto; or

(ii) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(g) any investment agreement rated “AA-” or better by S&P or “Aa1” or better by Moody’s; and

(h) a pooled investment fund managed by the State of California Treasurer’s office meeting all legal guidelines and requirements for the investment of California public agency funds, provided, as to any investment made by the Trustee, the Trustee shall be entitled to make investments and withdrawals directly in its own name as the Trustee.

“Principal Corporate Trust Office” means the corporate trust office of the Trustee at 707 Wilshire Boulevard, 17th Floor, Los Angeles, California 90017, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust business shall be conducted.

“Qualified Swap” means any financial arrangement (i) that is entered into by the City with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) that provides that the City shall pay to such entity an amount based on the interest accruing at a fixed rate on an amount equal to the principal amount of the 2010A Bonds or 2010B Bonds, as applicable, Outstanding, and that such entity shall pay to the City an amount based on the interest accruing on such principal amount at a variable rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by the 2010A Bonds or 2010B Bonds, as applicable) or that one shall pay to the other any net amount due under such arrangement; and (iii) that has been designated in writing to the Trustee by the City and the Authority as a Qualified Swap with respect to the 2010A Bonds or 2010B Bonds, as applicable.

“Qualified Swap Provider” means a financial institution whose senior long term debt obligations or an insurance provider whose claims-paying ability, or whose obligations under a Qualified Swap are guaranteed by a financial institution whose senior long term debt obligations or by an insurance provider

whose claims-paying ability, are rated (at the time the subject Qualified Swap is entered into) not lower than Aa3 by Moody's and AA- by S&P, or the equivalent thereof by any successor thereto.

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount with respect to such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the 2010A Indenture or the 2010B Indenture, as applicable.

"Reference Treasury Dealer" means each of the four firms, specified by the City from time to time, that are primary United States Government securities dealers in the City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2010B Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third Business Day preceding such redemption date.

"Reserve Fund Surety Bond" means any instrument issued in accordance with the 2010 Installment Purchase Agreement in partial or complete satisfaction of the Reserve Requirement or similar reserve requirements for City Bonds or Contracts.

"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 2010A Bonds or 2010B Bonds, as applicable, originally issued, (ii) Maximum Annual Debt Service on the 2010A Bonds or 2010B Bonds, as applicable, or (iii) one hundred twenty-five percent (125%) of the Average Annual Debt Service on the 2010A Bonds or 2010B Bonds, as applicable. As of the Delivery Date, the Reserve Requirement is \$1,797,820.94 for the 2010A Bonds and \$8,367,000.00 for the 2010B Bonds.

"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 Depository Trust Company, 55 Water Street, 25th Floor, New York, New York 10041-0099, Attn. Call Notification Department, Facsimile transmission: (212) 855-7232, or, in accordance with the then current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Authority may indicate in a Written Request of the Authority delivered to the Trustee.

"Separate Facilities" means any capital items acquired on or after the date of the 2010 Installment Purchase Agreement and that were not financed from the proceeds of City Bonds or Contracts of the City having a parity claim on the Revenue Fund or Water System Revenues.

"State" means the State of California.

"Statement of the Authority" means a statement signed by or on behalf of the Authority by its Chairman, Vice Chairman, or Controller, or by any other person (whether or not a member of the governing board of the Authority) who is specifically authorized by resolution of the Authority to sign or execute such a document on its behalf. If and to the extent required by the provisions of the 2010A

Indenture or the 2010B Indenture, as applicable, each Statement of the Authority shall include the statements provided for in the 2010A Indenture or the 2010B Indenture, as applicable.

“Statement of the City” means a statement signed by or on behalf of the City by the Mayor, the City Manager, or the Chief Financial Officer, or by any other person (whether or not a member of the City Council of the City) who is specifically authorized by resolution of the City to sign or execute such a document on its behalf. If and to the extent required by the provisions of the 2010A Indenture or the 2010B Indenture, as applicable, each Statement of the City shall include the statements provided for in the 2010A Indenture or the 2010B Indenture, as applicable.

“Tax Certificate” means the separate Tax Certificate delivered by the Authority and the City on the Delivery Date with respect to the 2010A Bonds or 2010B Bonds, as applicable, as the same may be amended or supplemented in accordance with its terms.

“Treasury Rate” means, with respect to any redemption date for a particular 2010B Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

“Water Service” means the water distribution service provided by the City.

“Water System” means the whole and each and every part of the waterworks system serving the City (including, without limitation, the 2001 Project, the 2004 Project, the 2006 Project, and the 2010 Project), whether owned or operated by the City or another party, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions, and improvements to such water system or any part thereof hereafter acquired or constructed, but not including any Separate Facilities.

“Water System Revenues” means all income, rents, rates, fees, charges, and other moneys derived from the ownership of or operation of the Water System, including, without limiting the generality of the foregoing, (1) all in lieu charges and groundwater augmentation charges (including investment earnings thereon) collected by or on behalf of the City, (2) all income, rents, rates, fees, charges, business interruption insurance proceeds, or other moneys derived by the City from the sale, furnishing, and supplying of the water, drainage or other services, facilities, and commodities sold, furnished, or supplied through the facilities of or in the conduct or operation of the business of the Water System, and (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, proceeds, or other moneys, including City reserves; but excluding in all cases (a) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City, (b) proceeds of taxes or benefit assessments restricted by law to be used by the City to pay amounts due on bonds or other obligations hereafter incurred, (c) any and all revenues derived from the ownership or operation of or in connection with, and pledged to, Separate Facilities, and (d) connection fees and charges.

“Written Consent of the Authority,” “Written Order of the Authority,” “Written Request of the Authority,” and “Written Requisition of the Authority” mean, respectively, a written consent, order, request, or requisition signed by or on behalf of the Authority by its Chairman, Vice Chairman, or Controller, or any other person (whether or not a member of the governing board of the Authority) who is specifically authorized by resolution of the Authority to sign or execute such a document on its behalf.

“Written Consent of the City,” “Written Order of the City,” “Written Request of the City,” and “Written Requisition of the City” mean, respectively, a written consent, order, request, or requisition signed by or on behalf of the City by the Mayor, the City Manager, the Chief Financial Officer, or the Treasurer, or by any person (whether or not a member of the City Council of the City) who is specifically authorized by resolution of the City to sign or execute such a document on its behalf.

“2001 Agreements” means the 2001 Restated Installment Purchase Agreement and the 2001 Trust Indenture.

“2001 Bonds” means the City of Oxnard Financing Authority, Water Revenue Refunding and Project Bonds, Series 2001 (Water System Capital Improvements Project), issued pursuant to the 2001 Trust Indenture.

“2001 Project” means the Water System improvements designated in the 2001 Restated Installment Purchase Agreement.

“2001 Restated Installment Purchase Agreement” means the Amended and Restated Installment Purchase Agreement, dated as of June 1, 2001, by and between the City and the Authority, relating to the 2001 Project, as amended by the First Amendment to Amended and Restated Installment Purchase Agreement, dated as of January 27, 2004, by and between the City and the Authority.

“2001 Trust Indenture” means the Trust Indenture, dated as of June 1, 2001, by and among the Authority, the City, and Wells Fargo Bank, National Association, as trustee.

“2004 Agreements” means the 2004 Installment Purchase Agreement and the 2004 Trust Indenture.

“2004 Bonds” means the City of Oxnard Financing Authority, Water Revenue Refunding and Project Bonds, Series 2004, issued pursuant to the 2004 Trust Indenture.

“2004 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of February 1, 2004, by and between the City and the Authority, relating to the 2004 Project.

“2004 Project” means the Water System improvements designated in the 2004 Installment Purchase Agreement.

“2004 Trust Indenture” means the Trust Indenture, dated as of February 1, 2004, by and among the Authority, the City, and Wells Fargo Bank, National Association, as trustee.

“2006 Agreements” means the 2006 Installment Purchase Agreement and the 2006 Trust Indenture.

“2006 Bonds” means the City of Oxnard Financing Authority, Water Revenue Project Bonds, Series 2006, issued pursuant to the 2006 Trust Indenture.

“2006 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of May 1, 2006, by and between the City and the Authority, relating to the 2006 Project.

“2006 Project” means the Water System improvements designated in the 2006 Installment Purchase Agreement.

“2006 Trust Indenture” means the Trust Indenture, dated as of May 1, 2006, by and among the Authority, the City, and Wells Fargo Bank, National Association, as trustee.

“2010 Project Costs” means, (A) for purposes of the 2010A Indenture, the contract prices paid or to be paid for the acquisition, construction, or installation of any portion of the 2010 Project and related facilities in accordance with any acquisition, construction, or installation contract or contracts therefor. 2010 Project Costs include any other administrative, engineering, legal, financial, and other costs incurred by the City in connection with the acquisition, construction, or installation of the 2010 Project, and (B) for purposes of the 2010B Indenture, the contract prices paid or to be paid for the acquisition, construction, or installation of any portion of the 2010 Project and related facilities in accordance with any acquisition, construction, or installation contract or contracts therefor. 2010 Project Costs include any other administrative, engineering, legal, financial, and other costs incurred by the City in connection with the acquisition, construction, or installation of the 2010 Project; provided that, notwithstanding the foregoing, all 2010 Project Costs shall constitute capital expenditures with a reasonably expected economic life of one year or more.

2010A INDENTURE

Investment of Moneys in Special Funds

Pursuant to the 2010A Indenture, any moneys in the Acquisition Fund, the Payment Fund, the Reserve Fund, the Costs of Issuance Fund, and the Rebate Fund shall be invested by the City or, upon the Written Request of the City, by the Trustee, as the case may be, in Permitted Investments that will mature on or before the dates when such moneys are scheduled to be needed for payment from such fund and in accordance with the limitations set forth in the 2010A Indenture and the Tax Certificate. Any such Written Request of the City shall be deemed a representation that such direction complies with the 2010A Indenture and the Tax Certificate, and the Trustee may conclusively rely thereon. Securities acquired as an investment of moneys in a fund shall be credited to such fund. The Trustee shall determine the value of investments hereunder at least monthly. In the absence of written investment direction from the City, the Trustee shall invest moneys held by it solely in Permitted Investments specified in clause 2(e) of the definition thereof.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City will not receive such confirmations to the extent permitted by law. The Trustee will furnish the City periodic transaction statements that include detail for all investment transactions made by the Trustee under the 2010A Indenture. The Trustee may make any investments under the 2010A Indenture through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor, or manager in connection with any investments made by the Trustee under the 2010A Indenture.

Any interest, profit, or other income on investments in the Acquisition Fund shall be retained in the Acquisition Fund and used for 2010 Project Costs until completion of the 2010 Project. Any interest, profit, or other income on investments in any other fund shall be credited to such fund. The Trustee may sell or present for redemption any obligations so purchased at the direction of the City whenever it shall be necessary in order to provide moneys to meet any payment, and the Trustee shall not be liable or responsible for any loss resulting from such investment. The Trustee may act as principal or agent in the acquisition or disposition of any investment. The Trustee may commingle moneys on deposit in any of the funds or accounts established pursuant to the 2010A Indenture (other than the Rebate Fund) into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee thereunder shall be accounted for separately notwithstanding such commingling.

Rebate Fund

A special fund is created under the 2010A Indenture and designated the “Rebate Fund” to be held by the Trustee. The Authority shall comply with the requirements contained in the 2010A Indenture and in the Tax Certificate relating to the Rebate Fund. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Department of the Treasury. All amounts on deposit in the Rebate Fund shall be governed by the 2010A Indenture and the Tax Certificate, unless the Authority obtains an opinion of Bond Counsel that the exclusion from gross income of interest on the 2010A Bonds will not be adversely affected for federal income tax purposes if such requirements are not satisfied.

Notwithstanding anything in the 2010A Indenture to the contrary, the obligation to comply with the requirements of the 2010A Indenture with respect to the Rebate Fund shall survive the defeasance of the 2010A Bonds.

Authority and City to Perform Installment Purchase Agreement

Pursuant to the 2010A Indenture, the Authority and City covenant and agree with the Owners to perform all obligations and duties imposed on them under the 2010 Installment Purchase Agreement and, together with the Trustee, to enforce such 2010 Installment Purchase Agreement against the other party thereto in accordance with its terms.

Pursuant to the 2010A Indenture, the Authority and the City will in all respects promptly and faithfully keep, perform, and comply with all the terms, provisions, covenants, conditions, and agreements of the 2010 Installment Purchase Agreement to be kept, performed, and complied with by it.

Pursuant to the 2010A Indenture, the Authority and the City agree not to do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the 2010 Installment Purchase Agreement.

Tax Covenants

Pursuant to the 2010A Indenture, the Authority and the City shall contest by court action or otherwise any assertion by the United States of America or any department or agency thereof that the interest received by the Owners is includable in gross income of such recipients under federal income tax laws. Notwithstanding any other provision of the 2010A Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the 2010A Bonds will not be adversely affected for federal income tax purposes, each of the Authority and the City covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

Private Activity. Neither the Authority nor the City shall take any action or refrain from taking any action or make any use of the proceeds of the 2010A Bonds or of any other moneys or property that would cause the 2010A Bonds to be “private activity bonds” within the meaning of Section 141 of the Code.

Arbitrage. Neither the Authority nor the City shall make any use of the proceeds of the 2010A 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 2010A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

Federal Guaranty. Neither the Authority nor the City shall make any use of the proceeds of the 2010A Bonds or take or omit to take any action that would cause the 2010A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

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

Hedge Bonds. Neither the Authority nor the City shall make any use of the proceeds of the 2010A 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 2010A Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Authority or the City, as applicable, takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2010A Bonds for federal income tax purposes.

Miscellaneous. Neither the Authority nor the City shall take any action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the Authority and the City in connection with the issuance of the 2010A Bonds and each shall comply with the covenants and requirements stated therein and incorporated by reference in the 2010A Indenture.

Taxable Bonds. The covenants set forth above shall not be applicable to, and nothing contained in the 2010A Indenture shall be deemed to prevent the Authority or the City from issuing bonds, the interest on which has been determined by the Authority or the City, as applicable, to be subject to federal income taxation.

Accounting Records and Reports

Pursuant to the 2010A Indenture, the Trustee shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all transactions made by it relating to the receipts, disbursements, allocation, and application of the 2010 Installment Payments, and such books shall be available for inspection by the Authority, the City, and any Owner, or his agent or representative, at reasonable hours and under reasonable conditions. Each month, so long as the 2010A Bonds are outstanding, the Trustee shall furnish to the Authority and the City a statement covering receipts, disbursements, allocation, and application of amounts on deposit in the funds and accounts created under the 2010A Indenture held by it.

Compliance with 2010A Indenture

Pursuant to the 2010A Indenture, the Trustee will not execute, or permit to be executed, any 2010A Bonds in any manner other than in accordance with the provisions of the 2010A Indenture, and neither the Authority nor the City will suffer or permit any default by it to occur under the 2010A Indenture, but will faithfully observe and perform all the covenants, conditions, and requirements thereof.

Observance of Laws and Regulations

To the extent necessary to assure their performance under the 2010A Indenture, the Authority and the City will well and truly keep, observe, and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board, or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the Authority or the City respectively, including its right to exist and carry on its business, to the end that

such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Compliance with Contracts

Pursuant to the 2010A Indenture, the City shall comply with the terms, covenants, and provisions, express or implied, of all contracts for the use of the 2010 Project by the City, and all other contracts and agreements affecting or involving the 2010 Project to the extent that the City is a party thereto.

Prosecution and Defense of Suits

Pursuant to the 2010A Indenture, the City shall promptly, upon request of the Trustee or any Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System or any part thereof (other than Separate Facilities), whether now existing or hereafter developing, shall prosecute all such suits, actions, and other proceedings as may be appropriate for such purpose.

Recordation and Filing

Pursuant to the 2010A Indenture, the Trustee, upon written direction of the Authority or the City, shall record, register, file, renew, refile, and re-record all such documents, including financing statements, as may be required by law in order to maintain a security interest in the 2010A Indenture and the Assignment Agreement, all in such manner, at such times and in such places as may be required by, and to the extent permitted by, law in order fully to preserve, protect, and perfect the security of the Owners and the rights and security interests of the Trustee. The Trustee, upon written direction of the Authority or the City, shall (subject to the provisions of the 2010A Indenture) do whatever else may be necessary or be reasonably required in order to perfect and continue the lien of the 2010A Indenture and the Assignment Agreement.

Eminent Domain

Pursuant to the 2010A Indenture, if all or any part of the 2010 Project shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be applied in the manner specified in the 2010 Installment Purchase Agreement.

Further Assurances

The Authority and the City will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all rights, interest, powers, benefits, privileges, and advantages conferred or intended to be conferred upon them by the 2010A Indenture.

Notice of Non-Payment

Pursuant to the 2010A Indenture, in the event of delinquency in the payment of any 2010 Installment Payments due by the City pursuant to the 2010 Installment Purchase Agreement, the Trustee shall, after one Business Day following the date upon which such delinquent 2010 Installment Payment was due, immediately give written notice of the delinquency and the amount of the delinquency to the City and the Authority.

Action on Default or Termination

Pursuant to the 2010A Indenture, upon the occurrence of an Event of Default (as that term is defined in the 2010 Installment Purchase Agreement), which event shall constitute a default under the 2010A Indenture, and in each and every such case during the continuance of such Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of 2010A Bonds at the time Outstanding shall be entitled, upon notice in writing to the City and the Authority, to exercise the remedies provided to the Authority in the 2010 Installment Purchase Agreement.

Upon declaration of the entire principal amount of the unpaid 2010 Installment Payments and the accrued interest thereon to be due and payable immediately and provided such declaration is not rescinded or annulled, all in accordance with the 2010 Installment Purchase Agreement, the Trustee shall apply all moneys received as 2010 Installment Payments that are applicable to the 2010A Bonds and all moneys held in any fund or account under the 2010A Indenture (other than the Rebate Fund) to the payment of the entire principal amount of the 2010A Bonds and the accrued interest with respect thereto, with interest on the overdue 2010A Bonds at the rate or rates of interest applicable to the 2010A Bonds if paid in accordance with their terms.

Other Remedies of the Trustee

Pursuant to the 2010A Indenture, the Trustee shall have the right —

- (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any director, officer, or employee thereof, and to compel the City or any such director, officer, or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the 2010A Indenture;
- (b) by suit in equity to enjoin any acts or things that are unlawful or violate the rights of the Trustee; or
- (c) by suit in equity upon the happening of any default under the 2010A Indenture to require the City and its directors, officers, and employees, to account as the trustee of an express trust.

Non-Waiver

Pursuant to the 2010A Indenture, a waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the 2010A Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If any action, proceeding, or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Trustee and the City shall be restored to their former positions, rights, and remedies as if such action, proceeding, or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the 2010A Indenture conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the 2010A Indenture or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. If any remedial action is discontinued or abandoned the Owners shall be restored to their former position.

No Obligation by the City to the Owners

Except for the payment of 2010 Installment Payments when due in accordance with the 2010 Installment Purchase Agreement and the performance of the other covenants and agreements of the City contained in said Installment Purchase Agreement and in the 2010A Indenture, the City shall have no obligation or liability to the Owners with respect to the 2010A Indenture or the execution, delivery, or transfer of the 2010A Bonds, or the disbursement of 2010 Installment Payments to the Owners by the Trustee; provided, however, that nothing contained in the 2010A Indenture shall affect the rights, duties, or obligations of the Trustee expressly set forth therein.

No Obligation with Respect to Performance by the Trustee

Neither the City nor the Authority shall have any obligation or liability to any of the other parties to the 2010A Indenture or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the 2010A Indenture.

No Liability to Owners for Payment

The Authority shall not have any obligation or liability to the Owners with respect to the payment of the 2010 Installment Payments by the City when due, or with respect to the performance by the City of any other covenant made by it in the 2010 Installment Purchase Agreement or in the 2010A Indenture. Except as provided in the 2010A Indenture, the Trustee shall not have any obligation or liability to the Owners with respect to the payment of the 2010 Installment Payments by the City when due, or with respect to the performance by the City of any other covenant made by it in the 2010 Installment Purchase Agreement or in the 2010A Indenture.

No Responsibility for Sufficiency

The Trustee shall not be responsible for the sufficiency of the 2010A Indenture, the 2010 Installment Purchase Agreement, or of the assignment made to it by the Assignment Agreement of rights to receive 2010 Installment Payments pursuant to the 2010 Installment Purchase Agreement, or the value of or title to the 2010 Project. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it under the terms of and in accordance with the 2010A Indenture, to the extent permitted by law.

Trustee; Duties, Removal, and Resignation

By executing and delivering the 2010A Indenture, the Trustee accepts the duties and obligations of the Trustee provided in the 2010A Indenture, but only upon the terms and conditions set forth in the 2010A Indenture.

The Authority or, if the City is in default under the 2010 Installment Purchase Agreement, the Owners of a majority in aggregate principal amount of all 2010A Bonds Outstanding, may by written request to the Trustee, remove the Trustee initially a party to the 2010A Indenture, and any successor thereto, and may appoint a successor Trustee, but any such successor shall be a bank or trust company doing business and having a corporate trust office in California, which has (or the parent holding company of which has) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the 2010A Indenture 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.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion, or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in the 2010A Indenture, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges, and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything in the 2010A Indenture to the contrary notwithstanding.

The Trustee may resign by giving thirty (30) days written notice to the Authority and the City and by giving to the Owners notice of such resignation by mail at the addresses shown on the Bond Register maintained by the Trustee. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event that the Authority does not appoint a successor Trustee within thirty (30) days following receipt of such notice of resignation, the resigning Trustee may at the expense of the Authority petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Notwithstanding any other provision of the 2010A Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed by the Authority.

Protection of the Trustee

Pursuant to the 2010A Indenture, the Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, opinion, affidavit, voucher, bond, requisition, or other paper or document, which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the 2010A Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any 2010A Bond or to take any action at the request of any such person unless such 2010A Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such 2010A Bond shall be furnished to the Trustee. The Trustee may consult with counsel, who may be counsel to the Authority or the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

Whenever in the administration of its duties under the 2010A Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be therein specifically prescribed) shall be deemed to be conclusively proved and established by a certificate of the Authority or the City and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of the 2010A Indenture upon the faith thereof, but in its discretion the Trustee may (but shall have no duty), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold, and deal in any of the 2010A Bonds provided pursuant to the 2010A Indenture, and may join in any action that any Owner may be entitled to take with like effect as if the Trustee were not a party to the 2010A Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the City or the Authority, and may act as depositary, trustee, or agent for any committee or body of Owners or of obligations of the Authority or the City as freely as if it were not the Trustee under the 2010A Indenture.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers and perform the duties required of it under the 2010A Indenture by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duties under the 2010A Indenture, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under the 2010A Indenture or for anything whatever in connection with the funds and accounts established thereunder, except only for its own willful misconduct or negligence.

The recitals, statements, and representations by the City or the Authority contained in the 2010A Indenture or in the 2010A Bonds shall be taken and construed as made by and on the part of the City or Authority and not by the Trustee and the Trustee does not assume, and shall not have, any responsibility or obligations for the correctness of any thereof.

The Trustee undertakes to perform such duties, and only such duties as are specifically set forth in the 2010A Indenture and no implied duties or obligations shall be read into the 2010A Indenture against the Trustee.

No provision in the 2010A 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.

In accepting the trust created by the 2010A Indenture, the Trustee acts solely as the Trustee for the Owners and not in its individual capacity; and all persons, including without limitation the Owners and the City or the Authority having any claim against the Trustee arising from the 2010A Indenture shall look only to the funds and accounts held by the Trustee thereunder for payment except as otherwise provided therein. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the 2010A Bonds.

The Trustee makes no representation or warranty express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City or the Authority of the 2010 Project. In no event shall the Trustee be liable for incidental, indirect, special, or consequential damages in connection with or arising from the 2010 Installment Purchase Agreement or the 2010A Indenture for the existence, furnishing or use of the 2010 Project.

The Trustee shall not be deemed to have knowledge of any Event of Default under the 2010A Indenture or under the 2010 Installment Purchase Agreement unless and until it shall have actual knowledge thereof or have received notice thereof at its corporate trust office at the address set forth in the 2010A Indenture.

The Trustee shall not be accountable for the use or application by the City, or the Authority or any other party of any funds that the Trustee has released in accordance with the terms of the 2010A Indenture.

The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2010A Bonds.

The Trustee is authorized and directed to execute in its capacity as the Trustee the Assignment Agreement.

Before taking any action under the 2010A Indenture the Trustee may require indemnity satisfactory to the Trustee be furnished for any expenses and to protect it against any liability it may incur thereunder.

The immunities extended to the Trustee also extend to its directors, officers, employees, and agents.

The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of a majority (or other percentage provided for in the 2010A Indenture) in aggregate principal amount of 2010A Bonds Outstanding relating to the exercise of any right, power or remedy available to the Trustee.

The permissive right of the Trustee to do things enumerated in the 2010A Indenture shall not be construed as a duty.

The Trustee's rights to immunities and protection from liability under the 2010A Indenture and its rights to payment of its fees and expense shall survive its resignation or removal and final payment or defeasance of the 2010A Bonds.

Amendments Permitted

The 2010A Indenture and the rights and obligations of the City and of the Owners and of the Trustee may be modified or amended at any time by an amendment thereto, which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the 2010A Bonds then outstanding, exclusive of 2010A Bonds disqualified as provided in the 2010A Indenture, shall have been filed with the Trustee. No such modification or amendment shall (1) extend the stated maturities of the 2010A Bonds, or reduce the rate of interest represented thereby, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the redemption thereof, without the consent of the Owner of each 2010A Bond so affected, or (2) reduce the aforesaid percentage of Owners of 2010A Bonds whose consent is required for the execution of any amendment or modification of the 2010A Indenture, or (3) modify any of the rights or obligations of the Trustee or the Authority without its written consent thereto.

The 2010A Indenture and the rights and obligations of the Authority and the City and of the Owners may also be modified or amended at any time by an amendment thereto, which shall become

binding upon adoption, without the consent of the Owners, but only to the extent permitted by law 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 2010A Indenture other covenants and agreements thereafter to be observed or to surrender any right or power reserved in the 2010A Indenture to or conferred upon the Authority or the City, and which shall not adversely affect the interests of the Owners;

(ii) to cure, correct, or supplement any ambiguous or defective provision contained in the 2010A Indenture or in regard to questions arising under the 2010A Indenture, as the Authority or the City may deem necessary or desirable, and which shall not adversely affect the interests of the Owners; and

(iii) to make such other amendments or modifications as may be in the best interests of the Owners.

Defeasance; Discharge of Indenture

When the obligations of the City under the 2010 Installment Purchase Agreement shall cease pursuant thereto (except for the right of the Trustee and the obligation of the City to have the money and Permitted Investments mentioned therein applied to the payment of 2010 Installment Payments as therein set forth and the obligation to apply moneys on deposit in the Rebate Fund as provided in the 2010A Indenture), then and in that case the obligations created by the 2010A Indenture shall thereupon cease, terminate, and become void except for the obligation of the City to direct the Trustee to apply money on deposit in the Rebate Fund as provided in the 2010A Indenture, which shall continue until such moneys are so applied and the right of the Owners to have applied and the obligation of the Trustee to apply such moneys and Permitted Investments to the payment of the 2010A Bonds as set forth in the 2010A Indenture, and subject to application of moneys on deposit in the Rebate Fund as provided in the 2010A Indenture, the Trustee shall turn over to the City, after provision for payment of amounts due the Trustee under the 2010A Indenture, as an overpayment of 2010 Installment Payments, any surplus in the Payment Fund and all balances remaining in any other funds or accounts other than moneys and Permitted Investments held for the payment of the 2010A Bonds at maturity or on redemption, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the benefit of the Owners and shall be applied by the Trustee to the payment, when due, of the principal and interest and premium, if any, represented by the 2010A Bonds, and after such payment, the 2010A Indenture shall become void.

If moneys or securities described in clause 1(i) or (ii) of the definition of Permitted Investments are deposited with and held by the Trustee as provided in the 2010A Indenture, the Trustee shall within thirty (30) days after such moneys or Permitted Investments shall have been deposited with it, mail a notice, first-class postage prepaid, to the Owners at the addresses listed on the Bond Register kept by the Trustee pursuant to the 2010A Indenture, setting forth (a) the date fixed for redemption of the 2010A Bonds, (b) a description of the moneys or securities described in clause 1(i) or (ii) of the definition of Permitted Investments so held by it, and (c) that the 2010A Indenture has been released in accordance with the provisions thereof.

Deposit of Money or Securities with the Trustee

Whenever in the 2010A Indenture or the 2010 Installment Purchase Agreement it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or prepay any 2010A Bonds, the money or securities to be so deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the 2010A Indenture and shall be —

(a) lawful money of the United States of America in an amount equal to the principal amount represented by such 2010A Bonds and all unpaid interest represented thereby to maturity, except that, in the case of 2010A Bonds that are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the 2010A Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price and all unpaid interest to such date of redemption if any, represented by such 2010A Bonds; or

(b) non-callable securities described in clause 1(i) or (ii) of the definition of Permitted Investments that will provide money sufficient, in the opinion of an Independent Certified Public Accountant, to pay the principal at maturity or upon redemption plus all accrued interest to maturity or to the redemption date, as the case may be, represented by the 2010A Bonds to be paid or redeemed, as such amounts become due, provided that, in the case of 2010A Bonds that are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the 2010A Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the 2010A Indenture and the 2010 Installment Purchase Agreement or by Written Request of the City) to apply such money or securities to the payment of such principal or Redemption Price and interest represented by such 2010A Bonds.

Unclaimed Moneys

Anything contained in the 2010A Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the interest or principal or Redemption Price represented by any of the 2010A Bonds that remain unclaimed for one (1) year after the date of deposit of such moneys if deposited with the Trustee after the date when the interest and principal or Redemption Price represented by such 2010A Bonds have become payable, shall be repaid by the Trustee to the City 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 City for the payment of the interest and principal or Redemption Price represented by such 2010A Bonds; provided, however, that before being required to make any such payment to the City, the Trustee shall, at the written request and expense of the City, first mail a notice to the Owners of the 2010A Bonds so payable that such moneys remain unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the City. The obligation of the Trustee under the 2010A Indenture to pay any such amounts to the City will be subject to any provisions of law applicable to the Trustee providing other requirements for disposition of unclaimed property.

Additional Requirements Applicable to the Defeasance of the 2010A Bonds

As a precondition to the defeasance of the 2010A Bonds pursuant to the 2010A Indenture, the Authority shall cause to be delivered:

(a) a report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the 2010A Bonds in full on the maturity or redemption date (the "Verification Report");

(b) notice of the defeasance of the 2010A Bonds not less than fifteen (15) Business Days prior thereto; and

(c) an opinion of Bond Counsel to the effect that the 2010A Bonds are no longer Outstanding.

Each such Verification Report and opinion required pursuant to the 2010A Indenture shall be acceptable in form and substance to the Authority and shall be addressed to the Authority and the Trustee.

Disqualified Bonds

2010A Bonds owned or held by or for the account of the Authority or the City (but excluding 2010A Bonds held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding 2010A Bonds provided for in the 2010A Indenture, and shall not be entitled to consent to or take any other action provided for in the 2010A Indenture, unless all 2010A Bonds are so held. Upon request of the Trustee, the City shall specify to the Trustee those 2010A Bonds disqualified pursuant to the 2010A Indenture.

The Trustee may adopt appropriate regulations to require each Owner of 2010A Bonds, before his consent provided for in the 2010A Indenture shall be deemed effective, to reveal if the 2010A Bonds as to which such consent is given are disqualified as provided in the 2010A Indenture.

2010B INDENTURE

Investment of Moneys in Special Funds

Pursuant to the 2010B Indenture, any moneys in the Acquisition Fund, the Payment Fund, the Reserve Fund, the Costs of Issuance Fund, and the Rebate Fund shall be invested by the City or, upon the Written Request of the City, by the Trustee, as the case may be, in Permitted Investments that will mature on or before the dates when such moneys are scheduled to be needed for payment from such fund and in accordance with the limitations set forth in the 2010B Indenture and the Tax Certificate. Any such Written Request of the City shall be deemed a representation that such direction complies with the 2010B Indenture and the Tax Certificate, and the Trustee may conclusively rely thereon. Securities acquired as an investment of moneys in a fund shall be credited to such fund. The Trustee shall determine the value of investments under the 2010B Indenture at least monthly. In the absence of written investment direction from the City, the Trustee shall invest moneys held by it solely in Permitted Investments specified in clause 2(e) of the definition thereof.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City will not receive such confirmations to the extent permitted by law. The Trustee will furnish the City periodic transaction statements that include detail for all investment transactions made by the Trustee under the 2010B Indenture. The Trustee may make any investments under the 2010B Indenture through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor, or manager in connection with any investments made by the Trustee under the 2010B Indenture.

Any interest, profit, or other income on investments in the Acquisition Fund shall be retained in the Acquisition Fund and used for 2010 Project Costs until completion of the 2010 Project. Any interest, profit, or other income on investments in any other fund shall be credited to such fund. The Trustee may sell or present for redemption any obligations so purchased at the direction of the City whenever it shall be necessary in order to provide moneys to meet any payment, and the Trustee shall not be liable or responsible for any loss resulting from such investment. The Trustee may act as principal or agent in the

acquisition or disposition of any investment. The Trustee may commingle moneys on deposit in any of the funds or accounts established pursuant to the 2010B Indenture (other than the Rebate Fund) into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee thereunder shall be accounted for separately notwithstanding such commingling.

Rebate Fund

A special fund is created under the 2010B Indenture and designated the “Rebate Fund” to be held by the Trustee. The Authority shall comply with the requirements contained in the 2010B 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 Department of the Treasury. All amounts on deposit in the Rebate Fund shall be governed by the 2010B Indenture and the Tax Certificate, unless the Authority obtains an opinion of Bond Counsel to the effect that certain specified requirements in the 2010B Indenture or the Tax Certificate no longer need to be satisfied.

Notwithstanding anything in the 2010B Indenture to the contrary, the obligation to comply with the requirements of the 2010B Indenture with respect to the Rebate Fund shall survive the defeasance of the 2010B Bonds.

Authority and City to Perform Installment Purchase Agreement

Pursuant to the 2010B Indenture, the Authority and City covenant and agree with the Owners to perform all obligations and duties imposed on them under the 2010 Installment Purchase Agreement and, together with the Trustee, to enforce such 2010 Installment Purchase Agreement against the other party thereto in accordance with its terms.

Pursuant to the 2010B Indenture, the Authority and the City will in all respects promptly and faithfully keep, perform, and comply with all the terms, provisions, covenants, conditions, and agreements of the 2010 Installment Purchase Agreement to be kept, performed, and complied with by it.

Pursuant to the 2010B Indenture, the Authority and the City agree not to do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the 2010 Installment Purchase Agreement.

Tax Covenants

Pursuant to the 2010B Indenture, the Authority irrevocably elects (i) to apply the provisions of Section 54AA(d) of the Code to the 2010B Bonds and intends that the 2010B Bonds be treated as “build America bonds” within the meaning of Section 54AA(d) of the Code and (ii) to apply the provisions of Section 54AA(g) of the Code to the 2010B Bonds and intends that the 2010B Bonds be treated as “qualified bonds” within the meaning of Section 54AA(g) of the Code, such that the 2010B Bonds will be treated as Build America Bonds eligible for the Interest Subsidy Payments. Each of the Authority and the City covenants as follows:

Build America Bonds; Interest Subsidy Payments. The Authority and the City shall take all actions necessary to assure that the proceeds of the 2010B Bonds are expended and federal tax requirements are met so as to cause the 2010B Bonds to be treated as Build America Bonds eligible for the Interest Subsidy Payments.

Application of Interest Subsidy Payments. The Authority shall apply and transfer, or shall cause the Authority's authorized designated recipient to apply and transfer, all Interest Subsidy Payments, if, as, and when received by the Authority or the Authority's authorized designated recipient, to the Payment Fund, which Interest Subsidy Payments shall be applied in accordance with the 2010B Indenture as a credit against the portion of the 2010 Installment Payment applicable to the 2010B Bonds due by the City with respect to the next Interest Payment Date.

Form 8038-CP. The Authority or the Authority's authorized designated recipient shall, within the forty-five (45) day period beginning on the day that is ninety (90) days prior to each Interest Payment Date, file Form 8038-CP (or any successor form designated by the United States Department of the Treasury or the Internal Revenue Service) requesting payment of the Interest Subsidy Payment with respect to such Interest Payment Date.

Acquisition Fund. The Authority and the City shall insure that all amounts in the Acquisition Fund are spent solely on capital expenditures with a reasonably expected economic life of one year or more.

2% Costs of Issuance Limitation. Neither the Authority nor the City shall permit proceeds of the 2010B Bonds, including the investment earnings thereon, in an amount in excess of two percent (2%) of the proceeds of the sale of the 2010B Bonds to be used to pay Costs of Issuance. If the fees of the Original Purchaser of the 2010B Bonds are retained as an underwriter's discount on the purchase of the 2010B Bonds, such retention shall be deemed to be an expenditure of proceeds of the 2010B Bonds for such fees and shall be applied against such two percent (2%) Costs of Issuance limitation.

Private Activity. Neither the Authority nor the City shall take any action or refrain from taking any action or make any use of the proceeds of the 2010B Bonds or of any other moneys or property that would cause the 2010B Bonds to be "private activity bonds" within the meaning of Section 141 of the Code.

Arbitrage. Neither the Authority nor the City shall make any use of the proceeds of the 2010B 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 2010B Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Federal Guaranty. Neither the Authority nor the City shall make any use of the proceeds of the 2010B Bonds or take or omit to take any action that would cause the 2010B Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code. For this purpose, the Interest Subsidy Payments shall not be treated as a federal guaranty.

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

Hedge Bonds. Neither the Authority nor the City shall make any use of the proceeds of the 2010B 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 2010B Bonds to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the Authority or the City, as applicable, takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code.

Miscellaneous. Neither the Authority nor the City shall take any action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the Authority and

the City in connection with the issuance of the 2010B Bonds and each shall comply with the covenants and requirements stated therein and incorporated by reference in the 2010B Indenture.

Taxable Bonds. The covenants set forth in the 2010B Indenture shall not be applicable to, and nothing contained therein shall be deemed to prevent the Authority or the City from issuing bonds, other than the 2010B Bonds, the interest on which has been determined by the Authority or the City, as applicable, to be subject to federal income taxation.

Accounting Records and Reports

Pursuant to the 2010B Indenture, the Trustee shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all transactions made by it relating to the receipts, disbursements, allocation, and application of the 2010 Installment Payments, and such books shall be available for inspection by the Authority, the City, and any Owner, or his agent or representative, at reasonable hours and under reasonable conditions. Each month, so long as the 2010B Bonds are outstanding, the Trustee shall furnish to the Authority and the City a statement covering receipts, disbursements, allocation, and application of amounts on deposit in the funds and accounts created under the 2010B Indenture held by it.

Compliance with 2010B Indenture

Pursuant to the 2010B Indenture, the Trustee will not execute, or permit to be executed, any 2010B Bonds in any manner other than in accordance with the provisions of the 2010B Indenture, and neither the Authority nor the City will suffer or permit any default by it to occur under the 2010B Indenture, but will faithfully observe and perform all the covenants, conditions, and requirements thereof.

Observance of Laws and Regulations

To the extent necessary to assure their performance under the 2010B Indenture, the Authority and the City will well and truly keep, observe, and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board, or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the Authority or the City respectively, including its right to exist and carry on its business, to the end that such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Compliance with Contracts

Pursuant to the 2010B Indenture, the City shall comply with the terms, covenants, and provisions, express or implied, of all contracts for the use of the 2010 Project by the City, and all other contracts and agreements affecting or involving the 2010 Project to the extent that the City is a party thereto.

Prosecution and Defense of Suits

Pursuant to the 2010B Indenture, the City shall promptly, upon request of the Trustee or any Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System or any part thereof (other than Separate Facilities), whether now existing or hereafter developing, shall prosecute all such suits, actions, and other proceedings as may be appropriate for such purpose.

Recordation and Filing

Pursuant to the 2010B Indenture, the Trustee, upon written direction of the Authority or the City, shall record, register, file, renew, refile, and re-record all such documents, including financing statements, as may be required by law in order to maintain a security interest in the 2010B Indenture and the Assignment Agreement, all in such manner, at such times and in such places as may be required by, and to the extent permitted by, law in order fully to preserve, protect, and perfect the security of the Owners and the rights and security interests of the Trustee. The Trustee, upon written direction of the Authority or the City, shall (subject to the provisions of the 2010B Indenture) do whatever else may be necessary or be reasonably required in order to perfect and continue the lien of the 2010B Indenture and the Assignment Agreement.

Eminent Domain

Pursuant to the 2010B Indenture, if all or any part of the 2010 Project shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be applied in the manner specified in the 2010 Installment Purchase Agreement.

Further Assurances

The Authority and the City will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all rights, interest, powers, benefits, privileges, and advantages conferred or intended to be conferred upon them by the 2010B Indenture.

Notice of Non-Payment

Pursuant to the 2010B Indenture, in the event of delinquency in the payment of any 2010 Installment Payments due by the City pursuant to the 2010 Installment Purchase Agreement, the Trustee shall, after one Business Day following the date upon which such delinquent 2010 Installment Payment was due, immediately give written notice of the delinquency and the amount of the delinquency to the City and the Authority.

Action on Default or Termination

Pursuant to the 2010B Indenture, upon the occurrence of an Event of Default (as that term is defined in the 2010 Installment Purchase Agreement), which event shall constitute a default under the 2010B Indenture, and in each and every such case during the continuance of such Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of 2010B Bonds at the time Outstanding shall be entitled, upon notice in writing to the City and the Authority, to exercise the remedies provided to the Authority in the 2010 Installment Purchase Agreement.

Upon declaration of the entire principal amount of the unpaid 2010 Installment Payments and the accrued interest thereon to be due and payable immediately and provided such declaration is not rescinded or annulled, all in accordance with the 2010 Installment Purchase Agreement, the Trustee shall apply all moneys received as 2010 Installment Payments that are applicable to the 2010B Bonds and all moneys held in any fund or account under the 2010B Indenture (other than the Rebate Fund) to the payment of the entire principal amount of the 2010B Bonds and the accrued interest with respect thereto,

with interest on the overdue 2010B Bonds at the rate or rates of interest applicable to the 2010B Bonds if paid in accordance with their terms.

Other Remedies of the Trustee

Pursuant to the 2010B Indenture, the Trustee shall have the right —

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any director, officer, or employee thereof, and to compel the City or any such director, officer, or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the 2010B Indenture;

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

(c) by suit in equity upon the happening of any default under the 2010B Indenture to require the City and its directors, officers, and employees, to account as the trustee of an express trust.

Non-Waiver

Pursuant to the 2010B Indenture, a waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the 2010B Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If any action, proceeding, or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Trustee and the City shall be restored to their former positions, rights, and remedies as if such action, proceeding, or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the 2010B Indenture conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the 2010B Indenture or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. If any remedial action is discontinued or abandoned the Owners shall be restored to their former position.

No Obligation by the City to the Owners

Except for the payment of 2010 Installment Payments when due in accordance with the 2010 Installment Purchase Agreement and the performance of the other covenants and agreements of the City contained in said Installment Purchase Agreement and in the 2010B Indenture, the City shall have no obligation or liability to the Owners with respect to the 2010B Indenture or the execution, delivery, or transfer of the 2010B Bonds, or the disbursement of 2010 Installment Payments to the Owners by the Trustee; provided, however, that nothing contained in the 2010B Indenture shall affect the rights, duties, or obligations of the Trustee expressly set forth therein.

No Obligation with Respect to Performance by the Trustee

Neither the City nor the Authority shall have any obligation or liability to any of the other parties to the 2010B Indenture or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the 2010B Indenture.

No Liability to Owners for Payment

The Authority shall not have any obligation or liability to the Owners with respect to the payment of the 2010 Installment Payments by the City when due, or with respect to the performance by the City of any other covenant made by it in the 2010 Installment Purchase Agreement or in the 2010B Indenture. Except as provided in the 2010B Indenture, the Trustee shall not have any obligation or liability to the Owners with respect to the payment of the 2010 Installment Payments by the City when due, or with respect to the performance by the City of any other covenant made by it in the 2010 Installment Purchase Agreement or in the 2010B Indenture.

No Responsibility for Sufficiency

The Trustee shall not be responsible for the sufficiency of the 2010B Indenture, the 2010 Installment Purchase Agreement, or of the assignment made to it by the Assignment Agreement of rights to receive 2010 Installment Payments pursuant to the 2010 Installment Purchase Agreement, or the value of or title to the 2010 Project. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it under the terms of and in accordance with the 2010B Indenture, to the extent permitted by law.

Trustee; Duties, Removal, and Resignation

By executing and delivering the 2010B Indenture, the Trustee accepts the duties and obligations of the Trustee provided in the 2010B Indenture, but only upon the terms and conditions set forth in the 2010B Indenture.

The Authority or, if the City is in default under the 2010 Installment Purchase Agreement, the Owners of a majority in aggregate principal amount of all 2010B Bonds Outstanding, may by written request to the Trustee, remove the Trustee initially a party to the 2010B Indenture, and any successor thereto, and may appoint a successor Trustee, but any such successor shall be a bank or trust company doing business and having a corporate trust office in California, which has (or the parent holding company of which has) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 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.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion, or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in the 2010B Indenture, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges, and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything in the 2010B Indenture to the contrary notwithstanding.

The Trustee may resign by giving thirty (30) days written notice to the Authority and the City and by giving to the Owners notice of such resignation by mail at the addresses shown on the Bond Register maintained by the Trustee. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event that the Authority does not appoint a successor Trustee within thirty (30) days following receipt of such notice of resignation, the resigning Trustee may at the expense of the Authority petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Notwithstanding any other provision of the 2010B Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed by the Authority.

Protection of the Trustee

Pursuant to the 2010B Indenture, the Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, opinion, affidavit, voucher, bond, requisition, or other paper or document, which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the 2010B Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any 2010B Bond or to take any action at the request of any such person unless such 2010B Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such 2010B Bond shall be furnished to the Trustee. The Trustee may consult with counsel, who may be counsel to the Authority or the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

Whenever in the administration of its duties under the 2010B Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be therein specifically prescribed) shall be deemed to be conclusively proved and established by a certificate of the Authority or the City and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of the 2010B Indenture upon the faith thereof, but in its discretion the Trustee may (but shall have no duty), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold, and deal in any of the 2010B Bonds provided pursuant to the 2010B Indenture, and may join in any action that any Owner may be entitled to take with like effect as if the Trustee were not a party to the 2010B Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the City or the Authority, and may act as depository, trustee, or agent for any committee or body of Owners or of obligations of the Authority or the City as freely as if it were not the Trustee under the 2010B Indenture.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers and perform the duties required of it under the 2010B Indenture by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duties under the 2010B Indenture, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it with reasonable care. The Trustee shall not be answerable for the

exercise of any discretion or power under the 2010B Indenture or for anything whatever in connection with the funds and accounts established thereunder, except only for its own willful misconduct or negligence.

The recitals, statements, and representations by the City or the Authority contained in the 2010B Indenture or in the 2010B Bonds shall be taken and construed as made by and on the part of the City or Authority and not by the Trustee and the Trustee does not assume, and shall not have, any responsibility or obligations for the correctness of any thereof.

The Trustee undertakes to perform such duties, and only such duties as are specifically set forth in the 2010B Indenture and no implied duties or obligations shall be read into the 2010B Indenture against the Trustee.

No provision in the 2010B 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.

In accepting the trust created by the 2010B Indenture, the Trustee acts solely as the Trustee for the Owners and not in its individual capacity; and all persons, including without limitation the Owners and the City or the Authority having any claim against the Trustee arising from the 2010B Indenture shall look only to the funds and accounts held by the Trustee thereunder for payment except as otherwise provided therein. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the 2010B Bonds.

The Trustee makes no representation or warranty express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City or the Authority of the 2010 Project. In no event shall the Trustee be liable for incidental, indirect, special, or consequential damages in connection with or arising from the 2010 Installment Purchase Agreement or the 2010B Indenture for the existence, furnishing or use of the 2010 Project.

The Trustee shall not be deemed to have knowledge of any Event of Default under the 2010B Indenture or under the 2010 Installment Purchase Agreement unless and until it shall have actual knowledge thereof or have received notice thereof at its corporate trust office at the address set forth in the 2010B Indenture.

The Trustee shall not be accountable for the use or application by the City, or the Authority or any other party of any funds that the Trustee has released in accordance with the terms of the 2010B Indenture.

The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2010B Bonds.

The Trustee is authorized and directed to execute in its capacity as the Trustee the Assignment Agreement.

Before taking any action under the 2010B Indenture the Trustee may require indemnity satisfactory to the Trustee be furnished for any expenses and to protect it against any liability it may incur thereunder.

The immunities extended to the Trustee also extend to its directors, officers, employees, and agents.

The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of a majority (or other percentage provided for in the 2010B Indenture) in aggregate principal amount of 2010B Bonds Outstanding relating to the exercise of any right, power or remedy available to the Trustee.

The permissive right of the Trustee to do things enumerated in the 2010B Indenture shall not be construed as a duty.

The Trustee's rights to immunities and protection from liability under the 2010B Indenture and its rights to payment of its fees and expense shall survive its resignation or removal and final payment or defeasance of the 2010B Bonds.

Amendments Permitted

The 2010B Indenture and the rights and obligations of the City and of the Owners and of the Trustee may be modified or amended at any time by an amendment thereto, which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the 2010B Bonds then outstanding, exclusive of 2010B Bonds disqualified as provided in the 2010B Indenture, shall have been filed with the Trustee. No such modification or amendment shall (1) extend the stated maturities of the 2010B Bonds, or reduce the rate of interest represented thereby, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the redemption thereof, without the consent of the Owner of each 2010B Bond so affected, or (2) reduce the aforesaid percentage of Owners of 2010B Bonds whose consent is required for the execution of any amendment or modification of the 2010B Indenture, or (3) modify any of the rights or obligations of the Trustee or the Authority without its written consent thereto.

The 2010B Indenture and the rights and obligations of the Authority and the City and of the Owners may also be modified or amended at any time by an amendment thereto, which shall become binding upon adoption, without the consent of the Owners, but only to the extent permitted by law 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 2010B Indenture other covenants and agreements thereafter to be observed or to surrender any right or power in the 2010B Indenture reserved to or conferred upon the Authority or the City, and which shall not adversely affect the interests of the Owners;

(ii) to cure, correct, or supplement any ambiguous or defective provision contained in the 2010B Indenture or in regard to questions arising under the 2010B Indenture, as the Authority or the City may deem necessary or desirable, and which shall not adversely affect the interests of the Owners;

(iii) to make such amendments as may be necessary or desirable to assure that the 2010B Bonds retain their status as Build America Bonds eligible to receive Interest Subsidy Payments; and

(iv) to make such other amendments or modifications as may be in the best interests of the Owners.

Defeasance; Discharge of Indenture

When the obligations of the City under the 2010 Installment Purchase Agreement shall cease pursuant thereto (except for the right of the Trustee and the obligation of the City to have the money and Permitted Investments mentioned therein applied to the payment of 2010 Installment Payments as therein set forth and the obligation to apply moneys on deposit in the Rebate Fund as provided in the 2010B Indenture), then and in that case the obligations created by the 2010B Indenture shall thereupon cease, terminate, and become void except for the obligation of the City to direct the Trustee to apply money on deposit in the Rebate Fund as provided in the 2010B Indenture, which shall continue until such moneys are so applied and the right of the Owners to have applied and the obligation of the Trustee to apply such moneys and Permitted Investments to the payment of the 2010B Bonds as set forth in the 2010B Indenture, and subject to application of moneys on deposit in the Rebate Fund as provided in the 2010B Indenture, the Trustee shall turn over to the City, after provision for payment of amounts due the Trustee under the 2010B Indenture, as an overpayment of 2010 Installment Payments, any surplus in the Payment Fund and all balances remaining in any other funds or accounts other than moneys and Permitted Investments held for the payment of the 2010B Bonds at maturity or on redemption, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the benefit of the Owners and shall be applied by the Trustee to the payment, when due, of the principal and interest and premium, if any, represented by the 2010B Bonds, and after such payment, the 2010B Indenture shall become void.

If moneys or securities described in clause 1(i) or (ii) of the definition of Permitted Investments are deposited with and held by the Trustee as provided in the 2010B Indenture, the Trustee shall within thirty (30) days after such moneys or Permitted Investments shall have been deposited with it, mail a notice, first-class postage prepaid, to the Owners at the addresses listed on the Bond Register kept by the Trustee pursuant to the 2010B Indenture, setting forth (a) the date fixed for redemption of the 2010B Bonds, (b) a description of the moneys or securities described in clause 1(i) or (ii) of the definition of Permitted Investments so held by it, and (c) that the 2010B Indenture has been released in accordance with the provisions thereof.

Deposit of Money or Securities with the Trustee

Whenever in the 2010B Indenture or the 2010 Installment Purchase Agreement it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or prepay any 2010B Bonds, the money or securities to be so deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the 2010B Indenture and shall be —

(a) lawful money of the United States of America in an amount equal to the principal amount represented by such 2010B Bonds and all unpaid interest represented thereby to maturity, except that, in the case of 2010B Bonds that are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the 2010B Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price and all unpaid interest to such date of redemption if any, represented by such 2010B Bonds; or

(b) non-callable securities described in clause 1(i) or (ii) of the definition of Permitted Investments that will provide money sufficient, in the opinion of an Independent Certified Public Accountant, to pay the principal at maturity or upon redemption plus all accrued interest to maturity or to the redemption date, as the case may be, represented by the 2010B Bonds to be paid or redeemed, as such amounts become due, provided that, in the case of 2010B Bonds that are to be redeemed prior to the

maturity thereof, notice of such redemption shall have been given as provided in the 2010B Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the 2010B Indenture and the 2010 Installment Purchase Agreement or by Written Request of the City) to apply such money or securities to the payment of such principal or Redemption Price and interest represented by such 2010B Bonds.

Unclaimed Moneys

Anything contained in the 2010B Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the interest or principal or Redemption Price represented by any of the 2010B Bonds that remain unclaimed for one (1) year after the date of deposit of such moneys if deposited with the Trustee after the date when the interest and principal or Redemption Price represented by such 2010B Bonds have become payable, shall be repaid by the Trustee to the City 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 City for the payment of the interest and principal or Redemption Price represented by such 2010B Bonds; provided, however, that before being required to make any such payment to the City, the Trustee shall, at the written request and expense of the City, first mail a notice to the Owners of the 2010B Bonds so payable that such moneys remain unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the City. The obligation of the Trustee under the 2010B Indenture to pay any such amounts to the City will be subject to any provisions of law applicable to the Trustee providing other requirements for disposition of unclaimed property.

Additional Requirements Applicable to the Defeasance of the 2010B Bonds

As a precondition to the defeasance of the 2010B Bonds pursuant to the 2010B Indenture, the Authority shall cause to be delivered:

(a) a report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the 2010B Bonds in full on the maturity or redemption date (the "Verification Report");

(b) notice of the defeasance of the 2010B Bonds not less than fifteen (15) Business Days prior thereto; and

(c) an opinion of Bond Counsel to the effect that the 2010B Bonds are no longer Outstanding.

Each such Verification Report and opinion required pursuant to the 2010B Indenture shall be acceptable in form and substance to the Authority and shall be addressed to the Authority and the Trustee.

Disqualified Bonds

2010B Bonds owned or held by or for the account of the Authority or the City (but excluding 2010B Bonds held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding 2010B Bonds provided for in the 2010B Indenture, and shall not be entitled to consent to or take any other action provided for in the 2010B

Indenture, unless all 2010B Bonds are so held. Upon request of the Trustee, the City shall specify to the Trustee those 2010B Bonds disqualified pursuant to the 2010B Indenture.

The Trustee may adopt appropriate regulations to require each Owner of 2010B Bonds, before his consent provided for in the 2010B Indenture shall be deemed effective, to reveal if the 2010B Bonds as to which such consent is given are disqualified as provided in the 2010B Indenture.

INSTALLMENT PURCHASE AGREEMENT

Deposit of Moneys

In order to induce the City to purchase the 2010 Project from the Authority and to assure the City that the moneys needed to pay the costs of the 2010 Project will be available, the Authority will issue (a) the 2010A Bonds and the proceeds of the 2010A Bonds will be deposited in the Acquisition Fund held by Trustee pursuant to the 2010A Indenture and (b) the 2010B Bonds and the proceeds of the 2010B Bonds will be deposited in the Acquisition Fund held by Trustee pursuant to the 2010B Indenture.

Acquisition and Construction of the 2010 Project

Pursuant to the 2010 Installment Purchase Agreement, the Authority agrees to cause the 2010 Project to be constructed, acquired, and installed and designates the City as its agent for the purpose of such construction, acquisition, and installation. The City shall enter into contracts and provide for, as agent for the Authority, the complete construction, acquisition, and installation of the 2010 Project. The City agrees that it will cause the construction, acquisition, and installation of the 2010 Project to be diligently performed after the deposit of funds with the Trustee as discussed in the 2010 Installment Purchase Agreement, and that it will use its best reasonable efforts to cause the construction, acquisition, and installation of the 2010 Project to be completed by January 1, 2013, force majeure events and unforeseeable delays beyond the reasonable control of the City only excepted. It is expressly understood and agreed in the 2010 Installment Purchase Agreement that, except for the deposits of the proceeds of the Bonds as described therein, the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the 2010 Project and that all such costs and expenses shall be paid by the City, regardless of whether the funds deposited in the Acquisition Fund established under each of the 2010A Indenture and the 2010B Indenture are sufficient to cover all such costs and expenses.

Changes to the 2010 Project

The City may, at any time, substitute other capital items for those listed as components of the 2010 Project in Exhibit A to the 2010 Installment Purchase Agreement, but only if the City first files with the Authority and the Trustee a statement of the City:

(a) identifying the capital items to be substituted and the City capital items they replace in the 2010 Project; and

(b) stating that the estimated costs of acquisition of the substituted capital items are not less than such costs for the capital items previously planned;

together with an opinion of special counsel to the City expert in matters pertaining to the issuance of obligations of municipalities the interest on which is excluded from gross income for federal income tax purposes to the effect that the substituted capital items will not adversely affect (i) the exclusion of the

interest on the 2010A Bonds from gross income of the Owners of the 2010A Bonds for federal income tax purposes or (ii) the 2010B Bonds' qualification to receive Interest Subsidy Payments.

Title

All right, title, and interest in each component of the 2010 Project shall vest in the City immediately upon the acquisition, construction, and installation thereof. Such vesting will occur without further action by the Authority or the City, and the Authority will deliver any and all documents required to assure such vesting.

Purchase Price

The Purchase Price for the 2010 Project to be paid by the City under the 2010 Installment Purchase Agreement to the Authority, solely from the Net Water 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 2010 Installment Purchase Agreement.

2010 Installment Payments

The City shall, subject to its rights of prepayment provided in the 2010 Installment Purchase Agreement, pay to the Authority, solely from the Net Water System Revenues and from no other sources, the Purchase Price in installment payments of interest and principal in the amounts and on the 2010 Installment Payment Dates as set forth in Exhibit B to the 2010 Installment Purchase Agreement. Pursuant to the 2010A Indenture, the portion of the 2010 Installment Payments received by the Trustee are to be applied to the payment of the principal of and interest on the 2010A Bonds. Pursuant to the 2010B Indenture, the portion of the 2010 Installment Payments received by the Trustee are to be applied to the payment of the principal of and interest on the 2010B Bonds. The 2010 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 2010A Bonds and 2010B Bonds on a parity basis, without any discrimination or preference. If and to the extent that, on any 2010 Installment Payment Date, (a) there are amounts on deposit in the Payment Fund established under the 2010A Indenture, which amounts are not being held for the payment of specific 2010A Bonds, said amounts shall be credited against the 2010 Installment Payment due on such date, or (b) there are amounts on deposit in the Payment Fund established under the 2010B Indenture, which amounts are not being held for the payment of specific 2010B Bonds, said amounts shall be credited against the 2010 Installment Payment due on such date. If all or a portion of the 2010A Bonds or the 2010B Bonds are no longer Outstanding as a result of redemption, early retirement through purchase by the City or the Authority, or defeasance of such 2010A Bonds or the 2010B Bonds, the schedule of 2010 Installment Payments set forth in Exhibit B to the 2010 Installment Purchase Agreement shall be deemed to have been modified so that the 2010 Installment Payments are sufficient, but no more than sufficient, to pay the scheduled payments of principal of and interest on the Outstanding 2010A Bonds and 2010B Bonds. Upon any such redemption, purchase, or defeasance, the City shall recalculate 2010 Installment Payments and shall provide the Trustee with a modified schedule of 2010 Installment Payments.

Each 2010 Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event the City fails to make any of the payments required to be made by it under the 2010 Installment Purchase Agreement, such payment shall continue as an obligation of the City until such amount shall have been fully paid and the City agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the 2010 Installment Payments if paid in accordance with their terms.

Subject to the 2010 Installment Purchase Agreement, the obligation of the City to make the 2010 Installment Payments 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 2010 Installment Purchase Agreement), the City will not discontinue or suspend any 2010 Installment Payments required to be made by it under the 2010 Installment Purchase Agreement when due, whether or not the Water System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced or curtailed, or terminated in whole or in part, and whether or not the 2010 Project has been completed, and such payments shall not be subject to reduction (except as provided in the 2010 Installment Purchase Agreement) 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.

Additional Payments

In addition to the 2010 Installment Payments, the City shall pay when due, solely from the Water System Revenues and from no other source, the following additional payments in consideration for the purchase of the 2010 Project:

(a) all reasonable compensation to the Trustee pursuant to each of the 2010A Indenture and the 2010B Indenture for all services rendered under the 2010A Indenture and the 2010B Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees, and other disbursements incurred in and about the performance of its powers and duties under the 2010A Indenture and the 2010B Indenture;

(b) the reasonable fees and expenses of such accountants, consultants, attorneys, and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, or opinions or provide such other services required under the 2010 Installment Purchase Agreement, the 2010A Indenture, or the 2010B Indenture; and

(c) to the extent not already paid under the 2001 Restated Installment Purchase Agreement, the 2004 Installment Purchase Agreement, or the 2006 Installment Purchase Agreement, all amounts necessary to pay any insurance premiums required to be made from time to time under the 2010 Installment Purchase Agreement.

Pledge of Water System Revenues

Pursuant to the 2010 Installment Purchase Agreement, all Water System Revenues and those amounts on deposit in the Revenue Fund are irrevocably pledged to the payment of the 2010 Installment Payments, the Additional Payments, and any and all other amounts payable under the 2010 Installment Purchase Agreement as provided therein, and the Water System Revenues shall not be used for any other purpose while any of the 2010 Installment Payments, the Additional Payments, and any and all other amounts payable under the 2010 Installment Purchase Agreement remain unpaid; provided that out of the Water System Revenues there may be apportioned such sums for such purposes as are expressly permitted in the 2010 Installment Purchase Agreement. The pledge to the payment of the 2010 Installment Payments shall constitute a first and exclusive lien on (i) Water System Revenues and (ii) (subject to application of amounts on deposit therein as permitted in the 2010 Installment Purchase Agreement, the 2010A Indenture, the 2010B Indenture, the 2001 Agreements, the 2004 Agreements, the 2006 Agreements, and the documents executed in connection with the issuance of City Bonds or other Contracts) the Revenue Fund and the other funds and accounts created under the 2010 Installment Purchase Agreement, for the payment of the Installment Payments and all other City Bonds and Contracts in accordance with the terms of the 2010 Installment Purchase Agreement, the 2010A Indenture, the 2010B Indenture, the 2001 Agreements, the 2004 Agreements, the 2006 Agreements, and the documents executed in connection with the issuance of the City Bonds or other Contracts.

Allocation of Water System Revenues

In order to carry out and effectuate the pledge and lien contained in the 2010 Installment Purchase Agreement and in the 2001 Restated Installment Purchase Agreement, the 2004 Installment Purchase Agreement, and the 2006 Installment Purchase Agreement, the City agrees and covenants in the 2010 Installment Purchase Agreement that all Water System Revenues shall be received by the City in trust and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund was established by the 2001 Restated Installment Purchase Agreement, and which fund the City agrees and covenants to maintain and to hold separate and apart from other funds so long as any 2010 Installment Payments, Additional Payments, or Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the City as provided in the 2010 Installment Purchase Agreement, the 2010A Indenture, the 2010B Indenture, the 2001 Agreements, the 2004 Agreements, the 2006 Agreements, and the documents executed in connection with the issuance of any City Bonds or other Contracts.

The City shall, from the moneys in the Revenue Fund, pay all Maintenance and Operation Costs as they become due and payable.

All remaining moneys in the Revenue Fund shall be transferred, without preference or priority, to (a) the Trustee, to pay Debt Service under the 2010 Installment Purchase Agreement, in the amounts and at the times required below, (b) the trustee for the 2001 Bonds, to pay Debt Service under the 2001 Restated Installment Purchase Agreement, in the amounts and at the times required by the 2001 Restated Installment Purchase Agreement, (c) the trustee for the 2004 Bonds, to pay Debt Service under the 2004 Installment Purchase Agreement, in the amounts and at the times required by the 2004 Installment Purchase Agreement, (d) the trustee for the 2006 Bonds, to pay Debt Service under the 2006 Installment Purchase Agreement, in the amounts and at the times required by the 2006 Installment Purchase Agreement, and (e) other trustees or parties entitled to payment for City Bonds or other Contracts, to pay Debt Service on City Bonds and other Contracts, in the amounts and at the times required by the documents executed in connection with the issuance of the City Bonds or other Contracts. In the event of any insufficiency of such moneys to pay all amounts in clauses (a) through (e) above, the City shall transfer moneys in the Revenue Fund to the parties in clauses (a) through (e) above ratably without any discrimination or preference.

After the deposits set forth in the immediately preceding paragraph have been made, remaining moneys in the Revenue Fund shall be transferred, without preference or priority, to (v) the Trustee, as trustee for the 2010A Bonds, to replenish the Reserve Fund established under the 2010A Indenture (or reserve fund surety bond) securing the 2010A Bonds, and as trustee for the 2010B Bonds, to replenish the Reserve Fund established under the 2010B Indenture (or reserve fund surety bond) securing the 2010B Bonds, in the amounts and at the times required below, (w) the trustee for the 2001 Bonds, to replenish any reserve fund (or reserve fund surety bond) securing the 2001 Bonds, in the amounts and at the times required by the 2001 Restated Installment Purchase Agreement, (x) the trustee for the 2004 Bonds, to replenish any reserve fund (or reserve fund surety bond) securing the 2004 Bonds, in the amounts and at the times required by the 2004 Installment Purchase Agreement, (y) the trustee for the 2006 Bonds, to replenish any reserve fund (or reserve fund surety bond) securing the 2006 Bonds, in the amounts and at the times required by the 2006 Installment Purchase Agreement, and (z) other trustees or parties entitled to payment for City Bonds or other Contracts, to replenish any reserve fund (or reserve fund surety bond) securing such City Bonds or other Contracts, in the amounts and at the times required by the documents executed in connection with the issuance of such City Bonds or other Contracts. In the event of any insufficiency of such moneys to pay all amounts in clauses (v) through (z) above, the City shall transfer moneys in the Revenue Fund to the parties in clauses (v) through (z) above ratably without any discrimination or preference.

All 2010 Installment Payments shall be set aside by the City at the following times in the following respective special funds established under each of the 2010A Indenture and the 2010B Indenture, ratably without any discrimination or preference, in the following order of priority and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes hereinafter authorized in the 2010 Installment Purchase Agreement:

(a) Payment Funds. On or before the fifth last Business Day of each month, the City shall, from the moneys in the Revenue Fund, transfer to the Trustee, as trustee for each of the 2010A Bonds and the 2010B Bonds, respectively, for deposit in the applicable Payment Fund established under each of the 2010A Indenture and the 2010B Indenture, respectively, a sum equal to (1) one-sixth of the portion of the next 2010 Installment Payment designated as 2010A Bond interest or 2010B Bond interest, as applicable, as set forth in Exhibit B to the 2010 Installment Purchase Agreement, and coming due on the next 2010 Installment Payment Date (provided, however, that if there are fewer than six such dates prior to the first Interest Payment Date, then the portion of such interest coming due on such 2010 Installment Payment Date that is payable monthly on each such date is a fraction, the numerator of which is one and the denominator of which is the number of such dates) and (2) one-twelfth of the portion of the next 2010 Installment Payment designated as 2010A Bond principal or 2010B Bond principal, as applicable, as set forth in Exhibit B to the 2010 Installment Purchase Agreement, and coming due on the next applicable 2010 Installment Payment Date (provided, however, that if there are fewer than twelve such dates prior to the first Interest Payment Date on which principal of Bonds is payable, then the portion of such principal coming due on such 2010 Installment Payment Date that is payable monthly on each such date is a fraction, the numerator of which is one and the denominator of which is the number of such dates).

No deposit need be made in the applicable Payment Fund of 2010 Installment Payments if the amount in such Payment Fund is at least equal to the amount of the 2010 Installment Payment due and payable during the current Bond Year with respect to the 2010A Bonds or the 2010B Bonds, as applicable.

(b) Reserve Funds. On or before the last day of each month, the City shall, from the moneys in the Revenue Fund after the transfers described in subparagraph (a) above have been made, transfer to the Trustee, as trustee for each of the 2010A Bonds and the 2010B Bonds, respectively, for deposit in the applicable Reserve Fund established under each of the 2010A Indenture and the 2010B Indenture, respectively, that sum, if any, equal to one-twelfth of the amount necessary, calculated on the date of any transfer described above, to restore the applicable Reserve Fund to an amount equal to the applicable Reserve Requirement; provided however, that the City may provide for the applicable Reserve Fund at any time, in whole or in part, by (i) a policy of insurance issued by a municipal bond insurance company rated in the highest rating category of each rating agency then rating the 2010A Bonds or the 2010B Bonds, as applicable, (ii) a letter of credit rated in the two highest rating categories (excluding gradations within a rating category) of each rating agency then rating the 2010A Bonds or the 2010B Bonds, as applicable, (iii) a surety bond rated in the highest rating category of each rating agency then rating the 2010A Bonds or the 2010B Bonds, as applicable, or (iv) any other security device rated in the highest rating category of each rating agency then rating the 2010A Bonds or the 2010B Bonds, as applicable.

No transfer of moneys for deposit to the applicable Reserve Fund in connection with the 2010 Installment Payments need be made if the amount contained therein or amount represented by a Reserve Fund Surety Bond is at least equal to the applicable Reserve Requirement.

(c) Surplus. On the last day of each month, moneys on deposit in the Revenue Fund not necessary to make any of the payments required above and not disbursed under the 2001 Agreements, the 2004 Agreements, the 2006 Agreements, and any agreements relating to City Bonds or other Contracts

may be expended by the City at any time to pay for (i) Additional Payments and (ii) any purpose permitted by law.

Covenants of the City

Compliance with 2010 Installment Purchase Agreement and Ancillary Agreements. The City will punctually pay the 2010 Installment Payments and the Additional Payments in strict conformity with the terms of the 2010 Installment Purchase Agreement, and will faithfully observe and perform all the agreements, conditions, covenants, and terms contained in the 2010 Installment Purchase Agreement required to be observed and performed by it, and will not terminate the 2010 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 2010 Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State 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 2010 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 herewith 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 will faithfully observe and perform all the agreements, conditions, covenants, and terms contained in the 2010A Indenture and the 2010B Indenture required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to the 2010 Installment Purchase Agreement, the 2010A Indenture, and the 2010B Indenture that, subject to the 2010 Installment Purchase Agreement, each of the agreements, conditions, covenants, and terms contained in each such agreement is an essential and material term of the purchase of and payment for the 2010 Project by the City pursuant to, and in accordance with, and as authorized under the laws of the State.

The City will faithfully observe and perform all the agreements, conditions, covenants, and terms required to be observed and performed by it pursuant to all outstanding Contracts and City Bonds (including, but not limited to, the 2010 Installment Purchase Agreement, the 2010A Indenture, the 2010B Indenture, the 2001 Agreements, the 2004 Agreements, and the 2006 Agreements) as such may from time to time be executed or issued, as the case may be.

Against Encumbrances. The City will not make any pledge of or place any lien on Water System Revenues or the moneys in the Revenue Fund except as provided in the 2010 Installment Purchase Agreement or as provided for in the 2001 Agreements, the 2004 Agreements, or the 2006 Agreements. The City may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a pledge of and lien on Water System Revenues or any moneys in the Revenue Fund as may from time to time be deposited therein (as provided in the 2010 Installment Purchase Agreement), provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided in the 2010 Installment Purchase Agreement and in the 2001 Agreements, the 2004 Agreements, and the 2006 Agreements.

Against Sale or Other Disposition of Property. The City will not enter into any agreement or lease that impairs the operation of the Water System or any part thereof necessary to secure adequate Water System Revenues for the payment of the Installment Payments, Additional Payments, or Debt Service on outstanding Contracts or City Bonds, or that would otherwise impair the rights of the Authority under the 2010 Installment Purchase Agreement or under the 2010A Indenture, the

2010B Indenture, the 2001 Agreements, the 2004 Agreements, the 2006 Agreements, or the operation of the Water System. Any real or personal property that has become non-operative or that is not needed for the efficient and proper operation of the Water System, or any material or equipment that has become worn out, may be sold if such sale will not impair the ability of the City to pay the Installment Payments, the Additional Payments, and Debt Service on outstanding Contracts and City Bonds, and if the proceeds of such sale are deposited in the Revenue Fund.

The provisions described in the foregoing paragraph shall not restrict the ability of the City to sell any portion of the Water System if such portion of the Water System is immediately repurchased by the City and if such arrangement cannot by its terms result in the purchaser of such portion of the Water System exercising any remedy that would deprive the City of or otherwise interfere with its rights to own or operate such portion of the Water System.

Against Competitive Facilities. The City will not, to the extent permitted by law, acquire, construct, maintain, or operate and will not, to the extent permitted by law and within the scope of its powers and excluding any water system existing on the date of execution of the 2010 Installment Purchase Agreement, permit any other public or private agency, corporation, district or political subdivision, or any person whomsoever to acquire, construct, maintain, or operate within the City any water system competitive with the Water System.

Maintenance and Operation of the Water System. The City will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable.

Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials, or supplies, which if unpaid, might become a lien on the Water System Revenues or the funds or accounts created under the 2010 Installment Purchase Agreement or under the 2010A Indenture or the 2010B Indenture or on any funds in the hands of the City pledged to pay the 2010 Installment Payments and Additional Payments or to the Owners prior or superior to the lien to secure the 2010 Installment Payments and the Additional Payments or that might impair the security of the 2010 Installment Payments.

Compliance with Contracts. The City will 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 Water System and all other contracts affecting or involving the Water System to the extent that the City is a party thereto.

Insurance.

(a) The City will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with facilities similar to the Water System so long as such insurance is available at reasonable rates.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair, or replacement of the damaged or destroyed portion of the Water System. The City shall begin such reconstruction, repair, or replacement promptly after receipt of such Net Proceeds, 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 Water System shall be free and clear of all claims and liens regardless of the availability of Net Proceeds therefore. The City covenants to reconstruct, repair, or replace the damaged or destroyed portions of the Water System promptly if a failure to reconstruct, repair, or replace such portions would impair or adversely affect the ability of the City to pay Installment Payments, Additional Payments, or Debt Service on outstanding Contracts and City Bonds, none of which payments shall be abated or reduced in the event of any such damage or destruction. Any Net Proceeds not applied to the reconstruction, repair, or replacement of the damaged or destroyed portions of the Water System shall be applied either to additions, betterments, extensions, or improvements to the Water System or if the City elects not to apply such Net Proceeds to such capital items or if such Net Proceeds are not fully expended for such purposes, such Net Proceeds not required by the City for such purposes shall be deposited in the Revenue Fund and applied to the payment of the Installment Payments and Debt Service on outstanding Contracts and City Bonds.

(b) The City will 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 municipal water systems similar to the Water System.

(c) Any insurance required to be maintained as described in paragraph (a) above, and if the City determines to procure and maintain insurance as described in paragraph (b) above, 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 water systems similar to the Water System and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance required by the 2010 Installment Purchase Agreement to be maintained shall provide that the Authority, the Trustee, and the Insurer shall be given thirty (30) days written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Accounting Records; Financial Statements and Other Reports. The City will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions.

Protection of Security and Rights of the Authority. The City will preserve and protect the security of the 2010 Installment Purchase Agreement and the rights of the Authority to the 2010 Installment Payments and Additional Payments thereunder and the rights of persons entitled to receive Additional Payments thereunder and will warrant and defend such rights against all claims and demands of all persons.

Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments, and other governmental charges that may hereafter be lawfully imposed upon the Water System, or any part thereof or upon the Water System Revenues when the same shall become due. The City will duly observe and comply with all valid regulations and requirements of any governmental authority relative to the operation of the Water 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.

Amount of Rates and Charges. The City shall, to the fullest extent permitted by law, fix, prescribe, and collect rates and charges for the Water Service that will be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to the sum of (a) one hundred percent (100%) of the Debt Service for such Fiscal Year, plus (b) the amount by which the amount on deposit in the 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 Water System Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the 2010 Installment Purchase Agreement.

Collection of Rates, Charges, and Assessments. The City will have in effect at all times rules and regulations requiring each landowner or water user located on any land served by the Water System to pay the rates, charges, and assessments applicable to the Water Service to such land and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the City may discontinue such service from the Water System or prohibit groundwater extractions in accordance with City rules and regulations governing such situations of delinquency.

Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied either to additions, betterments, extensions, or improvements to the Water System or if the City elects not to apply such Net Proceeds to such capital items or if such Net Proceeds are not fully expended for such purposes, such Net Proceeds not required by the City for such purposes shall be deposited in the Revenue Fund and applied to the payment of the Installment Payments and Debt Service on outstanding Contracts and City Bonds.

Further Assurance. The City will 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 2010 Installment Purchase Agreement and for the better assuring and confirming unto the Authority of the rights and benefits provided to it therein.

Prepayment

(a) The 2010 Installment Payments are subject to optional prepayment in whole or in part (in integral multiples of \$5,000) on any date on or after June 1, 20__, at the option of the City, at a prepayment price equal to the principal amount thereof together with accrued interest to the date fixed for the redemption of 2010A Bonds and as determined by the City, as a result thereof and a premium equal to the premium, if any, payable on the 2010A Bonds to be redeemed as a result thereof pursuant to Section 4.1(a) of the 2010A Indenture.

In addition, the 2010 Installment Payments applicable to 2010B Bond principal and 2010B Bond interest, as set forth in Exhibit B to the 2010 Installment Purchase Agreement, are subject to optional prepayment in whole or in part (in integral multiples of \$5,000) on any date, at the option of the City, upon and after occurrence of an Interest Subsidy Termination Event, at a prepayment price equal to the Interest Subsidy Termination Optional Redemption Price payable with respect to the principal amount of 2010B Bonds being redeemed on the date fixed for redemption of such 2010B Bonds pursuant to the 2010B Indenture.

In addition, the 2010 Installment Payments applicable to 2010B Bond principal and 2010B Bond interest, as set forth in Exhibit B to the 2010 Installment Purchase Agreement, are subject to optional prepayment in whole or in part (in integral multiples of \$5,000) on any date, at the option of the City, at a prepayment price equal to the Make-Whole Optional Redemption Price payable with respect to the principal amount of 2010B Bonds being redeemed on the date fixed for redemption of such 2010B Bonds pursuant to the 2010B Indenture.

Notwithstanding any such prepayment, the City shall not be relieved of its obligations under the 2010 Installment Purchase Agreement until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Authority and the Trustee).

(b) In the event of any prepayment of 2010 Installment Payments, the 2010 Installment Payments shall be modified accordingly, and the schedule of 2010 Installment Payments set forth in Exhibit B to the 2010 Installment Purchase Agreement shall be likewise revised as set forth in a Certificate of the Chief Financial Officer and the Authority delivered to the Trustee.

Method of Prepayment

Before making any prepayment pursuant to the 2010 Installment Purchase Agreement, the City shall, within five (5) days following the event permitting the exercise of such right to prepay or creating the obligation to prepay or a determination to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) nor more than seventy-five (75) days from the date such notice is given.

Events of Default and Acceleration of Maturities

The occurrence of one or more of the following events shall be considered an “Event of Default”:

(1) if default shall be made by the City in the due and punctual payment of the Installment Payments or Debt Service on any other Contract or City Bond when and as the same shall become due and payable; or

(2) if default shall be made by the City in the performance of any of the agreements or covenants required in the 2010 Installment Purchase Agreement to be performed by it, and such default shall have continued for a period of thirty (30) days after the City shall have been given notice in writing of such default by the Authority; or

(3) 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; or

(4) if payment of the principal of any Contract or City Bond is accelerated in accordance with its terms;

then and in each and every such case during the continuance of such Event of Default specified in clauses (3) and (4) above, the Authority shall, and for any other such Event of Default the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid 2010 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 2010 Installment Purchase Agreement to the contrary notwithstanding. The foregoing provisions, however, are subject to the condition that if at any time after the entire principal amount of the unpaid 2010 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 Debt Service on any other Contract or City Bond referred to in clause (1) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Installment Payments or such Contract or City Bond if paid 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 2010 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 therefore, 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 Funds Upon Acceleration

Upon the date of the declaration of acceleration as provided in the 2010 Installment Purchase Agreement, all Water System Revenues thereafter received by the City shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such Water System Revenues ratably without any discrimination or preference, of the fees, costs, and expenses of the Authority and Trustee if any, in carrying out the provisions of the 2010 Installment Purchase Agreement, including reasonable compensation to their respective accountants and counsel; and

Second, to the payment of the Maintenance and Operation Costs; and

Third, to the payment of the entire principal amount of the unpaid Installment Payments and the unpaid principal amount of all City Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Installment Payments and such City Bonds and Contracts if paid in accordance with their respective terms.

Other Remedies of the Authority

The Authority shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any director, officer, or employee thereof, and to compel the City or any such director, officer, or employee to perform and carry out its or his duties under the laws of the State and the agreements and covenants required to be performed by it or him contained in the 2010 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 directors, officers, and employees to account as the trustee of an express trust.

Notwithstanding anything contained in the 2010 Installment Purchase Agreement the Authority shall have no security interest in or mortgage on the 2010 Project or the Water System and default under the 2010 Installment Purchase Agreement shall not result in the loss of the 2010 Project or the Water System.

Non-Waiver

Nothing in the 2010 Installment Purchase Agreement shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the 2010 Installment Payments or any Additional Payments to the Authority or the other persons entitled to payment at the respective due dates or upon prepayment from the Net Water System Revenues, the Revenue Fund, and the other funds pledged in the 2010 Installment Purchase Agreement for such payment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the 2010 Installment Purchase Agreement.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by the laws of the State or by the 2010 Installment Purchase Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding, or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the City and the Authority shall be restored to their former positions, rights, and remedies as if such action, proceeding, or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the 2010 Installment Purchase Agreement conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the 2010 Installment Purchase Agreement or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the laws of the State or any other law.

Discharge of Obligations

The obligations set forth in the 2010 Installment Purchase Agreement are discharged when:

(a) all or any portion of the 2010 Installment Payments shall have become due and payable in accordance with the 2010 Installment Purchase Agreement or a written notice of the City to prepay all or any portion of the 2010 Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the 2010 Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Authority or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the 2010 Installment Payments, sufficient moneys or securities described in clause 1(i) or (ii) of the definition of Permitted Investments, the principal of and interest on which when due will provide moneys sufficient, in the opinion of an Independent Certified Public Accountant, to pay all principal, prepayment premium, if any, and interest of such 2010 Installment Payments to their respective 2010 Installment Payment Dates or prepayment date or dates, as the case may be; and

(c) provision shall have been made for paying all fees and expenses of the Trustee, any amounts owing to the provider of any Reserve Fund Surety Bond, and all Additional Payments, then and in that event, if an opinion of Bond Counsel is filed with the Trustee to the effect that the actions

authorized by and taken pursuant to the 2010 Installment Purchase Agreement shall not adversely affect the tax exempt status of the interest on the 2010A Bonds the right, title, and interest of the Authority in the 2010 Installment Purchase Agreement and the obligations of the City under the 2010 Installment Purchase Agreement shall, with respect to all or such portion of the 2010 Installment Payments as have been so provided for, thereupon cease, terminate, become void, and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the City to have such moneys and such Permitted Investments applied to the payment of such 2010 Installment Payments). In such event, upon request of the City the Trustee shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the City, after payment of all amounts due the Trustee pursuant to the 2010A Indenture and the 2010B Indenture, as applicable, as an overpayment of 2010 Installment Payments, all such moneys or such Permitted Investments held by it pursuant hereto other than such moneys and such Permitted Investments, as are required for the payment or prepayment of the 2010 Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the 2010 Installment Payments and shall be applied by the Trustee to the payment of the 2010 Installment Payments of the City.

Liability of City Limited to Water System Revenues

Notwithstanding anything contained in the 2010 Installment Purchase Agreement, the City shall not be required to advance any moneys derived from any source of income other than the Net Water System Revenues and amounts on deposit in the Revenue Fund and the other funds described in the 2010 Installment Purchase Agreement and in the 2010A Indenture or the 2010B Indenture for the payment of the 2010 Installment Payments or for the performance of any agreements or covenants required to be performed by it contained in the 2010 Installment Purchase Agreement. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the 2010 Installment Payments is a special obligation of the City payable solely from such Net Water System Revenues and amounts on deposit in the Revenue Fund and other funds described in the 2010 Installment Purchase Agreement, and does not constitute a debt of the City or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Amendments Permitted

(a) The 2010 Installment Purchase Agreement and the rights and obligations of the Authority and the City and of the Owners of the 2010A Bonds or the 2010B Bonds and of the Trustee may be modified or amended at any time by an amendment thereto, which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the 2010A Bonds or the 2010B Bonds, as applicable, then Outstanding, exclusive of Bonds disqualified as provided in the 2010A Indenture and the 2010B Indenture, as applicable, shall have been filed with the Trustee. No such modification or amendment shall (i) extend the stated maturities of the Bonds, or reduce the rate of interest represented thereby, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Owners of Bonds whose consent is required for the execution of any amendment or modification of the 2010 Installment Purchase Agreement, or (iii) modify any of the rights or obligations of the Trustee or the Authority without its written consent thereto.

(b) The 2010 Installment Purchase Agreement and the rights and obligations of the Authority and the City and of the Owners of the 2010A Bonds or the 2010B Bonds, or both, may also be modified or amended at any time by an amendment thereto, which shall become binding upon adoption, without the consent of the Owners of any Bonds, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority or the City contained in the 2010 Installment Purchase Agreement other covenants and agreements thereafter to be observed or to surrender any right or power reserved in the 2010 Installment Purchase Agreement to or conferred upon the Authority or the City, and which shall not adversely affect the interests of the Owners of the Bonds;

(2) to cure, correct, or supplement any ambiguous or defective provision contained in the 2010 Installment Purchase Agreement or in regard to questions arising under the 2010 Installment Purchase Agreement, as the Authority or the City may deem necessary or desirable and that shall not adversely affect the interests of the Owners of the Bonds; and

(3) to make such other amendments or modifications that are not materially adverse to the interests of the Owners of the Bonds.

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 or its taxing power 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 197,067 in 2009, accounting for approximately 24% of the County’s population. The City is a primary center of County industrial activity. The City has a diversified economic base composed of light and heavy manufacturing, retail, service, and government sectors.

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.

Population

The City’s population has grown from approximately 160,300 people in 2000 to approximately 197,067 in 2009. The following table shows the approximate changes in population in the City, the County, the State, and the United States for the years 2000 through 2009.

**Population of
City, County, State, and U.S.
2000 through 2009 ⁽¹⁾**

<u>Year</u>	<u>City</u>	<u>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>
2000	160,300	--	758,614	--	34,095	--	282,172	--
2001	177,700	10.85%	773,301	1.94%	34,767	1.97%	285,082	1.03
2002	182,027	2.44	786,668	1.73	35,361	1.71	287,804	0.95
2003	181,800	(0.12)	798,060	1.45	35,944	1.65	290,326	0.88
2004	186,122	2.38	806,399	1.04	36,454	1.42	293,046	0.94
2005	188,941	1.51	811,934	0.69	36,899	1.22	295,753	0.92
2006	189,990	0.56	818,200	0.77	37,298	1.08	298,593	0.96
2007	192,997	1.58	824,041	0.71	37,713	1.11	301,580	1.00
2008	194,905	0.99	830,343	0.76	38,148	1.16	304,375	0.92
2009	197,067	1.10	836,080	0.69	38,293	0.38	307,007	0.86

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

Sources: For City: City’s Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2009; for State and County: California Department of Finance (Table 2: E-4 – Population Estimates for Cities, Counties and State, 2001 – 2009, with 2000 Benchmark; for U.S.: United States Bureau of the Census.

Property Tax Rates

In June of 1978, California voters approved Proposition 13 (the Jarvis-Gann Initiative), which added Article 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 an obligation of the City referred to as the “Public Safety Retirement Debt.” The following table details the City’s property tax rates for the last 10 fiscal years.

**City of Oxnard
Property Tax Rates
Fiscal Years 2000 through 2009**

<u>Fiscal Year Ended June 30</u>	<u>Article XIII A Basic Tax Rate</u>	<u>City District (Public Safety Retirement Debt)</u>	<u>School Districts</u>	<u>Water Districts</u>	<u>Total Tax Rates</u>
2000	1.00%	0.18067%	0.14920%	0.06067%	1.39054%
2001	1.00	0.17277	0.11070	0.06399	1.34746
2002	1.00	0.20417	0.10420	0.05690	1.36527
2003	1.00	0.21447	0.10790	0.05120	1.37357
2004	1.00	0.20384	0.09770	0.04476	1.34630
2005	1.00	0.19624	0.08410	0.04224	1.32258
2006	1.00	0.17614	0.09850	0.03691	1.31155
2007	1.00	0.16564	0.08220	0.03272	1.28056
2008	1.00	0.17864	0.10500	0.02922	1.31286
2009	1.00	0.19334	0.11160	0.01290	1.31784

Source: City’s Comprehensive Annual Financial Report, Fiscal Year Ending June 30, 2009.

Property Tax Levies, Collections, and Delinquencies

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

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

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

Proposition 1A was passed by California voters in 2004 (“Proposition 1A”) to ensure local property tax and sales tax revenues remain with local government, thereby safeguarding funding for public safety, health, libraries, parks, and other local services. Provisions of Proposition 1A can only be suspended if the Governor declares a fiscal necessity and two-thirds of the State Legislature concur.

An emergency suspension of Proposition 1A was passed by the State Legislature and signed by the Governor on July 28, 2009, as ABX4 14 and ABX4 15 (the “Proposition 1A Suspension”) as part of the State budget package for Fiscal Year 2009-10. Under the provisions of the Proposition 1A

Suspension, State borrowed 8% of the amount of property tax revenue apportioned to cities, counties, and special districts. The City's share of property tax borrowed by the State totaled \$3,713,733. The State is required to repay such borrowed funds (plus interest) by no later than June 30, 2013. The Proposition 1A Suspension also permits local agencies to sell their respective rights to receive certain of the moneys to which they would otherwise be entitled under Proposition 1A (the "Proposition 1A Receivables") to the California Statewide Communities Development Authority, a joint powers authority ("California Communities"), under a securitization program (the "Proposition 1A Securitization Program"). The City has elected to sell its Proposition 1A Receivables under the Proposition 1A Securitization Program, and expects to receive full payment for such Proposition 1A Receivables during Fiscal Year 2009-10 in the approximate amount of \$3,713,733.

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

City of Oxnard
Property Tax Levies, Collections and Delinquencies
Fiscal Years 2000 through 2009

Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as a Percentage of Tax Levy
2000	\$17,038,470	\$17,317,763	101.64%	\$ 99,032	\$17,416,795	102.22%
2001	23,380,000	23,484,567	100.45	90,164	23,574,731	100.83
2002	25,900,000	25,718,029	99.30	284,711	26,002,740	100.40
2003	30,040,000	29,892,747	99.51	190,546	30,083,293	97.32
2004	35,432,169	35,281,916	99.58	344,390	35,626,306	99.99
2005	44,743,658	49,223,170	110.01	126,250	49,349,420	110.29
2006	54,511,910	58,537,770	107.39	132,403	58,670,173	107.63
2007	59,401,879	68,429,117	115.20	129,679	68,558,796	115.42
2008	69,931,705	75,726,668	108.29	121,075	75,847,743	108.46
2009	69,147,624	76,681,392	110.90	145,945	76,827,337	111.11

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ending June 30, 2009.

Assessed Property Values

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

City of Oxnard
Assessed Property Values
Fiscal Years 2000 through 2009

Year Ended June 30	Real Property Assessed Value	Personal Property Assessed Value	Exemptions	Total Assessed Value
2000	\$ 6,844,276,538	\$ 91,597,348	\$ 874,969,634	\$ 6,060,904,252
2001	7,645,814,717	97,930,553	846,810,724	6,896,934,546
2002	8,351,831,139	111,351,225	905,863,935	7,557,318,429
2003	9,093,618,247	124,301,084	1,110,078,014	8,107,841,317
2004	10,228,878,641	117,948,102	1,346,099,223	9,000,727,520
2005	11,509,455,540	114,301,049	1,537,114,090	10,086,642,499
2006	13,220,739,863	120,544,440	1,835,609,239	11,505,675,064
2007	15,001,093,942	147,705,238	2,126,175,049	13,022,624,131
2008	16,332,160,523	121,309,333	2,299,830,016	14,153,639,840
2009	16,624,509,905	130,760,465	2,692,759,267	14,062,511,103

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ending June 30, 2009.

Principal Taxable Property Owners

The following table lists the principal taxable property owners in the City as of June 30, 2009.

City of Oxnard Principal Taxable Property Owners

<u>Property Owner</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Procter & Gamble Paper Products	\$ 286,909,233	1.762%
St. John's Regional Medical Center	212,314,343	1.304
Reliant Energy Ormond Beach, Inc.	84,700,000	0.520
MEF Realty LLC	81,333,355	0.499
Essex Tierra Vista Limited Partnership	81,115,378	0.497
GS Channel Islands LLC	80,640,312	0.495
Haas Automation Inc.	79,349,400	0.487
SI VIII LLC	76,591,411	0.470
Duesenberg Investment Company	65,256,074	0.401
Fred Kavli	64,813,345	0.398
Other Taxpayers	<u>15,174,455,552</u>	<u>93.177</u>
Totals	\$16,287,478,403	100.000

Source: City.

Outstanding Debt

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

City of Oxnard Outstanding Debt 2000 through 2009

<u>Fiscal Year</u>	<u>Governmental Activities</u>				<u>Business-Type Activities</u>		<u>Total Outstanding Debt</u>
	<u>Revenue Bonds</u>	<u>Certificates of Participation</u>	<u>Tax Allocation Bonds</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Capital Leases</u>	
2000	\$12,285,000	\$ 8,805,000	\$15,620,000	\$1,163,893	\$ 89,448,949	---	\$127,322,842
2001	10,705,000	8,625,000	15,065,000	891,305	85,646,884	\$1,401,008	122,334,197
2002	9,080,000	8,440,000	14,475,000	604,201	88,945,000	1,215,752	122,759,953
2003	9,535,000	8,245,000	13,850,000	307,187	84,030,000	2,824,171	118,791,358
2004	22,874,301	8,045,000	19,185,000	1,729,354	214,035,699	2,916,139	268,785,493
2005	21,607,009	7,835,000	18,635,000	1,412,398	236,943,314	2,469,070	288,901,791
2006	19,975,756	7,620,000	18,030,000	1,086,013	298,559,567	2,010,676	347,282,012
2007	43,109,750	7,395,000	37,940,000	749,911	292,625,260	1,536,788	383,356,709
2008	41,746,367	34,835,000	37,040,000	493,471	286,428,643	4,603,874	405,147,355
2009	40,337,356	34,350,000	47,755,000	293,886	278,427,654	4,053,370	405,217,266

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ending June 30, 2009.

Measure O – Sales Tax Increase

On November 4, 2008, the voters in the City approved Measure O, which imposed a one-half cent sales tax increase to be used to expand services within the City. Sales tax revenues comprise approximately 23% of the City's annual General Fund revenues. The City expects the Measure O sales tax increase to generate approximately \$10 million per year in additional sales tax revenues. While the City has not appropriated any revenues expected to be received under Measure O, approximately \$2 million of Measure O moneys has accrued for the first quarter of collections.

Taxable Retail Sales

Consumer spending in calendar year 2007 resulted in \$2,317,108 in taxable sales in the City, which is approximately 3.03% below calendar year 2006. The following table sets forth information regarding taxable sales in the City for each type of business for calendar years 2003 through 2007.

City of Oxnard
Taxable Retail Sales by Type of Business
2003 – 2007
(000s)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Apparel stores	\$ 50,399	\$ 52,822	\$ 52,493	\$ 53,269	\$ 53,950
General merchandise stores	290,338	305,784	318,237	332,808	333,691
Food stores	73,061	75,013	88,779	92,362	101,283
Eating and drinking places	153,932	163,844	170,252	178,192	184,228
Home furnishings and appliances	102,279	100,961	103,361	96,648	89,654
Building materials and farm implements	206,417	225,380	242,899	232,493	116,237
Auto dealers and auto supplies	513,072	538,817	535,695	500,410	463,496
Service stations	113,140	134,002	150,908	172,834	183,742
Other retail stores	<u>213,714</u>	<u>225,512</u>	<u>231,290</u>	<u>234,260</u>	<u>283,043</u>
Total Retail Outlets	1,716,352	1,822,135	1,893,914	1,893,276	1,809,324
All Other Outlets	<u>322,866</u>	<u>350,471</u>	<u>405,811</u>	<u>496,311</u>	<u>507,784</u>
Total All Outlets	\$2,039,218	\$2,172,606	\$2,299,725	\$2,389,587	\$2,317,108

Source: California State Board of Equalization.

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
(2004 through 2008)

<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	86,200	7.8%	415,600	5.4%
2005	87,100	6.8	421,200	4.7
2006	87,400	6.0	425,400	4.3
2007	88,400	6.6	431,400	5.4
2008	89,600	8.7	432,500	6.3

Source: State of California, Employment Development Department. These data may differ from amounts reflected in the City's Comprehensive Annual Financial Report for the applicable Fiscal Year, which amounts are reported as an average rate on a fiscal year basis.

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 Naval Construction Battalion Center, 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 approximately 33

acres from the Navy in 1997 has enabled it to increase facilities for importing foreign automobiles. Automobile imports increased by 12.7% in 1997, making the Port one of the top 10 entry points in the United States 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 and covers approximately 310 acres. The Oxnard Airport is operated by Ventura County as a general and commercial aviation air field. The Oxnard Airport handles passenger as well as cargo services. United Express provides feeder service to Los Angeles International Airport. Local bus service is provided by South Coast Area Transit System (SCAT), a regional public transit agency funded by the County and member cities. Service is available in Ojai, Ventura, Oxnard, and Port Hueneme. The Greyhound bus line provides passenger and parcel service from its Oxnard station. Great American Stagelines provides passenger services between Oxnard and Los Angeles every hour. A multi-modal transportation center located in downtown Oxnard brings together all these forms of transportation.

Education

There are 35 elementary, 8 junior high, and 5 senior high schools located in and immediately around the City, plus eight parochial and private schools. The City is served by Oxnard College, which has an enrollment of over 6,300 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 California State University campus at Channel Islands (CSUCI) opened in fall 2002, and has a current enrollment of over 3,700 students. In addition, two campuses of the University of California, Santa Barbara (UCSB) and Los Angeles (UCLA), one campus of the California State University, Northridge (CSUN), and two private universities, Pepperdine and California Lutheran University, are within a 50 minute drive.

Recreation

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

The City owns River Ridge Golf Club, consisting of two 18-hole championship golf courses, the Vineyard Course and the Victoria Lakes Course. The City also owns a 1,600-seat Performing Arts Center located on Hobson Way in the center of the City.

City's Investment Policy

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

Introduction. The following statement of the City's Investment Policy is intended to provide guidelines for the prudent investment of surplus funds of the City, and to outline the policies for maximizing the efficiency of the City's cash management system. It is the policy of the City to invest

public funds in a manner which will provide high investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

U.S. Agencies. The purchase of instruments of, or issued by, a federal agency or a United States government-sponsored enterprise will be limited to a maximum maturity of five years. Such agencies include, but are not limited to, the Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Student Loan Marketing Association, Tennessee Valley Authority, and the Federal National Mortgage Corporation.

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

controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

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

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

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

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

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

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

Repurchase Agreements. The City may invest in repurchase agreements with banks and dealers of primary dealer status recognized by the Federal Reserve with which the City has entered into a master repurchase contract which specifies terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used as collateral for repurchase agreements shall be monitored by the City Treasurer's office and will not be allowed to fall below 102% of the value of the repurchase agreement. In order to conform with provisions of the Federal Bankruptcy Code, which provide

for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be eligible negotiable certificates of deposit, bankers' acceptances, commercial paper, or securities that are direct obligations of or that are fully guaranteed by the United States or any agency of the United States. These eligible securities are further defined by California Government Code Section 53651.

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

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

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

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

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

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

- government securities, at least 10% in excess.
- mortgage backed securities, at least 50% in excess.
- letters of credit, at least 5% in excess.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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APPENDIX C

**CITY OF OXNARD
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2009

Prepared by
Finance Department
James Cameron
Chief Financial Officer

*Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009
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INTRODUCTORY SECTION





300 West Third Street, Oxnard, CA 93030

December 08, 2009

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Oxnard, California (City) for the fiscal year ended June 30, 2009. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal control should not outweigh their benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Mayer Hoffman McCann PC, a firm of licensed certified public accountants, has issued an unqualified opinion on the City's financial statements for the year ended June 30, 2009. The independent auditor's report is located on page 1 in the financial section of this report. Mayer Hoffman McCann PC also performed the federally mandated "Single Audit", the results of which are presented under separate cover.

Following the independent auditor's report is management's discussion and analysis (MD&A), which provides an overview and analysis of the basic financial statements. The MD&A compliments this letter of transmittal and should be read in conjunction with it.

Profile of the City of Oxnard

The City, incorporated in 1903, is located in western Ventura County (County) on the shores of the Pacific Ocean. The City is approximately 65 miles northwest of the City of Los Angeles. Oxnard is the financial hub and the largest city in the County, with a population of 197,067 in 2009, representing over 23 percent of the County's population.

The City operates under the Council-Manager form of government. The City Council, elected at large on a non-partisan basis, consists of the mayor, directly elected for a two-

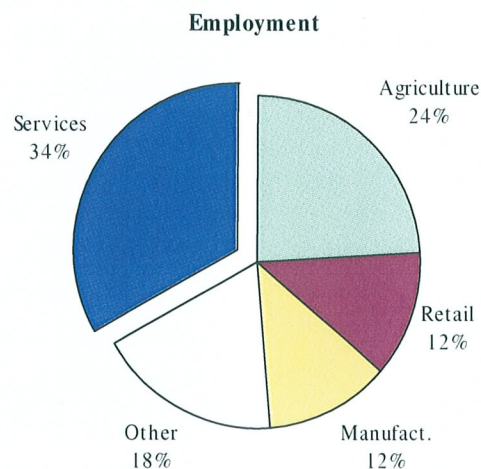
year term and four council members, elected for four-year staggered terms. The City Treasurer and City Clerk are also elected for four-year terms. The City Manager is appointed by the City Council for the administration of City affairs, including appointment of the heads of various departments, day-to-day operations, and implementation of the City Council policies. The City Attorney is also appointed by and reports directly to the City Council. Additionally, the City Council members, in separate session, serve as the governing boards of the City of Oxnard Financing Authority, Oxnard Community Development Commission (Redevelopment Agency), and with two tenant members as the Oxnard Housing Authority.

The City provides a full range of municipal services, including police and fire protection, construction and maintenance of streets and other such as parks and recreational facilities, libraries, recreational activities and cultural events. The City operates municipal water and wastewater treatment systems, refuse collection and a solid waste transfer and recycling 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 annual budget adopted by resolution of the City Council, serves as the foundation for the City's financial planning and control. The City Council approves operating and capital appropriations at the fund and department levels. Budgetary control is maintained at the department level and the department head may transfer resources within a department. While the City Manager may approve the transfer of funds between departments, special approval by the Council is required for adjustments to fund budgets. Although the budget must be adopted annually, the Council approves a balanced two-year operating budget and capital improvement plan. As part of the annual budget resolution, the Council reauthorizes appropriations for continuing projects and activities.

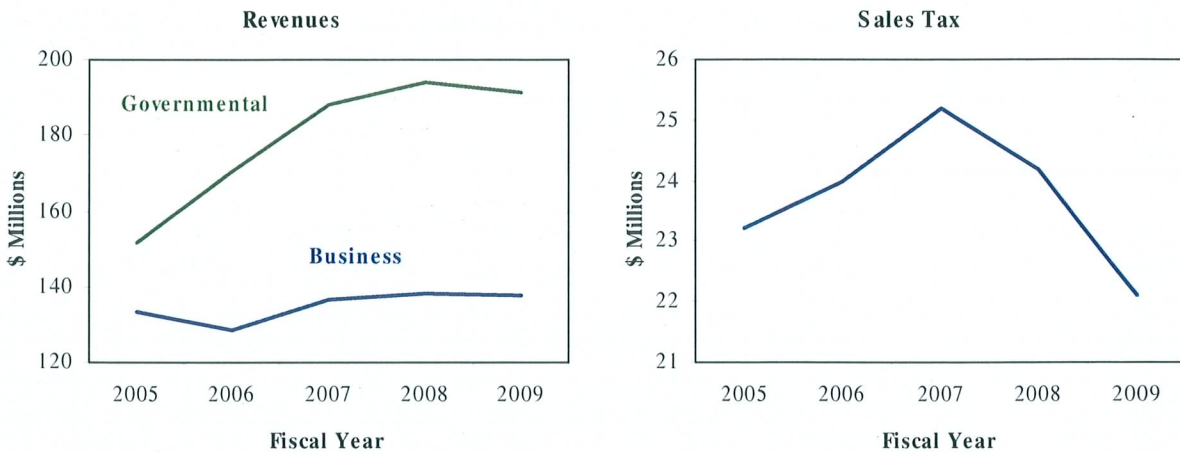
Local Economy

The City of Oxnard enjoys a diversified economic base composed of agriculture and related business, retail, various services, and governmental agencies. The services group provides the largest source of employment at 34% of Oxnard Metro area employment, with agriculture at 24%, retail trade at 12% and the manufacturing sector at 12%. The population of Oxnard continued to grow as a result of employment opportunities and low housing costs relative to other regions of the State.



At the same time the City continues to be impacted by the housing and credit crisis and the resulting economic slow down experienced throughout the State of California and the nation. Unemployment rate has jumped to just over 10% from a low of 4% just four years ago. Much of the employment decline has been in housing related industries such as construction and financial services; however, manufacturing and wholesale trades also experienced significant declines.

City governmental funds experienced a reduction in revenues in 2009. Sales taxes, excluding the new ½ cents sales tax, decreased 9% or \$2.1 million. Oxnard was particularly impacted by the decline in auto sales. Transient occupancy tax and business privilege tax collections also declined as tourism and business development were impacted by the recession. While not unexpected, property taxes continued to increase as a result of the lag in valuation adjustment. The other governmental revenues significantly impacted by the recession were fees and charges related to development activity. Business activity revenues were generally flat.



Long-term Financial Planning

The City has various long-term planning initiatives to support the financial management of City resources. As part of the biennial budget process, the City prepares a five-year financial forecast and presents a five-year capital program. The City is in the process of updating its general plan through 2030 and the Community Development Commission is operating under a five-year development plan. In addition, the Water, Wastewater, and Environmental Resource enterprises are developing long term master plans and rate recommendations. All these activities help the City anticipate and plan for future financial trends.

Because it is difficult to fully anticipate dramatic changes in the national and local economies the Council has set a general fund unreserved, undesignated fund balance goal of 18% of the general fund's operating expenditures. The City ended the fiscal year at 17% or \$18.2 million. As the economy improves in the coming years, it is anticipated that the 18% goal will be achieved.

Major Initiatives

During Fiscal Year 2008-09, the voters of Oxnard approved a ½ cent sales tax increase. While this is a general purpose tax, the City's policy is to use this additional revenue to improve services to the community by adding and improving City facilities and programs. This initiative includes a citizen oversight committee and requires that revenues and the projects and programs funded from the ½ cent sales tax be audited and reported annually to the community. The ½ cent sales tax will require reauthorization by the voters in 20 years.

The State of California is in its third year of a drought and many Cities are experiencing reductions in supply from state managed sources. The City is addressing both the short term drought conditions as well as long-term supply issues through two initiatives. First, the City continues to implement its recycled water program and plans to begin construction on an Advance Water Purification Facility and recycled water distribution system in late calendar year 2009. Second, in July 2009, the City Council adopted mandatory water conservation measures to decrease demand on the City's water resources.

Single Audit

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, are subject to the audit requirements of the Federal Office of Management and Budget (OMB) Circular A-133. This includes tests of compliance with federal laws and regulations. The results of the single audit performed by Mayer Hoffman McCann PC are available under separate cover.

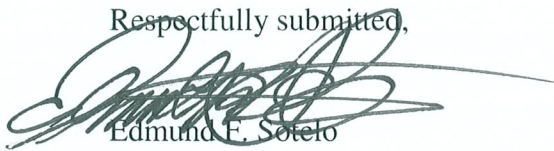
Awards and Acknowledgments

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 (CAFR) for the fiscal year ended June 30, 2008. This was the 20th consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR, whose content conforms to program standards. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City believes the current CAFR continues to conform to Certificate of Achievement Program's requirement and is submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to Marichu Maramba and to all members of the department as well as staff

from other departments who contributed to the preparation of this annual financial report. We would also like to acknowledge the Mayor and Council Members, the City Manager's staff, and department directors for their consistent support in maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Edmund E. Sotelo', with a long horizontal flourish extending to the right.

Edmund E. Sotelo
City Manager

A handwritten signature in dark ink, appearing to read 'James Cameron', with a long horizontal flourish extending to the right.

James Cameron
Chief Financial Officer

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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of Oxnard, California

CITY COUNCIL



ANDRES HERRERA
Mayor Pro Tem



DEAN MAULHARDT
Councilmember



DR. THOMAS E. HOLDEN
Mayor



DR. IRENE G. PINKARD
Councilwoman



BRYAN A. MACDONALD
Councilman



EDMUND F. SOTELO
City Manager

City of Oxnard Organizational Chart

Residents		
<u>City Treasurer</u> Danie Navas Customer Service (Eden Alomeri) Business Licensing Utility Billing	<u>City Council</u> Dr. Thomas E. Holden, Mayor Andres Herrera, Mayor Pro Tem Dean Maulhardt, Councilmember Dr. Irene G. Pinkard, Councilwoman Bryan A. MacDonald, Councilman	<u>City Clerk</u> Daniel Martinez Elections Information Resources
<u>City Attorney</u> Alan Holmberg Debt Collection Legal Assistance Special Litigation	<u>City Manager</u> Edmund Sotelo	<u>CDC</u> Curtis Cannon Central Business Dist. Harbor District H.E.R.O Ormond Beach Southwinds Special Projects
Assistant City Manager Karen Burnham		



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	Bill Wilkins	Jim Cameron	VACANT	Matt Winegar	Ken Ortega	Edmund Sotelo	Michelle Tellez	Barbara Murray
Administrative Services (Jason Benites) Emergency Communications Professional Standards Support Services Field Operations (Scott Whitney) Code Compliance Community Patrol Investigative Services (Mike Matlock) Investigative Services Special Services	Disaster Preparedness (Deborah Shane) Emergency Services (Darwin Base) (Michael O'Malia) (Chris Donabedian) Fire Prevention (Gary Sugich) CUPA (Miguel Trujillo)	Administrative Services (Carrie Sabatini) Affordable Housing (Ernie Whitaker) Housing Assistance (Will Reed) Capital Fund Asset Management (Rick Shear)	Budget and Capital Improvement (Beth Vo) Budget Capital Improvement Projects Financial Resources (Mike More) Debt & Property Management Liability Management General Accounting (Marichu Maramba) Accounting Payroll & Benefits Grants Management (Norma Owens) Grants Assistance Purchasing (Bruce Dandy) Mail Service 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 Transportation Planning & Services Building and Engineering (Rob Roshanian) Building and Engineering Planning (Sue Martin) Planning & Environmental Services	Administration (Michelle Romney) Construction and Design Services (Lou Balderrama) Construction Services Design Street Maintenance & Repair Traffic Signs & Markings Utilities Services (Mark Norris) Water Wastewater Environmental Resources	Operations Budget Cable Television Community Relations Neighborhood Services Public Information Special Projects Legislative Affairs (Martin Erickson)	Information Systems (Grace Hoffman) Citywide Network Support Document Publishing Services Geographic Information Systems Help Desk Municipal Software Support Telecommunications Support General Services (Michael Henderson) Facilities Maintenance Landscape Assessment & Graffiti Removal Park/Facility Development Parks Maintenance River Ridge Golf Course Street Lighting Fleet Services	Employee Benefits Employee Training Human Resources Labor Negotiations Safety & Wellness Workers' Compensation Carnegie Art Museum Circulation Services Branch Services Community Outreach Public Services Support Services

FINANCIAL SECTION





Mayer Hoffman McCann P.C.
An Independent CPA Firm

5060 California Avenue, Suite 800
Bakersfield, CA 93309
PH 661.325.7500
FAX 661.325.7004

INDEPENDENT AUDITORS' REPORT

To the 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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Oxnard, California's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, 2009, 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 December 07, 2009, on our consideration of the City of Oxnard, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and other required supplementary information on pages 3 through 15 and 79 through 84, 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

Southern California Locations

10474 Santa Monica Blvd. Suite 200 • Los Angeles, CA 90025 • PH 310.268.2000 • FX 310.268.2001
5060 California Ave. Suite 800 • Bakersfield, CA 93309 • PH 661.325.7500 • FX 661.325.7004
300 Esplanade Dr. Suite 250 • Oxnard, CA 93036 • PH 805.988.3222 • FX 805.988.3220

presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oxnard, California's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining, individual nonmajor funds financial statements, and nonmajor fund budgetary comparison information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mayer Hoffman McCann P.C.

Bakersfield, California
December 07, 2009

MANAGEMENT DISCUSSION AND ANALYSIS



Management's Discussion and Analysis

This section of the City of Oxnard's annual financial report presents management's discussion and analysis of the financial performance of the City for the fiscal year ended June 30, 2009. Please read this information in conjunction with the transmittal letter, which can be found in the introductory section of this report (pages i to v), and the City's financial statements beginning on page 17.

Financial Highlights

- The assets of the City exceeded its liabilities by \$1.8 billion (net assets) at the close of the fiscal year. In the previous year, net assets were \$1.77 billion.
- The City's total net assets increased by \$26.7 million primarily from investments in capital assets.
- As of the close of the fiscal year, the City's governmental activities reported combined net assets of \$1.49 billion, an increase of \$11.4 million from the prior year. The unrestricted fund balance of \$111.6 million reflects an increase of \$32.6 million from the prior year primarily due to a change in reporting authorized capital projects.
- At the end of the fiscal year, the unreserved/undesignated fund balance of the General Fund was \$18.2 million, which is 17% of the general fund's operating expenditures.
- The City's total debt (excluding compensated absences) increased by \$0.1 million during the current fiscal year. Tax Allocation Bonds, Series 2008 in the amount of \$11.8 million were issued for the Community Development Commission HERO project area. Repayment of other outstanding debt offset the additional bonds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition this report contains other supplementary and statistical information.

Government-wide financial statements. The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector business. The statement of net assets includes all of the City's assets and liabilities with the difference reported as net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial health of the City is improving or deteriorating. Fiscal year revenues and expenses are reported in the statement of activities regardless of when cash is received or paid. The statement of activities summarizes the basis for the changes in net assets.

The two government-wide financial statements distinguish between activities that are primarily supported by taxes and intergovernmental revenues (governmental activities) and business type activities that are intended to recover all or a significant part of their costs.

- *Governmental activities* include most of the City's basic services such as general government, public safety, public works, community development, parks, recreation, and library services. Property and sales taxes, franchise fees, user fees, interest income, and State and Federal grants finance these activities.
- *Business-type activities* consist of the City's water and wastewater systems, environmental resources, housing services, and the operations of the Performing Arts and Convention Center and River Ridge Golf Course. The City charges fees to customers to recover the cost of these services.

The government-wide financial statements can be found on pages 17 through 18.

Fund financial statements. A fund is an accountability unit used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used by state and local governments to meet legal requirements and enhance management of financial resources. The City's funds have been divided into three categories:

- *Governmental funds.* As with the governmental activities reported in the government wide financial statements, most of the City's basic services are reported in governmental funds. Governmental fund statements use the modified accrual basis of accounting and focus on the flow of financial resources to and from those funds and the balances of spendable resources that are available at year-end. As a result, governmental funds provide a short-term view that can be used to evaluate near-term requirements for financial resources. Because governmental fund statements do not encompass the long-term focus of the government-wide statements, a reconciliation of these statements is included following the governmental funds statements. The basic governmental fund financial statements begin on page 19.
- *Proprietary funds.* The City maintains two types of proprietary funds to report services for which customer fees are intended to finance the costs of operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds report activities that provide supplies and services for the City's programs and services. Internal service funds include the City's self-insurance, utility customer services, information services, facilities maintenance and equipment maintenance services. While these internal service funds are combined into a single presentation for the proprietary funds financial statements, they are allocated to the appropriate function in the government-wide financial statements. The major funds of the enterprise funds are presented separately in the proprietary funds financial statements. Proprietary funds financial statements use similar accounting methods and focus, both long-term and short-term, as the government-wide statements. The basic proprietary fund financial statements begin on page 24.
- *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 method of accounting for these funds is similar to that of proprietary funds. The City's fiduciary activities are reported in a separate Statements of Fiduciary Net Assets. These activities are excluded from the City's government-wide financial statements because they do not support the City's own programs and operations. The basic fiduciary fund financial statements begin on page 32.

Notes to the financial statements. The notes provide additional information to the government-wide and fund financial statements that are important in fully understanding the data presented in the financial statements. The notes to the financial statements begin on page 33.

Government-wide Financial Analysis

A city's net assets may serve over time as a useful indicator of a government's financial position. As shown in the following table, the City of Oxnard's assets exceeded liabilities by \$1.8 billion at the close of the fiscal year, an increase of \$26.7 million.

Summary of Net Assets (\$thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current assets	\$ 221,051	\$ 237,455	\$ 87,942	\$ 100,804	\$ 308,993	\$ 338,259
Capital assets (net of accumulated depreciation)	1,454,991	1,429,705	502,807	490,413	1,957,798	1,920,118
Properties held for resale	6,076	4,034	-	-	6,076	4,034
Other assets	1,894	1,248	2,339	3,401	4,233	4,649
Total assets	1,684,012	1,672,442	593,088	594,618	2,277,100	2,267,060
Current liabilities	33,054	45,163	7,094	16,270	40,148	61,433
Non-current liabilities	155,117	142,876	284,848	292,468	439,965	435,344
Total liabilities	188,171	188,039	291,942	308,738	480,113	496,777
Net assets:						
Invested in capital assets, net of related debt	1,371,346	1,357,203	238,067	229,469	1,609,413	1,586,672
Restricted	12,852	48,175	7,811	8,782	20,663	56,957
Unrestricted	111,643	79,025	55,268	47,629	166,911	126,654
Total net assets	\$ 1,495,841	\$ 1,484,403	\$ 301,146	\$ 285,880	\$ 1,796,987	\$ 1,770,283

A significant portion of the City's net assets (90%) reflects its investment in capital assets net of accumulated depreciation, less any related debt outstanding used to acquire those assets. The net investment in capital assets increased \$22.7 million as the City continued to invest in infrastructure. Because these assets are tied up in land, buildings, equipment, and other infrastructure that support the services provided to citizens, these amounts are not available for future spending. The remainder of net assets is divided between restricted and unrestricted categories. Restricted net assets that are subject to external limitations on how they may be used make up 1% of the total. The remaining balance of \$166.9 million (9%) consists of unrestricted net assets of the City which may be used to meet future needs of the community.

As in prior fiscal years, the City reported positive balances for both governmental and business-type activities, as well as the government as a whole. Net assets of governmental activities increased \$11.4 million while business activities increased \$15.3 million.

The following table presents a summary of the changes in the City's net assets for the year ended June 30, 2009.

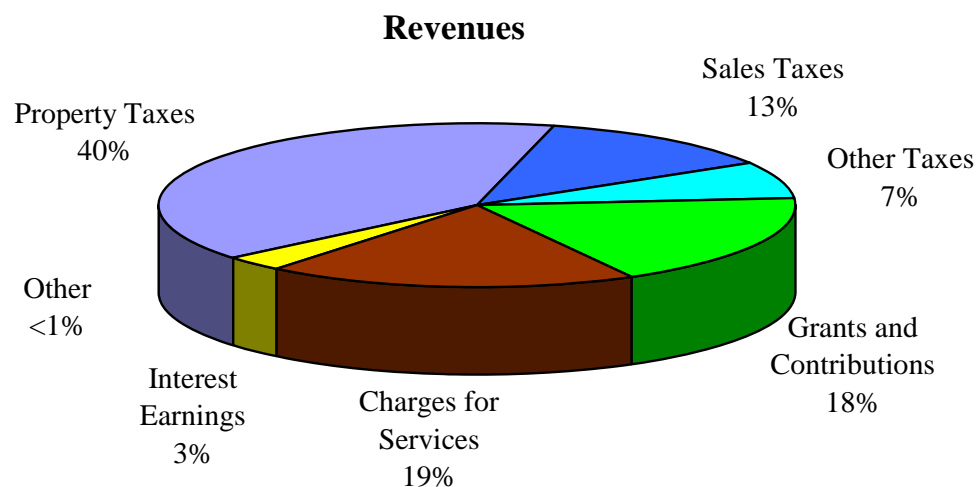
Summary of Changes in Net Assets
(\$thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Program revenues:						
Charges for services	\$ 36,186	\$ 37,165	\$ 114,007	\$ 133,300	\$ 150,193	\$ 170,465
Operating grants and contributions	25,875	23,208	19,636	-	45,511	23,208
Capital grants and contributions	9,420	12,903	543	-	9,963	12,903
General revenues:						
Taxes	114,469	113,184	-	-	114,469	113,184
Interest on investments	5,556	7,562	3,299	5,126	8,855	12,688
Sale of capital assets	59	4,352	2,863	-	2,922	4,352
Total revenues	191,565	198,374	140,348	138,426	331,913	336,800
Expenses:						
General government	19,718	21,899	-	-	19,718	21,899
Public safety	86,249	88,548	-	-	86,249	88,548
Transportation	10,600	10,848	-	-	10,600	10,848
Community development	26,990	27,123	-	-	26,990	27,123
Culture and leisure	20,945	18,162	-	-	20,945	18,162
Libraries	5,341	5,518	-	-	5,341	5,518
Interest on long-term debt	6,519	4,701	-	-	6,519	4,701
Water	-	-	29,837	33,417	29,837	33,417
Wastewater	-	-	22,338	24,009	22,338	24,009
Environmental Resource	-	-	41,117	45,330	41,117	45,330
Performing Arts and Convention Center	-	-	1,800	1,830	1,800	1,830
Oxnard Housing Authority	-	-	26,154	23,759	26,154	23,759
Municipal Golf Course	-	-	7,601	3,794	7,601	3,794
Total expenses	176,362	176,799	128,847	132,139	305,209	308,938
Change in Net Assets before Transfers	15,203	21,575	11,501	6,287	26,704	27,862
Transfers	(3,765)	5,181	3,765	(5,181)	-	-
Changes in net assets	11,438	26,756	15,266	1,106	26,704	27,862
Net Assets - July 1	1,484,403	1,457,647	285,880	284,774	1,770,283	1,742,421
Net Assets - June 30	\$ 1,495,841	\$ 1,484,403	\$ 301,146	\$ 285,880	\$ 1,796,987	\$ 1,770,283

Governmental Activities. The net assets of governmental activities increased by \$11.4 million during the fiscal year as follows:

- Although taxes make up the largest source of governmental revenues at 60%, taxes only contributed \$1.3 million to the increase in net assets. This increase was primarily due to accrued sales taxes collected from the new ½ cent sales tax approved by the voters in November of 2008. The base sales tax decreased by more than \$2 million due to the economic downturn. While property taxes increased about \$1 million, other taxes, including franchise taxes, the business license tax, and the transient occupancy tax were mixed. The increase in property taxes is due to completion of new construction in the prior year (basis year) and a minor adjustment to direct rates.
- Charges for services, which include various building permits and other development related fees as well as various user fees, make up 19% of governmental revenues. Decreases of \$4.5 million in development related fees were offset by a reclassification of developer deposits in the amount of \$3.2 million. The decrease in development and growth fees is caused by a significant reduction in residential development projects as a result of the housing and financial crisis. Charges for services decreased \$1 million overall.
- Grants and contributions for both capital and operating purposes make up 18% of revenues with the remaining 3% from interest on investments and sale of assets.

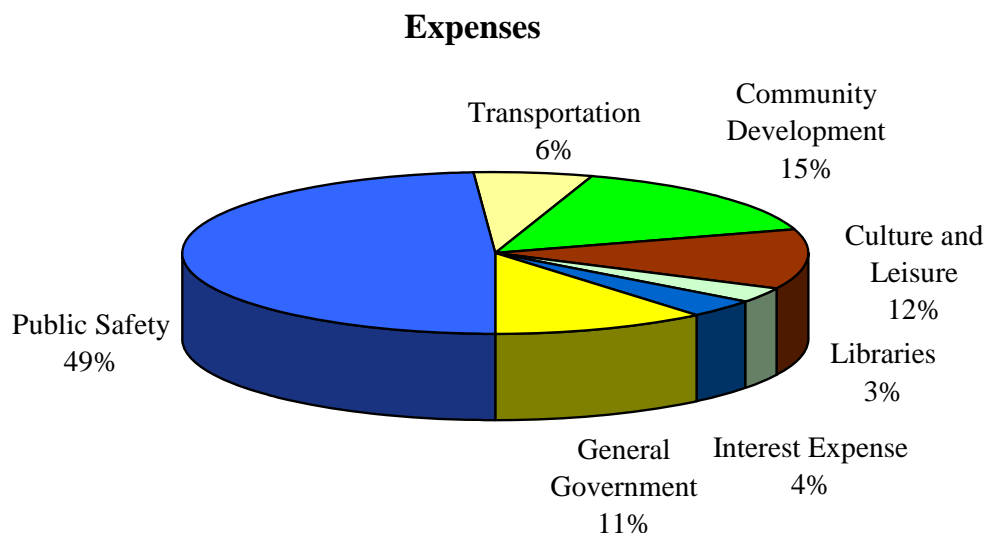
Governmental Activities



Of the \$176.4 million in total governmental expenses, 85% supports programs that provide direct services to the community.

- At 49%, Public Safety, which includes Police and Fire, receives the largest share of governmental revenues. Public Safety decreased \$2.3 million due to a one-time \$2.8 million adjustment to related liabilities.
- Other service programs include Community Development at 15%, Culture and Leisure at 12%, Transportation at 6%, and Library at 3%. Changes in these programs were relatively small with the exception of Culture and Leisure which reflected a \$2.4 million increase in maintenance efforts funded through Maintenance Assessment Districts.
- The remaining 15% includes General Government which decreased \$2.2 million and Interest expenses which increased \$1.8 million.

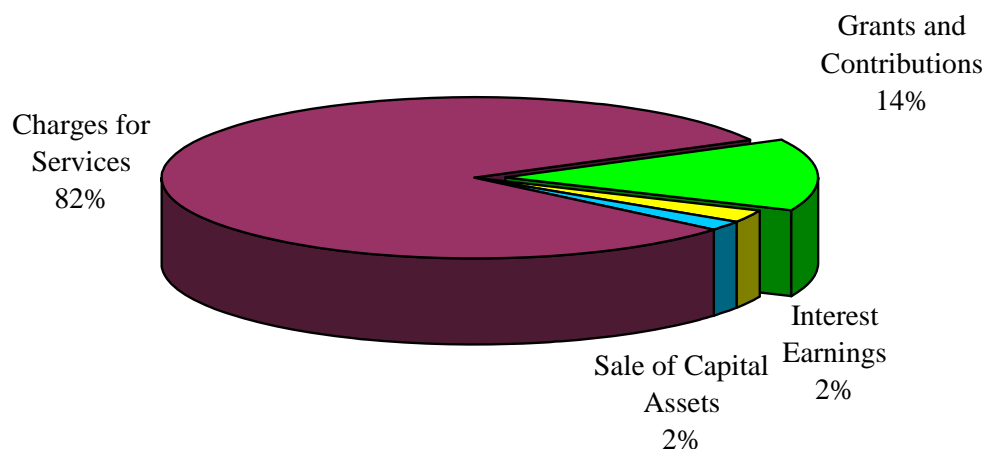
Total expenses decreased \$0.4 million. While the net decrease is small, strategies to reduce expenditures were implemented in response to the economic downturn.



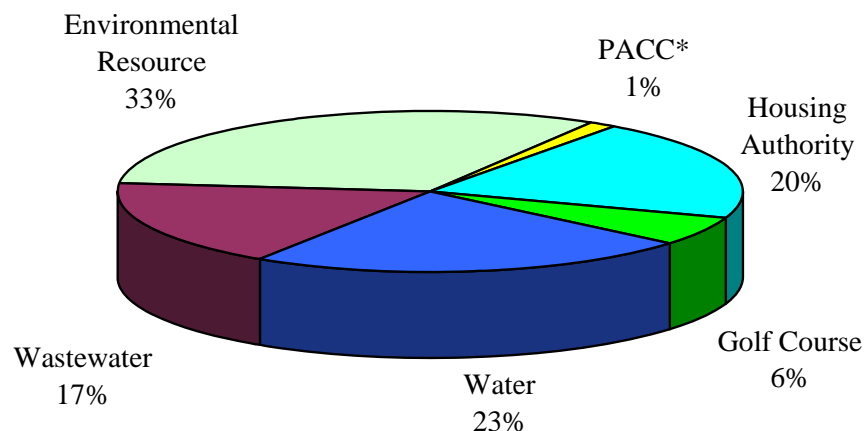
Business-type Activities. Business-type activities increased the City's net assets by \$15.3 million. While most of the increase was due to interfund transfers and a one-time sale of property, expenditure reductions also contributed to the over all increase to net assets.

- Charges for services, which make up 82% of business-type revenues, decreased \$19.3 million due to change in classifying Housing grant revenue of \$19.6 million (now included under Operating Grants and Contributions). Otherwise, charges for services increased \$0.3 million due to increased water rates caused by higher rates charged by water suppliers and expansion of the golf course. Connection fees charged to new users declined in water and wastewater due to the slow down in residential housing development.
- Interest earnings decreased \$1.8 million due to a more difficult investment climate while the Wasco Farm Property sale provided \$2.9 million to the Wastewater fund.
- Net Transfers increased \$8.9 million primarily due to a \$6.2 million transfer out of the golf course fund in FY 2008 and a positive \$3.9 million transfer in to the same fund in FY 2009, all related to property transactions.

Revenues



Expenses



- Business-type activity expenses decreased \$3.3 million primarily due to efforts to reduce expenditures in response to the economic downturn. Expenditures in the various utilities were reduced a combined \$9.5 million by deferring various projects and acquisitions. These were offset by increases in the housing authority driven by federal programs and golf course operations due to the opening of the expanded course. In addition, a \$3 million payment was made from the golf course fund as a result of property transactions that funded that expansion.

Financial Analysis of the Government's Funds

As discussed earlier, the City uses fund accounting to comply with finance-related legal requirements; however, governmental funds use a modified accrual basis of accounting while proprietary funds generally follow full accrual. Major funds are reported separately.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows and outflows and balances of spendable resources. At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$171.3 million, a decrease of \$3.3 million over the prior year. Of this year-end total, approximately \$158.4 million is unreserved and available for funding continuing city service requirements. Reserved fund balances include:

- \$4.6 million committed for noncurrent notes receivable,
- \$2.2 million committed for repayment of debt,
- \$6.1 million committed for capital projects

For FY 2009, the classification of certain capital project funds were changed from reserved to unreserved as those funds could be and in some cases were unappropriated in response to economic conditions and actions by the State of California.

The major governmental funds are the General Fund, State and Federal Grant Fund, and Community Development Commission (CDC) Fund.

Governmental Funds Balance Sheet Summary (\$thousands)

	General Fund		Other Governmental		Total	
	2009	2008	2009	2008	2009	2008
Assets	\$ 33,138	\$ 36,681	\$ 175,015	\$ 178,866	\$ 208,153	\$ 215,547
Liabilities and Fund Balance						
Liabilities	9,343	16,228	27,533	24,743	36,876	40,971
Fund Balances						
Reserved	-	345	12,852	47,830	12,852	48,175
Unreserved	23,795	20,108	134,630	106,293	158,425	126,401
Total fund balances	23,795	20,453	147,482	154,123	171,277	174,576
Total Liabilities and Fund Balance	\$ 33,138	\$ 36,681	\$ 175,015	\$ 178,866	\$ 208,153	\$ 215,547

Governmental Funds Summary of Revenues, Expenditures, and Changes in Fund Balances
(\$thousands)

	General Fund		Other Governmental		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Taxes	\$ 79,844	\$ 78,965	\$ 34,624	\$ 34,219	\$ 114,468	\$ 113,184
Other Revenues	29,126	34,770	44,966	50,420	74,092	85,190
Total revenues	108,970	113,735	79,590	84,639	188,560	198,374
Expenditures						
Current	102,787	109,889	43,740	41,558	146,527	151,447
Capital outlay	795	1,379	42,910	50,904	43,705	52,283
Debt service	-	-	9,535	6,566	9,535	6,566
Total expenditures	103,582	111,268	96,185	99,028	199,767	210,296
Excess of revenues over (under) expenditures	5,388	2,467	(16,595)	(14,389)	(11,207)	(11,922)
Other Financing Sources (Uses)						
Bond issuance net of discount	-	-	11,673	26,635	11,673	26,635
Net Transfers	(2,046)	(7,011)	(1,719)	12,193	(3,765)	5,182
Total other financing sources (uses)	(2,046)	(7,011)	9,954	38,828	7,908	31,817
Net change in fund balances	3,342	(4,544)	(6,641)	24,439	(3,299)	19,895
Fund balances, July 1	20,453	24,997	154,123	129,684	174,576	154,681
Fund balances, June 30	\$ 23,795	\$ 20,453	\$ 147,482	\$ 154,123	\$ 171,277	\$ 174,576

The General Fund is the primary operating fund of the City. At the end of the fiscal year, the unreserved balance of the General Fund was \$23.8 million. The unreserved/undesignated fund balance of the General Fund was \$18.2 million, which is 17% of general fund operating expenditures.

General fund operating revenues exceeded expenditures by \$5.4 million. While operating revenues fell by \$4.8 million, expenditures were reduced \$7.7 million. Revenues and expenditures decreased for the following reasons:

- The ½ cent sales tax approved by the voters in November 2008 was implemented in April 2009, generating \$2 million for the first quarter of collections. While these revenues are reported in the general funds of the City, they are designated for future service expansions.
- General taxes and fees, including charges for services decreased \$1.8 million. These decreases were driven by economic conditions, primarily impacting sales taxes and development related fees and charges.
- Expenditures were generally reduced in response to the economic downturn, including reductions in hiring and deferral or elimination of projects and acquisitions in all program areas. In addition, a \$2.8 million reduction was made to Public Safety related to a reclassification of prior year post-employment accounts.

In addition to reductions in expenditures, net transfers out were reduced \$5 million as a result of reductions to capital project funds.

For other major funds, the CDC fund balance increased \$7 million and State and Federal Grants decreased \$0.7 million. Although CDC revenues decreased \$2.5 million, revenues continued to exceed operating and capital requirements funded from those revenues. Bond proceeds contributed \$11.8 million less cost of issuance and discount. The total fund balance for non-major funds decreased \$12.9 million primarily due to the use of certificates of participation issued in the prior year.

Proprietary Funds. The City's proprietary funds use the same focus and basis of accounting as the government-wide financial statements. Proprietary fund statements provide additional detail not found in the government-wide statements. The City's enterprise operations consist of Water, Wastewater, and Environmental Resources. Cultural and recreation activities include the River Ridge Golf Course and the Performing Arts and Convention Center. The Oxnard Housing Authority is also included in this category.

The enterprise operations ended the fiscal year with combined unrestricted net assets of \$52.0 million, an increase of \$8.4 million. Total net assets increased \$16.1 million for enterprise funds and decreased \$3.6 million for internal service funds.

- Enterprise operating revenues decreased \$19.3 million primarily due to the transfer of \$19.6 million of housing authority revenues to non-operating intergovernmental revenues. Interest earnings fell by \$1.8 million due to lower interest rates.
- Enterprise operating expenses decreased \$5.1 million to \$120.6 million primarily due to efforts to reduce expenditures in response to the economic downturn.
- Internal service fund charges to operating departments were reduced for FY 2009 based on available unrestricted fund balances.

General Fund Budgetary Highlights

General Fund appropriations were decreased \$0.8 million from the original budget of \$114.5 million and actual expenditures were \$10.1 million lower than the final budget.

- While operating department budgets were decreased a combined \$4.4 million in response to lower revenues, re-appropriation of encumbrances added \$0.8 million. A net \$2.8 million was transferred as capacity to non-departmental.
- Part of the variance in actual expenditures from final budgets was the \$2.8 million reduction in Public Safety previously discussed to reclassify for prior year post employment accounts. In addition budget savings of \$2.8 million that were retained as capacity in non-departmental were not expended. And finally, savings from vacant positions and deferred acquisitions exceeded anticipated savings in several departments.

General Fund Budgetary Summary (\$thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 81,105	\$ 81,105	\$ 79,845	\$ (1,260)
Other Revenues	34,384	33,410	29,125	(4,285)
Total revenues	115,489	114,515	108,970	(5,545)
Expenditures				
Current	112,886	112,548	102,787	(9,761)
Capital outlay	1,600	1,136	795	(341)
Total expenditures	114,486	113,684	103,582	(10,102)
Excess of revenues over (under) expenditures	1,003	831	5,388	4,557
Other Financing Sources (Uses)				
Net Transfers	(2,522)	(2,730)	(2,046)	684
Total other financing sources (uses)	(2,522)	(2,730)	(2,046)	684
Net change in fund balances	\$ (1,519)	\$ (1,899)	\$ 3,342	\$ 5,241

Actual revenues were \$5.5 million less than the final budgetary estimates in line with expectations and consistent with expenditure reductions. Revenue shortfalls were primarily driven by the slowing economy which impacted sales taxes, building permits and other development related charges, and interest earnings. Final sales taxes included \$2 million from the ½ cent sales tax increase approved by the voters. Because this amount is designated for future service enhancements, the reduction in base sales taxes was \$3.3 million. Total revenues excluding the ½ cent sales tax declined \$7.5 million.

Capital Assets and Debt Administration

Capital assets. The City's investments in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2009, were \$1.45 billion and \$0.5 billion respectively. The increase for these investments was 1.8% for governmental and 2.65% for business-type activities. Increases included construction in progress for water and wastewater projects as well as street and park improvements. The sale of the Wasco Farm property reduced investments in land for business-type activities.

Capital Assets
Net of Accumulated Depreciation
(\$thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 988,044	\$ 988,044	\$ 24,040	\$ 25,168	\$ 1,012,084	\$ 1,013,212
Buildings	23,377	24,064	28,886	30,872	52,263	54,936
Other improvements	64,015	63,729	4,350	4,359	68,365	68,088
Machinery and equipment	7,913	8,426	4,143	4,646	12,056	13,072
Infrastructure	228,571	239,905	162,145	166,988	390,716	406,893
Construction in progress	143,072	105,537	279,244	258,380	422,316	363,917
Total	\$ 1,454,992	\$ 1,429,705	\$ 502,808	\$ 490,413	\$ 1,957,800	\$ 1,920,118

Long-term debt. The City uses a variety of tax increment, revenue and lease indebtedness to finance various capital acquisitions. As of June 30, 2009, the City's long-term debt outstanding was \$403 million. Of this total, \$122 million was in governmental activities and \$281 million was in business-type activities. More detailed information about the City's long-term liabilities is presented in Note II-F to the financial statements beginning on page 53. The following provides a breakdown of the City's outstanding indebtedness as of June 30, 2009:

Outstanding Debt
(\$thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Tax Allocation Bonds	\$ 47,279	\$ 36,613	\$ -	\$ -	\$ 47,279	\$ 36,613
Revenue Bonds	40,337	41,746	277,466	285,443	317,803	327,189
Capital Leases	294	494	4,053	4,604	4,347	5,098
Certificates of Participation	33,893	34,327	-	-	33,893	34,327
Total	\$ 121,803	\$ 113,180	\$ 281,519	\$ 290,047	\$ 403,322	\$ 403,227

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 (CDC). CDC debt is rated A by Standard and Poor's (S&P).

Revenue bonds are used to finance projects for public parking, civic center, water, wastewater, environmental resources, and public housing. Debt service on these issues is paid from the revenues of the appropriate enterprise funds, the general fund, and other governmental funds. Water and Wastewater revenue bonds are rated "A+" by S&P while the other revenue bonds are "A" rated.

During the fiscal year, the City issued \$11.8 million of tax allocation bonds (TAB) to finance redevelopment activities within the Historic Enhancement and Revitalization of Oxnard project area. TAB debt is rated “A” by S&P.

The total outstanding debt is limited by statute to 15% of assessed valuation, or \$2.49 billion.

Economic Factors and Next Year’s Budgets and Rates

Although the Oxnard metro area has a diverse economy and growing population, City revenues continue to be impacted by the economic slow down experienced throughout the State of California and the nation. City’s unemployment rate has increased to just over 10% from 6.1% the prior year (average annual rate).

The fiscal year 2010 budget was developed based on a slow economy. Property and sales taxes were budgeted below 2009 budgeted amounts. No increases were programmed for user charges; however, a rate study has been completed for the City’s utilities and a combined rate adjustment of 5% has been approved.

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 additional financial information, contact the Office of the Chief Financial Officer at 300 West Third Street, Oxnard, California, 93030.

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BASIC FINANCIAL STATEMENTS



City of Oxnard, California
STATEMENT OF NET ASSETS
June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 152,034,216	\$ 47,970,506	\$ 200,004,722
Investments with fiscal agents	38,158,197	25,485,656	63,643,853
Accounts and other receivables (net of allowance for uncollectibles)	19,397,051	14,272,643	33,669,694
Notes receivable	4,587,308	1,094,387	5,681,695
Internal balances	881,277	(881,277)	-
Due from other governments	5,992,947	-	5,992,947
Property held for resale	6,075,959	-	6,075,959
Other assets	1,894,347	2,094,528	3,988,875
Restricted assets:			
Investments with fiscal agents	-	243,983	243,983
Capital assets not being depreciated:			
Land	988,043,659	24,039,538	1,012,083,197
Construction in progress	143,071,551	279,244,138	422,315,689
Capital assets, net of accumulated depreciation:			
Buildings	23,376,733	28,886,166	52,262,899
Other improvements	64,014,822	4,349,681	68,364,503
Machinery and equipment	7,913,446	4,142,851	12,056,297
Infrastructure	228,570,591	162,145,188	390,715,779
Total assets	\$ 1,684,012,104	\$ 593,087,988	\$ 2,277,100,092
LIABILITIES			
Accounts payable	6,906,303	2,101,144	9,007,447
Other liabilities	13,269,332	4,992,563	18,261,895
Unearned revenues	9,490,192	-	9,490,192
Due to other agencies	3,388,318	-	3,388,318
Non-current liabilities:			
Due within one year			
Self-insurance claims liabilities	5,904,200	-	5,904,200
Compensated absences payable	6,038,000	1,007,268	7,045,268
Bonds and capital leases	3,695,677	8,858,346	12,554,023
Due in more than one year			
Self-insurance claims liabilities	8,098,779	-	8,098,779
Post employment retirement payable	3,095,434	752,163	3,847,597
Compensated absences payable	10,177,480	1,569,869	11,747,349
Bonds and capital leases	118,107,377	272,661,132	390,768,509
Total liabilities	188,171,092	291,942,485	480,113,577
NET ASSETS			
Invested in capital assets, net of related debt	1,371,345,945	238,066,640	1,609,412,585
Restricted for:			
Debt service	2,189,231	5,967,853	8,157,084
Other purposes	10,663,267	1,843,415	12,506,682
Unrestricted	111,642,569	55,267,595	166,910,164
Total net assets	1,495,841,012	301,145,503	1,796,986,515
Total liabilities and net assets	\$ 1,684,012,104	\$ 593,087,988	\$ 2,277,100,092

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, 2009

					Net (Expense) Revenue and Changes in Net Assets		
Program Revenues					Primary Government		
Operating Grants and Contributions							
Charges for Services					Governmental Activities		
Capital Grants and Contributions					Business-type Activities		
Expenses							Total
FUNCTIONS/PROGRAMS							
Primary government:							
Governmental activities:							
General government	\$ 19,717,999	\$ 9,765,771	\$ 14,905,138	\$ 5,001,286	\$ 9,954,196	\$ -	\$ 9,954,196
Public safety	86,249,353	5,017,708	2,114,980	-	(79,116,665)	-	(79,116,665)
Transportation	10,600,127	4,042,492	5,785,240	3,906,748	3,134,353	-	3,134,353
Community development	26,989,828	11,825,981	3,068,467	40,980	(12,054,400)	-	(12,054,400)
Culture and leisure	20,945,072	5,273,551	-	471,019	(15,200,502)	-	(15,200,502)
Libraries	5,341,028	260,577	1,506	-	(5,078,945)	-	(5,078,945)
Interest on long-term debt	6,519,008	-	-	-	(6,519,008)	-	(6,519,008)
Total governmental activities	176,362,415	36,186,080	25,875,331	9,420,033	(104,880,971)	-	(104,880,971)
Business-type activities:							
Water	29,837,358	38,477,754	-	-	-	8,640,396	8,640,396
Wastewater	22,337,575	24,846,717	-	543,140	-	3,052,282	3,052,282
Environmental Resources	41,117,534	39,695,711	50,630	-	-	(1,371,193)	(1,371,193)
Performing arts and convention	1,799,861	483,371	-	-	-	(1,316,490)	(1,316,490)
Oxnard housing authority	26,153,808	6,105,106	19,584,926	-	-	(463,776)	(463,776)
Municipal golf course	7,601,054	4,398,074	-	-	-	(3,202,980)	(3,202,980)
Total business-type activities	128,847,190	114,006,733	19,635,556	543,140	-	5,338,239	5,338,239
Total primary government	305,209,605	150,192,813	45,510,887	9,963,173	(104,880,971)	5,338,239	(99,542,732)
General revenues:							
Taxes:							
Property tax					76,681,392	-	76,681,392
Sales tax					24,043,286	-	24,043,286
Transient occupancy tax					3,328,803	-	3,328,803
Franchise tax					4,635,616	-	4,635,616
Deed transfer tax					573,882	-	573,882
Business license tax					5,059,323	-	5,059,323
Penalties and interest					145,945	-	145,945
Interest on investments					5,556,004	3,299,336	8,855,340
Sale of capital assets					59,319	2,862,957	2,922,276
Transfers					(3,764,713)	3,764,713	-
Total general revenues and transfers					116,318,857	9,927,006	126,245,863
Change in net assets					11,437,886	15,265,245	26,703,131
Net assets - July 1					1,484,403,126	285,880,258	1,770,283,384
Net assets - June 30					\$ 1,495,841,012	\$ 301,145,503	\$ 1,796,986,515

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

City of Oxnard, California
Balance sheet
Governmental Funds
June 30, 2009

	<u>General Fund</u>	<u>State and Federal Grants Fund</u>	<u>Community Development Commission Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 18,376,293	\$ 11,175,251	\$ 44,590,274	\$ 52,366,607	\$ 126,508,425
Investments with fiscal agents	-	-	26,045,601	12,112,596	38,158,197
Accounts and other receivables (net of allowance for uncollectibles)	2,896,463	10,586,809	181,897	5,688,358	19,353,527
Notes receivable	-	-	4,587,308	-	4,587,308
Due from other funds	6,397,244	-	-	-	6,397,244
Due from other governments	5,467,545	18	-	525,384	5,992,947
Properties held for resale	-	-	6,075,959	-	6,075,959
Advances to other funds	-	-	926,132	-	926,132
Other assets	-	-	-	153,336	153,336
Total assets	\$ 33,137,545	\$ 21,762,078	\$ 82,407,171	\$ 70,846,281	\$ 208,153,075
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 1,874,869	\$ 661,910	\$ 2,924,192	919,713	\$ 6,380,684
Other liabilities	6,765,088	880,620	63,721	460,159	8,169,588
Due to other funds	-	-	4,250,609	2,191,490	6,442,099
Due to other agencies	-	-	3,388,318	-	3,388,318
Unearned revenues	702,851	5,969,053	-	5,823,103	12,495,007
Total liabilities	9,342,808	7,511,583	10,626,840	9,394,465	36,875,696
Fund balances					
Reserved for:					
Receivables	-	-	4,587,308	-	4,587,308
Repayment of debt	-	-	2,189,231	-	2,189,231
Capital project funds	-	-	6,075,959	-	6,075,959
Unreserved					
Undesignated	18,246,066	-	-	-	18,246,066
Designated	5,548,671	-	-	-	5,548,671
Unreserved reported in:					
Special revenue funds	-	14,250,495	-	47,674,354	61,924,849
Capital projects funds	-	-	58,927,833	13,777,462	72,705,295
Total fund balances	23,794,737	14,250,495	71,780,331	61,451,816	171,277,379
Total liabilities and fund balances	\$ 33,137,545	\$ 21,762,078	\$ 82,407,171	\$ 70,846,281	\$ 208,153,075

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

City of Oxnard, California
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2009

Fund balances of governmental funds	\$ 171,277,379
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$1,757,264,177 net of accumulated depreciation of (\$302,273,375) are not current financial resources and, therefore, are not reported in the funds.	1,454,990,802
Long term liabilities, claims and compensated absences have not been included in the governmental fund activity:	
Long-term liabilities of \$122,736,242 net of unamortized discount (\$933,188)	(121,803,054)
Self insurance claims	(14,002,979)
Compensated absences	(16,215,480)
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds	(1,260,279)
Unamortized issuance cost included in Other assets, not available to pay current-period expenditures	1,741,011
Other post employment liabilities not due and payable in the current period	(3,095,434)
Grants receivable that were not received within the availability period were recorded as deferred revenue in the governmental funds	3,004,815
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, facilities and equipment maintenance. The assets and liabilities of internal service funds are included in the governmental activities in the statement of net assets.	21,204,231
Net assets of governmental activities	<u>\$ 1,495,841,012</u>

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

City of Oxnard, California
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General Fund	State and Federal Grants Fund	Community Development Commission Fund	Non-Major Governmental Funds	Totals
REVENUES					
Taxes	\$ 79,844,496	\$ 14,204,898	\$ 17,476,674	\$ 2,942,179	\$ 114,468,247
Licenses and permits	1,726,375	-	-	744,490	2,470,865
Intergovernmental	10,617,332	6,555,070	-	15,118,147	32,290,549
Growth and development fees	-	-	201,227	7,009,441	7,210,668
Charges for services	10,648,706	-	-	57,202	10,705,908
Fines and forfeitures	690,029	187,904	-	530,133	1,408,066
Interest	1,201,095	305,647	1,934,546	2,114,716	5,556,004
Special assessments	-	-	-	8,611,926	8,611,926
Miscellaneous	4,241,898	715,296	231,287	649,485	5,837,966
Total revenues	108,969,931	21,968,815	19,843,734	37,777,719	188,560,199
EXPENDITURES					
Current:					
General government	11,353,389	-	-	529,816	11,883,205
Public safety	58,063,732	13,718,377	-	3,095,628	74,877,737
Transportation	4,402,407	318,553	-	5,108,594	9,829,554
Community Development	10,829,145	1,798,687	10,090,227	3,114,581	25,832,640
Culture and leisure	13,427,946	489,734	-	5,430,733	19,348,413
Library Services	4,709,777	45,763	-	-	4,755,540
Capital outlay	795,364	6,417,782	13,623,571	22,868,248	43,704,965
Debt service:					
Principal	-	-	-	3,168,595	3,168,595
Cost of issuance	-	-	791,867	-	791,867
Interest and fiscal charges	-	-	-	5,574,369	5,574,369
Total expenditures	103,581,760	22,788,896	24,505,665	48,890,564	199,766,885
Excess (deficiency) of revenues over expenditures	5,388,171	(820,081)	(4,661,931)	(11,112,845)	(11,206,686)
OTHER FINANCING SOURCES (USES)					
Bond issuance	-	-	11,790,000	-	11,790,000
Bond discount	-	-	(116,979)	-	(116,979)
Transfers in	2,836,750	80,600	-	7,655,727	10,573,077
Transfers out	(4,883,288)	-	-	(9,454,502)	(14,337,790)
Total other financing sources (uses)	(2,046,538)	80,600	11,673,021	(1,798,775)	7,908,308
Net change in fund balances	3,341,633	(739,481)	7,011,090	(12,911,620)	(3,298,378)
Fund balances, July 1	20,453,104	14,989,976	64,769,241	74,363,436	174,575,757
Fund balances, June 30	\$ 23,794,737	\$ 14,250,495	\$ 71,780,331	\$ 61,451,816	\$ 171,277,379

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, 2009

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds **\$ (3,298,378)**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$43,704,965 exceeded depreciation expense (\$18,832,609) in the current period. 24,872,356

In the statement of activities, the gain on disposal of assets is reported whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets disposed of \$1,164,706 net of accumulated depreciation of (\$1,026,987) (137,719)

Some expenses reported in the statement of activities do not require the use of financial resources and are not reported as expenditures in governmental funds. These include: (1) the increase in accrued interest (\$600,098), (2) net increase in compensated absences (\$86,465), and (3) other post employment benefits (\$1,491,683). (2,178,246)

The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt proceeds of (\$10,881,154) add cost of issuance of (\$226,275) and bond discount of (\$118,264) exceeded repayments of \$3,168,595. (8,057,098)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 3,004,815

Net expenditures of internal service funds of \$3,570,912 is reported with governmental activities, less \$803,068 allocated to business-type activities. (2,767,844)

Change in net assets of governmental activities (page 17) **\$ 11,437,886**

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

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City of Oxnard, California
Statement of Net Assets
Proprietary Funds
June 30, 2009

	<u>Water</u>	<u>Wastewater</u>	<u>Environmental Resources</u>	<u>Performing Arts and Convention Center</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 31,496,014	\$ 12,495,747	\$ -	\$ -
Cash with fiscal agent	17,909,440	1,697,757	2,130,627	35,000
Accounts and other receivable (net of allowance for uncollectibles)	4,484,991	4,161,820	4,544,199	2,648
Notes receivable	-	-	-	-
Due from other funds	86,658	7,080,257	64,556	-
Other assets	352,848	1,241,027	298,986	-
Total current assets	<u>54,329,951</u>	<u>26,676,608</u>	<u>7,038,368</u>	<u>37,648</u>
Noncurrent assets:				
Investment with fiscal agents				
Notes Receivable	-	1,050,800	-	-
Capital assets:				
Land	3,880,432	3,145,160	3,811,166	-
Buildings	5,795,000	6,380,938	22,859,740	-
Improvements	-	-	-	-
Machinery and equipment	2,770,463	17,674,102	21,007,263	15,370
Construction in progress	100,681,406	153,961,508	4,741,748	-
Infrastructure	102,660,163	169,061,310	1,757,129	42,615
Less accumulated depreciation	(47,026,669)	(91,561,086)	(24,168,066)	(10,991)
Total capital assets (net of accumulated depreciation)	<u>168,760,795</u>	<u>258,661,932</u>	<u>30,008,980</u>	<u>46,994</u>
Total noncurrent assets	<u>168,760,795</u>	<u>259,712,732</u>	<u>30,008,980</u>	<u>46,994</u>
Total assets	<u>223,090,746</u>	<u>286,389,340</u>	<u>37,047,348</u>	<u>84,642</u>
LIABILITIES				
Accounts payable	2,360,299	745,925	1,738,063	45,444
Other liabilities	1,097,120	2,551,121	355,887	17,948
Due to other funds	-	-	7,080,257	1,032,491
Compensated absences payable - current	220,000	400,000	305,000	48,000
Self insurance claims - due within one year	-	-	-	-
Revenue bonds payable-current	2,105,000	3,255,000	2,437,983	-
Total current liabilities	<u>5,782,419</u>	<u>6,952,046</u>	<u>11,917,190</u>	<u>1,143,883</u>
Noncurrent liabilities:				
Revenue bonds payable, net of current portion and discount	104,080,012	141,931,087	12,902,355	-
Compensated absences payable	278,677	250,742	444,854	30,019
Self insurance claims	-	-	-	-
Capital leases payable	-	-	3,490,387	-
Post employment retirement payable	132,248	214,904	210,771	24,797
Total noncurrent liabilities	<u>104,490,937</u>	<u>142,396,733</u>	<u>17,048,367</u>	<u>54,816</u>
Total liabilities	<u>110,273,356</u>	<u>149,348,779</u>	<u>28,965,557</u>	<u>1,198,699</u>
NET ASSETS				
Invested in capital assets, net of related debt	71,994,491	113,307,040	13,956,906	46,994
Restricted for Housing	-	-	-	-
Restricted for debt service	3,837,253	-	2,130,600	-
Unrestricted	36,985,646	23,733,521	(8,005,715)	(1,161,051)
Total net assets	<u>\$ 112,817,390</u>	<u>\$ 137,040,561</u>	<u>\$ 8,081,791</u>	<u>\$ (1,114,057)</u>

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

City of Oxnard, California
Statement of Net Assets
Proprietary Funds
June 30, 2009

Oxnard Housing Authority	Municipal Golf Course	Totals Current Year	Governmental Activities- Internal Service Funds	
				ASSETS
				Current assets:
\$ 2,214,377	\$ 1,764,368	\$ 47,970,506	\$ 25,525,791	Cash and cash equivalents
3,712,832	-	25,485,656	-	Cash with fiscal agent
839,023	239,962	14,272,643	43,524	Accounts and other receivable (net of allowance for uncollectibles)
43,587	-	43,587	-	Notes receivable
697,574	-	7,929,045	-	Due from other funds
201,667	-	2,094,528	-	Other assets
7,709,060	2,004,330	97,795,965	25,569,315	Total current assets
				Noncurrent assets:
243,983		243,983		Investment with fiscal agents
-	-	1,050,800	-	Notes Receivable
				Capital assets:
8,920,208	4,282,572	24,039,538	595,500	Land
38,263,813	3,247,033	76,546,524	-	Buildings
-	5,803,242	5,803,242	-	Improvements
1,289,371	-	42,756,569	2,786,225	Machinery and equipment
86,878	19,772,598	279,244,138	1,484,567	Construction in progress
-	-	273,521,217	-	Infrastructure
(33,491,735)	(2,845,119)	(199,103,666)	(2,047,033)	Less accumulated depreciation
15,068,535	30,260,326	502,807,562	2,819,259	Total capital assets (net of accumulated depreciation)
15,312,518	30,260,326	504,102,345	2,819,259	Total noncurrent assets
23,021,578	32,264,656	601,898,310	28,388,574	Total assets
				LIABILITIES
372,174	61,890	5,323,795	525,619	Accounts payable
926,028	44,459	4,992,563	294,379	Other liabilities
697,574	-	8,810,322	-	Due to other funds
34,268	-	1,007,268	538,000	Compensated absences payable - current
-	-	-	5,881,759	Self insurance claims - due within one year
235,000	825,363	8,858,346	-	Revenue bonds payable-current
2,265,044	931,712	28,992,294	7,239,757	Total current liabilities
				Noncurrent liabilities:
4,515,000	5,742,291	269,170,745	-	Revenue bonds payable, net of current portion and discount
565,577	-	1,569,869	314,448	Compensated absences payable
-	-	-	8,121,220	Self insurance claims
-	-	3,490,387	-	Capital leases payable
169,443	-	752,163	202,505	Post employment retirement payable
5,250,020	5,742,291	274,983,164	8,638,173	Total noncurrent liabilities
7,515,064	6,674,003	303,975,458	15,877,930	Total liabilities
				NET ASSETS
15,068,535	23,692,674	238,066,640	2,819,259	Invested in capital assets, net of related debt
1,843,415	-	1,843,415	-	Restricted for Housing
-	-	5,967,853	-	Restricted for debt service
(1,405,436)	1,897,979	52,044,944	9,691,385	Unrestricted
\$ 15,506,514	\$ 25,590,653	\$ 297,922,852	\$ 12,510,644	Total net assets
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.		3,222,651		
Net assets of business-type activities		\$ 301,145,503		

City of Oxnard, California
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For Fiscal Year Ended June 30, 2009

	Water	WasteWater	Environmental Resources	Performing Arts & Convention Center
Operating revenues:				
Charges for services	\$ 36,797,364	\$ 22,366,479	\$ 39,425,620	\$ 465,768
Connection Fees	1,205,329	1,633,468	76,840	-
Miscellaneous and reimbursements	475,061	846,770	193,251	17,603
Total operating revenues	38,477,754	24,846,717	39,695,711	483,371
Operating expenses:				
Salaries and wages	4,588,162	6,617,538	7,054,629	1,296,735
Contractual services	2,015,756	983,887	14,996,570	86,265
Operating supplies	15,195,818	1,732,172	1,253,202	1,386
Utilities	594,897	3,872,695	6,618,254	164,678
Depreciation and amortization	2,491,740	4,087,382	1,709,656	3,655
General and administrative	3,139,823	2,899,190	3,949,927	229,984
Repairs and maintenance	349,368	162,913	4,182,942	17,158
Claims expenses	-	-	-	-
Total operating expenses	28,375,564	20,355,777	39,765,180	1,799,861
Operating income (loss)	10,102,190	4,490,940	(69,469)	(1,316,490)
Nonoperating revenues (expenses):				
Gain on sale of property	-	2,862,957	-	-
Intergovernmental	-	-	50,630	-
Interest income	1,917,626	1,052,634	155,474	-
Interest expense	(1,305,104)	(1,751,413)	(930,219)	-
Miscellaneous	-	-	-	-
Total nonoperating revenues (expenses)	612,522	2,164,178	(724,115)	-
Income (loss) before contributions and transfers	10,714,712	6,655,118	(793,584)	(1,316,490)
Capital contributions	-	543,140	-	-
Transfers in	-	-	-	981,861
Transfers out	-	-	(62,098)	-
Changes in net assets	10,714,712	7,198,258	(855,682)	(334,629)
Total net assets- July 1	102,102,678	129,842,303	8,937,473	(779,428)
Total net assets- June 30	\$ 112,817,390	\$ 137,040,561	\$ 8,081,791	\$ (1,114,057)

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 Fiscal Year Ended June 30, 2009

Oxnard Housing Authority	Municipal Golf Course	Totals Current Year	Governmental Activities- Internal Service Fund	
\$ 4,355,850	\$ 4,359,018	\$ 107,770,099	\$ 20,860,021	Operating revenues:
-	-	2,915,637	-	Charges for services
1,749,256	39,056	3,320,997	548,661	Connection Fees
6,105,106	4,398,074	114,006,733	21,408,682	Miscellaneous and reimbursements
				Total operating revenues
				Operating expenses:
3,640,403	46,922	23,244,389	8,317,131	Salaries and wages
43,500	4,020,379	22,146,357	1,045,188	Contractual services
15,768,269	-	33,950,847	4,339,693	Operating supplies
768,025	2,004	12,020,553	1,763,322	Utilities
1,516,666	82,025	9,891,124	260,378	Depreciation and amortization
2,174,257	158,504	12,551,685	1,422,404	General and administrative
2,032,743	29,224	6,774,348	1,368,069	Repairs and maintenance
-	-	-	7,260,278	Claims expenses
25,943,863	4,339,058	120,579,303	25,776,463	Total operating expenses
(19,838,757)	59,016	(6,572,570)	(4,367,781)	Operating income (loss)
				Nonoperating revenues (expenses):
-	-	2,862,957	-	Gain on sale of property
19,584,926	-	19,635,556	-	Intergovernmental
94,557	79,045	3,299,336	790,369	Interest income
(209,945)	(261,638)	(4,458,319)	-	Interest expense
-	(3,000,000)	(3,000,000)	-	Miscellaneous
19,469,538	(3,182,593)	18,339,530	790,369	Total nonoperating revenues (expenses)
(369,219)	(3,123,577)	11,766,960	(3,577,412)	Income (loss) before contributions and transfers
-	-	543,140	-	Capital contributions
-	3,900,000	4,881,861	6,500	Transfers in
-	(1,061,550)	(1,123,648)	-	Transfers out
(369,219)	(285,127)	16,068,313	(3,570,912)	Changes in net assets
15,875,733	25,875,780		16,081,556	Total net assets- July 1
\$ 15,506,514	\$ 25,590,653		\$ 12,510,644	Total net assets- June 30
Adjustment to reflect the				
consolidation of internal service				
fund activities related to enterprise		(803,068)		
Change in net assets of business-				
type activities		\$ 15,265,245		

City of Oxnard
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Water	Wastewater	Environmental Resources	Performing Arts and Convention Center
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipt from customers and users	\$ 38,564,123	\$ 24,021,304	\$ 40,222,255	\$ 485,404
Payments to suppliers	(25,128,772)	(12,272,581)	(39,485,338)	(1,219,026)
Payments to employees	(4,403,796)	(6,401,161)	(6,775,768)	(1,272,260)
Cash paid to claimants	-	-	-	-
Net cash provided by operating activities	9,031,555	5,347,562	(6,038,851)	(2,005,882)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances from other funds	-	-	-	-
Due to other funds	-	-	7,080,257	1,032,491
Received from grants	-	-	50,630	-
Received from notes & mortgages	-	-	-	-
Transfer from other funds	-	-	-	981,861
Transfer to other funds	-	-	(62,098)	-
Net cash provided (used) by capital and related financing activities	-	-	7,068,789	2,014,352
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(8,133,288)	(3,803,541)	(748,652)	(8,470)
Sale of fixed assets	-	3,991,452	-	-
Capital contributions	-	543,140	-	-
Developers deposit refund	-	-	-	-
Principal paid on long-term debt	(2,040,000)	(3,155,000)	(2,335,505)	-
Interest paid on long-term debt	(5,149,575)	(7,282,032)	(970,779)	-
Net cash used in capital and related financing activities	(15,322,863)	(9,705,981)	(4,054,936)	(8,470)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	1,917,626	1,052,634	155,474	-
Net cash provided by investing activities	1,917,626	1,052,634	155,474	-
Net increase (decrease) in cash and cash equivalents	(4,373,682)	(3,305,785)	(2,869,524)	-
Cash and cash equivalents, July 1	53,779,136	17,499,289	5,000,151	35,000
Cash and cash equivalents, June 30	\$ 49,405,454	\$ 14,193,504	\$ 2,130,627	\$ 35,000

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

City of Oxnard
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

Oxnard Housing Authority	Municipal Golf Course	Total	Governmental Activities Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES
\$ 6,189,056	\$ 4,250,909	\$ 113,733,051	\$ 21,373,828	Receipt from customers and users
(22,712,318)	(4,221,616)	(105,039,651)	(10,254,667)	Payments to suppliers
(2,193,233)	(46,922)	(21,093,140)	(8,282,931)	Payments to employees
-	-	-	(6,857,939)	Cash paid to claimants
(18,716,495)	(17,629)	(12,399,740)	(4,021,709)	Net cash provided by operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
-	(23,035)	(23,035)	-	Advances from other funds
-	-	8,112,748	-	Due to other funds
19,973,188	-	20,023,818	-	Received from grants
8,158	-	8,158	-	Received from notes & mortgages
-	3,900,000	4,881,861	6,500	Transfer from other funds
-	(1,061,550)	(1,123,648)	-	Transfer to other funds
19,981,346	2,815,415	31,879,902	6,500	Net cash provided (used) by capital and related financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
(539,355)	(1,034,081)	(14,267,387)	(811,946)	Purchases of capital assets
-	-	3,991,452	-	Sale of fixed assets
-	-	543,140	-	Capital contributions
-	(3,000,000)	(3,000,000)	-	Developers deposit refund
(225,000)	(795,989)	(8,551,494)	-	Principal paid on long-term debt
(211,632)	(261,638)	(13,875,656)	-	Interest paid on long-term debt
(975,987)	(5,091,708)	(35,159,945)	(811,946)	Net cash used in capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES
94,557	79,045	3,299,336	790,369	Interest on investments
94,557	79,045	3,299,336	790,369	Net cash provided by investing activities
				Net increase (decrease) in cash and cash equivalents
383,421	(2,214,877)	(12,380,447)	(4,036,786)	
5,787,771	3,979,245	86,080,592	29,562,577	Cash and cash equivalents, July 1
\$ 6,171,192	\$ 1,764,368	\$ 73,700,145	\$ 25,525,791	Cash and cash equivalents, June 30

City of Oxnard
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	<u>Water</u>	<u>Wastewater</u>	<u>Environmental Resources</u>	<u>Performing Arts and Convention Center</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 10,102,190	\$ 4,490,940	\$ (69,469)	\$ (1,316,490)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	2,491,740	4,087,382	1,709,656	3,655
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable, notes receivable, and due from other funds	86,369	(825,413)	526,544	2,033
Increase (decrease) in accounts payable	(3,833,110)	(2,621,724)	(8,484,443)	(719,555)
Increase (decrease) in other liabilities	-	-	-	-
Increase (decrease) in compensated absences & OPEB	184,366	216,377	278,861	24,475
Increase (decrease) in self insurance liabilities	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 9,031,555</u>	<u>\$ 5,347,562</u>	<u>\$ (6,038,851)</u>	<u>\$ (2,005,882)</u>

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

City of Oxnard
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

Oxnard Housing Authority	Municipal Golf Course	Total	Governmental Activities Internal Service Funds	
				Reconciliation of operating income (loss)
				to net cash provided by (used in)
				operating activities:
\$ (19,838,757)	\$ 59,016	\$ (6,572,570)	\$ (4,367,781)	Operating income (loss)
				Adjustments to reconcile operating income
				(loss) to net cash provided by operating activities:
1,516,666	82,025	9,891,124	260,378	Depreciation and amortization
		-		Changes in assets and liabilities:
				(Increase) decrease in accounts receivable, notes
(8,952)	(147,165)	(366,584)	(34,854)	receivable, and due from other funds
(493,448)	(11,505)	(16,163,785)	(661,131)	Increase (decrease) in accounts payable
73,730	-	73,730	142,635	Increase (decrease) in other liabilities
34,266	-	738,345	236,705	Increase (decrease) in compensated absences & OPEB
-	-	-	402,339	Increase (decrease) in self insurance liabilities
<u>\$ (18,716,495)</u>	<u>\$ (17,629)</u>	<u>\$ (12,399,740)</u>	<u>\$ (4,021,709)</u>	Net cash provided by (used in)
				operating activities

Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2009

	<u>Total</u>
Assets:	
Cash and Cash Equivalents	\$ 5,211,946
Investments with Fiscal Agents	24,622,224
Total Assets	<u>\$ 29,834,170</u>
Liabilities:	
Trust and Agency Payables	\$ 29,834,170
Total Liabilities	<u>\$ 29,834,170</u>

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

City of Oxnard
Notes to the Financial Statements
June 30, 2009

I. 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 an elected Mayor and four Council members. 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, funding capital improvements and loaning money for rehabilitation and restoration of real 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. A separate Comprehensive Annual Financial Report (CAFR) has also been prepared and 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. City staff perform all accounting and administrative functions of the Authority. The debt service of the Authority is included in the

Golf Course Enterprise Fund, Environmental Resources Enterprise Fund, Water Enterprise Fund, Wastewater Enterprise Fund, and Debt Service Fund.

Housing Authority of the City of Oxnard. The Housing Authority of the City of Oxnard (the Housing Authority) was established in April 1945 by ordinance of the City Council. The Housing 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 Housing 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 of the Housing Authority. The Housing Authority's operations have been included in the City's business-type activities in the accompanying government-wide financial statements. The Housing Authority prepares separate financial statements which can be obtained from the Housing Authority's Financial Services Division.

B. New Pronouncements

In November 2006, GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, effective for periods beginning after December 15, 2007. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The City implemented this statement for its fiscal year 2008-2009 financial statements.

C. 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 financial information for the City as a whole while distinguishing between governmental and business-type activities. Fiduciary activities of the City are not included in these statements.

Most 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 user fees and charges financially support these activities.

The City's enterprise operations are classified as business-type activities. These operations consist of water, wastewater, environmental resources, housing, the River Ridge Golf Course, and the Performing Arts and Convention Center. These activities generally recover the cost of providing services from customer fees and charges.

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 and capital grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes 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 of 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. 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 as part of the fund financial statements.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements (including all National Council on Governmental Accounting (NGCA) Statements and Interpretations currently in effect). The following pronouncements issued on or before November 30, 1989, are applied to 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.

Fund Financial Statements

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.

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. Non-major governmental funds are combined for presentation in governmental fund statements. In accordance with GASB 34 and based on the sole purpose for which a fund is established, the following funds have been determined 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.
- State and Federal Grants Fund: This fund accounts for expenditures of grants from state and federal agencies.
- Community Development Commission Fund: This fund accounts for expenditures incurred on redevelopment projects financed primarily from tax increment revenues.

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. Property tax, sales tax, intergovernmental revenues and other taxes are accrued as appropriate. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The availability period for revenue recognition for Grants receivable is 1 year after the year-end. 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. 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 sole purpose for which a fund is established, the following enterprise funds have been determined to be the City's major funds:

- **Water Fund:** This fund is used to account for all activities of the City's water production, treatment and distribution 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.
- **Environmental Resources Fund:** This fund is used to account for the activities related to collection and disposal of refuse throughout the City.
- **Performing Arts and Convention Center Fund:** This fund is used to account for the operations and maintenance of the City's Performing Arts and Convention Center.
- **Oxnard Housing Authority:** This fund is used to account for the receipts and disbursements of funds received from the U.S. Department of Housing and Urban Development (HUD) to provide rental assistance programs for low income residents and senior citizens under Section 8 of the Federal Housing Act of 1937, as amended.
- **Municipal Golf Course Fund:** This fund is used to account for the operation and maintenance of the City's River Ridge golf course.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included within the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds principal ongoing operations. 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Internal Service Funds

Internal service funds account for the financing of workers' compensation, public liability and property damage, utility customer services, information systems, facilities maintenance and equipment maintenance services to other departments on a cost-recovery basis.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Assets. The City's fiduciary funds consist of agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are as follows:

- **Artworks Fund:** This fund is used to account for donations from private party to pay for Carnegie Art Museum artwork related expenditures.
- **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, 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 property tax bills and the money collected is used to pay off the annual debt service requirements.

D. Cash and Investments

Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include cash in bank accounts and investments held by the City Treasurer in a cash management pool. These amounts are readily available for use by the respective funds.

Investment Policy

The City's investment policy is intended to provide guidelines for the prudent investment of City funds, and to outline the policies for maximizing the efficiency of the City's cash management system. The policy of the City 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

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.

LAIF is part of the State's Pooled Money Investment Account (PMIA), which was established in 1953. Oversight of PMIA is 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.

Direct oversight for LAIF is provided 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 non-pooled 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.

E. Utility Revenue

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided, but unbilled at year-end is included in the accompanying basic financial statements.

F. Properties Held for Resale

Properties acquired for the Heritage Square office complex and the Social Security Building are included as properties held for resale by the Community Development Commission. At June 30, 2009 properties held for resale which amounted to \$6,075,959, are carried at the lower of cost or estimated fair value.

G. 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. Contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	45 years
Improvements:	
Paving, curbs, lighting	40 years
Parks Improvements	25 years
Sports Courts	40 years
Landscaping	50 years
Equipment and Machinery	5-20 years
Infrastructure Assets:	
Roadway network	25-100 years
Waterways/seawalls	75 years
Storm drain system	50-100 years

GASB 34 requires states, local governments, and other public agencies to annually report the net value of all capital assets, including infrastructure assets, consistent with generally accepted accounting principles. GASB 34 defines infrastructure assets as "long lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems." Infrastructure assets (assets) have been included in compliance with GASB 34 using the basic approach methodology. Land is valued at original cost without depreciation.

H. Risk Management

The City provides general liability and workers' compensation insurance under self-insurance programs with an annual limit per occurrence of \$1,000,000 for each program. Excess insurance in the layer of \$1 million to \$25 million is purchased for general liability and \$200 million per year for workers' compensation. The City contracts with outside service agencies to assist in the administration of the self-insurance programs. Estimated liabilities related to outstanding workers' compensation and public liability claims

(including estimates for incurred but not reported claims) are based upon actuarial studies and are recorded in internal service funds.

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 BICEP, five cities share the cost of insuring catastrophic general liability losses incurred by the members for claims between \$1 million and \$25 million, thereby eliminating the need for individual excess commercial insurance policies. The purpose of this JPA is to jointly fund 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 adjustment and legal defense service. BICEP is governed by a five-member board of directors representing each member city. Each member is appointed and serves at the pleasure of the member city council.

The agreement with BICEP may be terminated with advance notice 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.

I. Compensated Absences

Vacation leave and annual leave compensation time pay is recorded as a liability when incurred within the government-wide and proprietary funds financial statements. Sick leave, which does not vest, is recorded in all funds when leave is taken. In accordance with GASB Statement No. 6, a liability for these amounts is reported in the governmental funds financial statements only if they have matured and are paid by the City subsequent to year-end.

The accrual for compensated absences was reported as follows as of June 30, 2009:

	Governmental Activities	Business Type	Total
Beginning Balance	\$ 16,094,816	\$ 2,421,510	\$ 18,516,326
Additions	6,154,229	1,378,535	7,532,764
Payments	(6,033,565)	(1,222,908)	(7,256,473)
Ending Balance	16,215,480	2,577,137	18,792,617
Current Portions	\$ 6,038,000	\$ 1,007,268	\$ 7,045,268

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.

J. Property Taxes

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.

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, 2009, the City has recorded property taxes receivable of \$1,078,041 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.

K. 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.

L. Budgets and Budgetary Accounting

The City develops and presents a two-year budget to the City Council including a capital improvement plan. Annual operating and capital improvement expenditures are adopted by resolution. This resolution constitutes the authorized expenditures for the fiscal year. The second year of the two-year budget is updated and adopted for that year. The City's annual budget is the legally adopted expenditure control document of the City. Budgets

are prepared on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP).

The City Council generally reauthorizes appropriations for continuing projects and activities. The City Council has the legal authority to amend the budget of any fund at any time during the fiscal year. The budgetary legal level of control (the level on which expenditures may not legally exceed appropriations) is generally at the fund level. Budgeted expenditures may be reallocated within a fund by the City Manager and within a department by the department director.

M. Encumbrances

Appropriations in governmental fund types are encumbered upon issuance of purchase orders for goods and/or services. Even though unencumbered appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered. As part of the budget adoption, the City Council approved the reappropriation of outstanding commitments in the new fiscal year. As of June 30, 2009, the following outstanding encumbrances were identified for reappropriation of funds:

City Attorney	\$ 100,317
Development services	209,521
Finance	92,202
Parks	21,651
Public Works	200,631
Water	385,027
Wastewater	149,346
Environmental Resources	20,957
Total	<u>\$ 1,179,652</u>

II. Detailed Notes on All Funds

A. Cash and Investments

The City's cash and cash equivalents and investments consist of the following at June 30, 2009:

Deposits	\$ 17,278,028
Investments	<u>187,938,642</u>
Cash and cash equivalents	205,216,670
Investments with Fiscal Agents	<u>88,510,058</u>
Total	<u>\$ 293,726,728</u>

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

	Governmental Activities	Business-Type Activities	Internal Service Funds	Fiduciary Funds	Grand Total
Cash and cash equivalents	\$ 126,508,425	\$ 47,970,506	\$ 25,525,791	\$ 5,211,946	\$ 205,216,668
Cash with fiscal agents	38,158,197	25,729,639	—	24,622,224	88,510,060
Total	\$ 164,666,622	\$ 73,700,145	\$ 25,525,791	\$ 29,834,170	\$ 293,726,728

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, 2009, the City has a bank balance of \$18,708,268 (carrying amount of \$17,829,195); of the bank balance, \$250,000 was insured and the balance was secured by collateral held by the City's agent in the agent's name. Deposits held by the Housing Authority are also insured or secured by collateral held by the Housing Authority's agent in the agent's name.

Authorized Investments

The City's investments are managed by the City Treasurer, fiscal agents (Bond trustees acting in accordance with bond covenants), and authorized representatives of the Housing Authority. Investments managed by the City Treasurer and the Housing Authority are invested in accordance with the City's investment policies. Investments managed by bond trustees are invested in accordance by provisions of the respective bond agreements.

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

City Treasurer	\$ 187,938,642
Fiscal Agents (Bond trustees for the City and Its component units)	84,553,243
Housing Authority (includes fiscal agents)	3,956,815
Total Investments	\$ 276,448,700

The City Treasurer has direct oversight over the City's pooled investment fund which covers cash and cash equivalents of the City's governmental funds, proprietary funds, and trust and agency funds which are invested in accordance with the City's investment policy. Allowable investments are detailed in the following table.

Investment Types Authorized by Section 53601	Authorized by Investment Policy	Maximum Maturity (Years)	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Ratings
U.S. Treasury and Agencies	Yes	5	None	None	None
Local Agency bonds, notes	Yes	5	None	None	None
Other Bonds, Notes or Evidences of Indebtedness	Yes	N/A	15%	None	None
Bankers acceptances	Yes	180 days	40%	30%	None
Commercial Paper	Yes	270 days	15%	10%	P1/A1
Negotiable CDs	Yes	N/A	30%	None	Aa/AA-
Certificate of Deposits (CDs)	Yes	N/A	40%	15%	A
Repurchase Agreements	Yes	90 days	None	None	None
Medium Term Notes	Yes	5	30%	None	A
Mutual Funds	Yes	N/A	15%	None	None
LAIF	Yes	N/A	None	None	None

The Housing Authority's investment policy and related disclosures regarding its investments at June 30, 2009, is more fully disclosed in its separate financial statements. Financial statements for the Housing Authority may be obtained from the Housing Authority's Financial Services Division.

Investments with fiscal agents are investments held by the bond trustee on behalf of the City or its component units. The City 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. For example, investment may be made in guaranteed investment contracts (GICs) with maturities in excess of five years.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations or debt service requirements.

Information about the sensitivity of the fair value of the City's investment (including investments held by bond trustees) to market interest rate fluctuation is provided by the following table that shows the distribution of the City's investments by maturity:

	Investment Maturities (in Years)			Total
	Less than 1	1-5	More than 5	
Federal Agency Securities	\$ 5,993,668	\$ 122,952,215	\$ -	\$ 128,945,883
Corporate Bonds	1,985,507	6,084,188	-	8,069,695
LAIF	54,187,846	-	-	54,187,846
Held by trustee:				
Investment Agreement	-	-	5,158,750	5,158,750
LAIF	-	-	54,656,989	54,656,989
Money Market Fund	25,506,472	-	-	25,506,472
Total Investments	87,673,493	129,036,403	59,815,739	276,525,635
Accrued discount				(76,935)
Total investments (net of accrued discount)				276,448,700
Cash in banks and on hand				17,278,028
Total Cash and Investments				293,726,728

The investment agreements listed above are GICs held by fiscal agents (bond trustees) and are restricted for construction projects and debt service requirements. GICs are contracts that guarantee repayment of principal and a fixed or floating interest rate for a predetermined period of time. The maturities of a GIC are normally pegged to the maturities of the related debt.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized credit rating organization. The City's investments that are not rated include LAIF and GICs. Although GIC's are not rated, the City has only entered into GIC's with institutions that carry a high credit rating.

Presented below are the actual ratings for each investment type as of June 30, 2009:

Investment Type	AAA	AA+	Total
Federal agency securities	\$ 128,945,883	\$ -	\$ 128,945,883
Corporate bonds (GECC)	-	4,049,137	4,049,137
Corporate bonds (BHFC)	4,020,558	-	4,020,558
Money Market Fund	25,506,472	-	25,506,472
Totals	\$ 158,472,913	\$ 4,049,137	162,522,050
Not rated:			
LAIF			108,844,835
GICs			5,158,750
Total Investments			276,525,635
Less accrued discount			(76,935)
Total investments (net of accrued discount)			276,448,700
Cash in banks and on hand			17,278,028
Total cash and investments			\$ 293,726,728

Concentration of Credit Risk

Investments in the securities of any individual issuer, other than U.S. Treasury securities, mutual funds, and external investment funds that represent 5 percent or more of total entity-wide investments are as follows at June 30, 2009:

Issuer	Type of Investments	Amounts
Federal National Mortgage Association	Federal Agency Securities	\$ 24,000,000
Federal Home Loan Bank	Federal Agency Securities	\$ 46,980,358
Federal Farm Credit Bank	Federal Agency Securities	\$ 27,984,683
Federal Home Loan Mortgage Corporation	Federal Agency Securities	\$ 29,980,842
Wells Fargo Advantage Government	Money Market Fund	\$ 24,737,503

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. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure of custodial credit risk for deposits or investments, other than the provisions for deposits in the California Government Code that require that financial institutions secure deposits made by state local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institution to secure City deposits by pledging first trust deed mortgage notes having value of 150% of the secured public deposits.

For investments identified herein as held by fiscal agent (bond trustee), the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

B. Receivables and Payables

Accounts receivables and other receivables as of June 30, 2009 included in the accompanying Statement of Net Assets primarily consist of the following:

Accounts Receivables	Governmental Activities	Business-Type Activities
Accrued Interest Receivable	\$ 1,175,950	\$ -
Utilities Receivable	1,527	10,145,812
Grants Receivable	10,066,322	-
Accounts Receivable Billed and Accrued	2,185,780	3,743,601
Other Receivables	6,457,654	672,480
Sub-Total	19,887,233	14,561,893
Allowance for Uncollectible Receivables	(490,182)	(289,250)
Total	<u>\$ 19,397,051</u>	<u>\$ 14,272,643</u>

Accounts payable and other liabilities as of June 30, 2009 primarily consist of the following:

Accounts Payable and Other Liabilities	Governmental Activities	Business-Type Activities
Accounts Payable (due to vendors)	\$ 6,906,303	\$ 2,101,144
Other liabilities:		
Accrued Payroll	6,267,427	890,249
Other Accrued Expenses	319,580	2,095,693
Other Payables	6,682,325	2,006,621
Total Other liabilities	13,269,332	4,992,563
Total	<u>\$ 20,175,635</u>	<u>\$ 7,093,707</u>

Governmental funds record deferred revenue for revenues that are not yet earned as of year end. At June 30, 2009, unearned revenues are comprised of the following:

Governmental funds:

Community development charges for services	\$ 702,851
Federal grant drawdowns prior to meeting all eligibility requirements	5,514,047
State grants	5,934,022
Transportation development act	344,087
Total	<u>\$ 12,495,007</u>

C. Interfund Receivables and Payables

Total interfund receivables and payables at June 30, 2009, 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:

	Interfund Receivable	Interfund Payable	Interfund Balance
Governmental Activities:			
General Fund	\$ 6,397,244	\$ -	\$ 6,397,244
Non-Major Governmental Funds	-	2,191,490	(2,191,490)
Community Development Commission Fund	926,132	4,250,609	(3,324,477)
Total governmental activities	7,323,376	6,442,099	881,277
Business type Activities:			
Water	86,658	-	86,658
Wastewater	7,080,257	-	7,080,257
Environmental Resources	64,556	7,080,257	(7,015,701)
Performing Arts and Convention Center	-	1,032,491	(1,032,491)
Total business type activities	7,231,471	8,112,748	(881,277)
Total	\$ 14,554,847	\$ 14,554,847	\$ -

The interfund balances at June 30, 2009 are loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2009 are expected to be repaid within one year.

D. Interfund Transfers

The net transfers of \$3,764,713 from governmental activities to business-type activities and internal services in the Statement of Activities primarily relates to a transfer from capital outlay to golf course funds and an operational subsidy from the General Fund to the Performing Arts and Convention Center Fund. Interfund transfers generally fall within one of the following categories:

- debt service payments made from a debt service fund but funded from an operating fund,
- program support that generally reflects subsidies and allocations between funds,
- transfers to fund capital assets.

There were no transfers during Fiscal Year 2008-2009 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer except for transfer from capital outlay to golf course which partially reversed a prior transfer of land sale proceeds.

The following transfers in and out are reflected in the Fund Financial Statements for the year ended June 30, 2009:

	Description	Transfers In	Transfers Out	Net Transfers
Governmental Activities:				
General Fund	Program support	\$ 2,836,750	\$ 2,042,488	\$ 794,262
General Fund	Debt service	-	2,840,800	(2,840,800)
State & Federal Grant Funds	Program support	80,600	-	80,600
Non-Major Governmental Funds	Debt service	6,682,200	2,754,502	3,927,698
Non-Major Governmental Funds	Transfer for capital assets	573,527	-	573,527
Non-Major Governmental Funds	Program support	400,000	6,700,000	(6,300,000)
Total governmental activities		10,573,077	14,337,790	(3,764,713)
Business type Activities:				
Environmental Resource	Program support	-	36,750	(36,750)
Environmental Resource	Debt service	-	25,348	(25,348)
Performing Arts and Convention Center	Program support	981,861	-	981,861
Golf Course	Transfer for capital assets	3,900,000	1,061,550	2,838,450
Internal Service Fund	Program support	6,500	-	6,500
Total business type activities		4,888,361	1,123,648	3,764,713
Total government-wide statements		\$ 15,461,438	\$ 15,461,438	\$ -

E. Capital Assets

Changes in the City's capital assets for the year ended June 30, 2009 consisted of the following:

	BALANCE JULY 1, 2008	INCREASES	DECREASES	BALANCE JUNE 30, 2009
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 988,043,659	\$ -	\$ -	\$ 988,043,659
Construction in progress	105,536,981	37,638,234	(103,664)	143,071,551
Total capital assets, not being depreciated	1,093,580,640	37,638,234	(103,664)	1,131,115,210
Capital assets, being depreciated:				
Buildings	43,458,818	231,272	-	43,690,090
Improvements other than buildings	76,583,813	2,231,944	-	78,815,757
Equipment and machinery	36,504,686	2,697,328	(1,061,042)	38,140,972
Infrastructure	463,784,017	1,718,131	-	465,502,148
Total capital assets, being depreciated	620,331,334	6,878,675	(1,061,042)	626,148,967
Less: Accumulated depreciation				
Buildings	(19,395,071)	(918,286)	-	(20,313,357)
Improvements other than buildings	(12,854,242)	(1,946,693)	-	(14,800,935)
Equipment and machinery	(28,078,714)	(3,175,799)	1,026,987	(30,227,526)
Infrastructure	(223,879,350)	(13,052,207)	-	(236,931,557)
Total accumulated depreciation	(284,207,377)	(19,092,985)	1,026,987	(302,273,375)
Total capital assets, being depreciated, net	336,123,957	(12,214,310)	(34,055)	323,875,592
Governmental activities capital assets, net	\$ 1,429,704,597	\$ 25,423,924	\$ (137,719)	\$ 1,454,990,802

	BALANCE JULY 1, 2008	INCREASES	DECREASES	BALANCE JUNE 30, 2009
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 25,168,033	\$ -	\$ (1,128,495)	\$ 24,039,538
Construction in progress	258,379,979	20,993,860	(129,701)	279,244,138
Total capital assets, not being depreciated	283,548,012	20,993,860	(1,258,196)	303,283,676
Capital assets, being depreciated:				
Buildings	76,095,838	450,686	-	76,546,524
Municipal Golf Course improvements	5,803,242	-	-	5,803,242
Equipment and machinery	42,269,325	858,277	(371,033)	42,756,569
Infrastructure	272,300,114	1,221,103	-	273,521,217
Total capital assets, being depreciated	396,468,519	2,530,066	(371,033)	398,627,552
Less: Accumulated depreciation				
Buildings	(45,440,327)	(2,220,031)	-	(47,660,358)
Golf improvements	(1,443,692)	(9,869)	-	(1,453,561)
Equipment and machinery	(37,407,152)	(1,587,787)	381,221	(38,613,718)
Infrastructure	(105,312,522)	(6,063,507)	-	(111,376,029)
Total accumulated depreciation	(189,603,693)	(9,881,194)	381,221	(199,103,666)
Total capital assets, being depreciated, net	206,864,826	(7,351,128)	10,188	199,523,886
Business-type activities capital assets, net	490,412,838	13,642,732	(1,248,008)	502,807,562
Total	\$ 1,920,117,435	\$ 39,066,656	\$ (1,385,727)	\$ 1,957,798,364

For the year ended June 30, 2009 depreciation expense on capital assets was charged as follows:

Governmental Activities:

Legislative	\$ 57,195
Administration and support	5,309,777
Public safety	8,790,911
Transportation (Highways and streets)	379,232
Community development	672,004
Culture and leisure	1,257,133
Libraries	491,588
Capital improvement projects, including depreciation of general infrastructure assets	1,874,769
Capital assets held be the City's internal service fund	260,376
Total governmental activities depreciation expense	\$ 19,092,985

Business-type Activities:

Water	\$ 2,491,740
Wastewater	4,087,382
Environmental Resources	1,709,656
Performing Arts and Convention Center	3,655
Oxnard Housing Authority	1,506,736
Municipal Golf Course	82,025
Total business-type activities depreciation expense	\$ 9,881,194

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

	BALANCE JULY 1, 2008	INCREASES	DECREASES	BALANCE JUNE 30, 2009
Internal Service Funds				
Capital assets, not being depreciated:				
Land	\$ 595,500	\$ -	\$ -	\$ 595,500
Construction in progress	810,483	674,084	-	1,484,567
Total capital assets, not being depreciated	1,405,983	674,084	-	2,080,067
Capital assets, being depreciated:				
Equipment and machinery	2,665,775	137,861	(17,411)	2,786,225
Total capital assets, being depreciated	2,665,775	137,861	(17,411)	2,786,225
Less: Accumulated depreciation				
Equipment and machinery	(1,804,067)	(260,377)	17,411	(2,047,033)
Total accumulated depreciation	(1,804,067)	(260,377)	17,411	(2,047,033)
Total capital assets, being depreciated, net	861,708	(122,516)	-	739,192
Total	\$ 2,267,691	\$ 551,568	\$ -	\$ 2,819,259

F. Long-term Liabilities

The following is a summary of changes in long-term liabilities. Certain long-term liabilities provide financing to both governmental and business-type activities. The following table present balances and activity for the City's fiscal year ended June 30, 2009.

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within one year
Governmental Activities:					
Revenue Bonds:					
Lease revenue refunding bonds, series 2003 A	\$ 5,171,367	\$ -	\$ 559,011	\$ 4,612,356	\$ 579,639
Variable rate demand lease revenue, series 2003 B	13,060,000	-	360,000	12,700,000	370,000
Variable rate demand lease revenue bonds, series 2006	23,515,000	-	490,000	23,025,000	510,000
1999 Certificate of participation	7,160,000	-	245,000	6,915,000	255,000
Tax Allocation refunding bonds, series 2004 A	16,770,000	-	665,000	16,105,000	690,000
2006 tax allocation bond financing	20,270,000	-	410,000	19,860,000	420,000
2008 tax allocation bond	-	11,790,000	-	11,790,000	170,000
Capital Leases:					
Lasalle national leasing	493,471	-	199,585	293,886	206,038
Gas tax revenue certificate of participation	27,675,000	-	240,000	27,435,000	495,000
Compensated absences	16,094,816	6,154,229	6,033,565	16,215,480	6,038,000
Unamortized discounts	(934,473)	(116,979)	(118,264)	(933,188)	-
Total Governmental Activities	129,275,181	17,827,250	9,083,897	138,018,534	9,733,677
Business-Type Activities:					
Water fund					
Revenue refunding bonds, series 2001	\$ 10,620,000	\$ -	\$ 285,000	\$ 10,335,000	\$ 300,000
Water revenue refunding bonds, series 2004	44,165,000	-	980,000	43,185,000	1,005,000
Water revenue project bonds, series 2006	54,600,000	-	775,000	53,825,000	800,000
Add: Unamortized bond premium	1,827,308	-	91,873	1,735,435	-
Less: Unamortized loss on refunding	(2,881,800)	-	(130,990)	(2,750,810)	-
Unamortized discounts	(151,500)	-	(6,887)	(144,613)	-
Sub Total	108,179,008	-	1,993,996	106,185,012	2,105,000
Compensated absences	446,559	269,414	217,296	498,677	220,000
Total Water fund	\$ 108,625,567	\$ 269,414	\$ 2,211,292	\$ 106,683,689	\$ 2,325,000

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within one year
Wastewater fund					
Wastewater revenue refunding bonds, series 2003	\$ 32,545,000	\$ -	\$ 2,100,000	\$ 30,445,000	\$ 2,175,000
Wastewater revenue bonds, series 2004A	80,000,000	-	-	80,000,000	-
Wastewater revenue bonds, series 2004B	23,975,000	-	820,000	23,155,000	840,000
Wastewater revenue bonds, series 2006	12,165,000	-	235,000	11,930,000	240,000
Less: Unamortized discounts	(412,696)	-	(68,783)	(343,913)	-
Sub Total	148,272,304	-	3,086,217	145,186,087	3,255,000
Compensated absences	649,269	395,214	393,741	650,742	400,000
Total Wastewater fund	\$ 148,921,573	\$ 395,214	\$ 3,479,958	\$ 145,836,829	\$ 3,655,000
Environmental resources fund					
Solid waste revenue refunding bonds, series 2005	\$ 16,020,000	\$ -	\$ 1,785,000	\$ 14,235,000	\$ 1,875,000
Add : Unamortized bond premium	728,091	-	104,011	624,080	0
Less: Unamortized discounts	(95,344)	-	(13,619)	(81,725)	0
Sub Total	16,652,747	-	1,875,392	14,777,355	1,875,000
Capital Lease					
Del Norte Blvd. improvement	359,934	-	75,911	284,023	76,333
Fifth and Del Norte improvement	629,572	-	118,636	510,936	116,500
Lasalle national leasing	178,096	-	72,031	106,065	74,376
Lease purchase trash containers	3,436,273	-	283,927	3,152,346	295,774
Compensated absences	681,764	372,683	304,593	749,854	305,000
Total Environmental resources fund	\$ 21,938,386	\$ 372,683	\$ 2,730,490	\$ 19,580,579	\$ 2,742,983
Performing arts and convention center fund (PACC)					
Compensated absences	\$ 78,341	\$ 46,738	\$ 47,060	\$ 78,019	\$ 48,000
Total PACC	\$ 78,341	\$ 46,738	\$ 47,060	\$ 78,019	\$ 48,000
Oxnard housing authority fund					
2004 Capital Fund Revenue Bonds	\$ 4,975,000	\$ -	\$ 225,000	\$ 4,750,000	\$ 235,000
Compensated Absences	565,577	294,486	260,218	599,845	34,268
Total Oxnard housing authority fund	\$ 5,540,577	\$ 294,486	\$ 485,218	\$ 5,349,845	\$ 269,268
Municipal golf course fund					
Revenue Refunding Bonds Series 2003	\$ 7,363,643	\$ -	\$ 795,989	\$ 6,567,654	\$ 825,363
Total Municipal golf course fund	\$ 7,363,643	\$ -	\$ 795,989	\$ 6,567,654	\$ 825,363
Total Business-Type Activities	\$ 292,468,087	\$ 1,378,535	\$ 9,750,007	\$ 284,096,615	\$ 9,865,614
Total	\$ 421,743,268	\$ 19,205,785	\$ 18,833,904	\$ 422,115,149	\$ 19,599,291

Internal Service Funds 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, 2009 are as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within one year
Internal service funds:					
Compensated absences	\$ 818,248	\$ 571,599	\$ 537,399	\$ 852,448	\$ 538,000
Total	\$ 818,248	\$ 571,599	\$ 537,399	\$ 852,448	\$ 538,000

Description of Long-term Debt

Lease Revenue Refunding Bonds, Series 2003A

Lease Revenue Refunding Bonds, Series 2003A were issued on May 22, 2003 in the amount of \$18,640,000. These are a thirteen-year bond maturing in various amounts through June 1, 2016 with a net interest cost of 3.5904 percent. The bonds were issued to refinance the outstanding Lease Revenue Refunding Bonds Series 1993, 1988 Civic Center Library bonds, 1986 River Ridge Golf Course bonds, land acquisition bonds, 1966 Auditorium Authority bonds, and 1972 parking authority bonds, and to prepay the Zions Bank leases for the Old Oxnard High School and 300 West Third Street. The refunding

resulted in an economic gain of \$921,361 and an overall cash savings of \$4,922,193. The total balance outstanding as of June 30, 2009 is \$11,180,010, of which \$4,612,356 is recorded within governmental activities and \$6,567,654 is recorded within business-type activities in the accompanying statement of net assets.

Variable Rate Demand Lease Revenue Bonds, Series 2003B

Variable Rate Demand Lease Revenue Bonds, Series 2003B in the amount of \$14,750,000 were issued on December 1, 2003. These are thirty-year bonds 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, 2009 is \$12,700,000.

Variable Rate Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006

Variable Rate Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006 were issued on December 1, 2006 in the amount of \$24,205,000 to finance the acquisition, construction, and improvement of certain public facilities constituting the Civic Center Phase 2 Project. The City entered into an interest rate exchange agreement with respect to the bonds with Royal Bank of Canada (the "Swap Provider") consisting of an International Swap Dealers Association, Inc. (ISDA) Master Agreement, dated December 1, 2006, including related schedule, Credit Support Annex, and Confirmation pertaining to the "Swap Agreement." The Swap Agreement terminates by its term on June 1, 2036. As of March 3, 2007, the swap rate was 3.53 percent. The outstanding balance as of June 30, 2009 is \$23,025,000.

1999 Certificates of Participation

The 1999 Certificates of Participation were issued on January 26, 1999 in the amount of \$8,980,000. These are thirty-year bonds with a net interest cost of 5.04 percent. The balance outstanding and recorded in governmental activities as of June 30, 2009 is \$6,915,000.

Tax Allocation Refunding Bonds, Series 2004A

Tax Allocation Refunding Bonds, Series 2004A were issued on May 4, 2004 in the amount of \$19,185,000. These are twenty-two-year bonds with a net interest cost of 4.58 percent. 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, 2009 is \$16,105,000.

2006 Tax Allocation Bond Financings

Local Obligation Revenue Bonds (2006 Tax Allocation Bond Financings) in the amount of \$20,530,000 were issued on December 1, 2006 to purchase the following obligations

being issued simultaneously for 1) the Oxnard Community Development Commission Ormond Beach Project Area Tax Allocation Bonds, Series 2006 in the amount of \$5,750,000, 2) the Oxnard Community Development Commission Southwinds Project Area Tax Allocation Bonds, Series 2006 in the amount of \$3,290,000, and 3) the Oxnard Community Development Commission Historic Enhancement and Revitalization of Oxnard (HERO) Project Area Tax Allocation Bonds, Series 2006 in the amount of \$11,490,000. The bonds were issued to finance redevelopment activities (street improvement projects) in the Ormond Beach Project Area, Southwinds Project Area and the HERO Redevelopment Project Areas. These bonds carry a net interest cost of 4.424 percent, maturing on September 1, 2036. The outstanding balance as of June 30, 2009 is \$19,860,000.

Tax Allocation Bonds, Series 2008

Tax Allocation Bonds, Series 2008 were issued on July 1, 2008 in the amount of \$11,790,000 for the Oxnard Community Development Commission Historic Enhancement and Revitalization of Oxnard (HERO) Project Area. Proceeds from the sale of bonds are to be used to finance a 500-space parking structure to service a mixed-use retail/commercial development located within the RiverPark Specific Plan Area. These bonds carry a net interest cost of 4.849 percent, with a final maturity of September 1, 2038. The outstanding balance as of June 30, 2009 is \$11,790,000.

Gas Tax Revenue Certificates of Participation (2007 Street Improvement Program)

Gas Tax Revenue Certificates of Participation were issued on December 18, 2007 in the amount of \$27,675,000. Proceeds from the sale of the certificates are to be used to reconstruct various streets throughout the City. The certificates are secured solely by gas tax revenues received from the State of California. Yields on the certificates range from 2.97 percent to 4.87 percent with a final maturity of September 1, 2037. The outstanding balance as of June 30, 2009 is \$27,435,000.

Water Revenue Refunding and Project Bonds, Series 2001

Water Revenue Refunding and Project Bonds, Series 2001 were issued on July 17, 2001 in the amount of \$12,410,000. These bonds carry a net interest rate of 5.1057 percent and mature on June 1, 2030. The proceeds from the sale of the bonds were used to advance 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 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 rehabilitation of certain water wells. The 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, 2009 is \$10,335,000.

Water Revenue Project Bonds, Series 2004

Water Revenue Project Bonds, Series 2004 were issued on February 1, 2004 in the amount of \$47,895,000. These bonds carry a net interest cost of 4.67 percent and mature 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, 2009 is \$43,185,000.

Water Revenue Project Bonds, Series 2006

Water Revenue Project Bonds, Series 2006 were issued on April 20, 2006 in the amount of \$54,600,000. These bonds carry a net interest cost of 4.805 percent and mature on June 1, 2036. The proceeds from the sale of the bonds were used to pay for the costs of reconstruction, repair or replacement to the water system, including SCADA system improvement, industrial lateral reconnection, aquifer storage and recovery wells, Blending Station No. 3 expansion project, downtown cast iron replacement, hydraulic deficiencies and the GREAT Program. The balance outstanding as of June 30, 2009 is \$53,825,000.

Wastewater Revenue Refunding Bonds, Series 2003

Wastewater Revenue Refunding Bonds, Series 2003 were issued on April 1, 2003 in the amount of \$43,785,000. These are a seventeen-year bonds maturing in various amounts through June 1, 2020 with a net interest cost of 4.183 percent. The bonds were issued to refinance Wastewater Revenue Refunding Bonds, Series 1993, 1986 Wastewater Treatment Plant Expansion Bonds, 1985 Wastewater Treatment Plant Expansion Land Bonds, and 1977 Oxnard Port Hueneme Regional Wastewater Treatment Authority bonds. This 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. The outstanding balance as of June 30, 2009 is \$30,445,000.

Wastewater Revenue Bonds, Series 2004A

Wastewater Revenue Bonds, Series 2004A were issued on June 22, 2004 in the amount of \$80,000,000. These bonds carry a net interest cost of 5.149 percent and mature 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, 2009 is \$80,000,000.

Wastewater Revenue Bonds, Series 2004B

Variable Rate Demand Wastewater Revenue Bonds, Series 2004B were issued on November 1, 2004 in the amount of \$23,975,000. These bonds carry an interest rate of 2.45 to 4.45 percent and mature 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, 2009 is \$23,155,000.

Wastewater Revenue Bonds, Series 2006

Wastewater Revenue Bonds, Series 2006 were issued on April 27, 2006 in the amount of \$12,575,000. These bonds carry a net interest cost of 4.788 percent and mature on June 1, 2036. The proceeds from the sale of the bonds were used to finance the cost of certain capital improvements to the City's wastewater system (the "Headworks Project") to address master-planned increases in sewer capacity needs in the north and northwest portions of the City, and to correct existing wastewater system deficiencies. The balance outstanding as of June 30, 2009 is \$11,930,000.

Solid Waste Revenue Refunding Bonds, Series 2005

Solid Waste Revenue Refunding Bonds, Series 2005 were issued on April 15, 2005 in the amount of \$20,955,000. These bonds carry a net interest cost of 4.25 percent and mature in various amounts on May 1, 2016. The proceeds of the bonds were used to refund the Solid Waste Revenue Bonds, Series 1995 and to purchase various Solid Waste equipment such as commercial front-end loader trucks, green waste collection, refuse tractors, trailers, compactors, pickup trucks and others. The 1995 bonds were issued to finance the construction of the Del Norte Regional Recycling and Transfer Station. The refunding of the 1995 Bonds provided a net present value savings of \$1,200,000. The outstanding balance as of June 30, 2009 is \$14,235,000.

Housing Authority 2004 Capital Fund Revenue Bonds

The Affordable Housing Agency issued Affordable Housing Agency Certificates of Participation, Series 2004 (Oxnard's Santa Clara Projects) on April 25, 2004 in the amount of \$10,370,000, evidencing a proportionate ownership interest in debt service payments to be made with respect to certain Capital Fund Revenue Bonds, Series 2004, issued by the Oxnard and Santa Clara Housing Authorities in the amounts of \$5,820,000 and \$4,550,000, respectively. Each certificate represents a proportionate ownership interest of the holder in the right to receive debt service payments made with respect to the bonds. The obligation of the housing authorities under their respective bond indentures are independent and neither is obligated for the payment of principal or interest on the bonds of the other housing authority. The bonds were issued to finance certain capital projects of the Housing Authority, with interest ranging from 2.00 percent to 4.95 percent, maturing on or after April 1, 2012. The outstanding balance as of June 30, 2009 is \$4,750,000.

Capital Lease Obligations

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 and final maturity on December 1, 2012. The outstanding balance as of June 30, 2009 is \$284,023.

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 the Fifth/Del Norte Land Purchase, with an interest rate of 5.00 percent and final maturity on June 1, 2013. The outstanding balance as of June 30, 2009 is \$510,936.

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 and final maturity on November 25, 2010. The outstanding balance as of June 30, 2009 is \$399,951.

On April 23, 2008, the City entered into a Lease Purchase Agreement with Upton & Oliver Funding Corporation in the amount of \$3,436,273 for the purpose of acquiring trash containers associated with the conversion to a three-cart residential container service. The lease purchase carries an interest rate of 4.13 percent, with a final maturity of April 23, 2018. The outstanding balance as of June 30, 2009 is \$3,152,346.

Compensated Absences

The long-term portion of the liability was \$10,177,480 for governmental activities and \$1,569,869 for business-type activities at June 30, 2009, which is expected to be paid in future years from future resources.

Interest Rate Swaps

The City of Oxnard entered into three interest rate swaps in Fiscal Year 2006-2007 for bonds issued by the City of Oxnard Financing Authority. Specifics for each interest rate swap are discussed below.

Variable Rate Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed rate bonds at the time of issuance in December 2006, the City entered into an interest rate swap in connection with its \$24,205,000 City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 3.53 percent.

Terms. The bonds and the related swap agreement mature in June 1, 2036, and the swap's notional amount of \$23,025,000 matches the \$23,025,000 variable rate bonds. The swap was entered at the same time the bonds were issued (December 2006). Beginning in Fiscal Year 2007, the notional value of the swap and the principal amount of the associated debt declined. Under the swap, the City pays the counterparty a fixed payment of 3.53 percent and receives a variable payment computed as 68 percent of the 1-month London Interbank Offered Rate (LIBOR), which was calculated to be 0.4990% at 6/30/09. The bond's variable rate coupon tracks the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index.

Fair Value. Because interest rates have decreased since execution of the swap, the swap had a negative fair value of \$2,484,914 as of June 30, 2009. However, the goal of the swap is to effectively fix the cost of debt over the term of the bonds, not for speculative purposes such as capturing the positive fair value at any point in time. Because the coupons on the City's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk. As of June 30, 2009, the City's exposure to credit risk was zero since the fair value of the swap was negative. The swap counterparty carries a senior debt rating of "Aaa" by Moody's and "AA-" by Standard and Poor's as of June 30, 2009. To mitigate the potential for credit risk, if the counterparty's credit falls below "AA-" by Standard and Poor's or "Aa" by Moody's, then the fair value of the swap will be collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

Basis Risk. The swap exposes the City to basis risk should the relationship between LIBOR and SIFMA converge, potentially changing the synthetic rate on the bonds. If a change occurs in which 68 percent of LIBOR is greater than SIFMA, the expected cost savings may be reduced.

Termination Risk. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the City in the event that the swap counterparty's credit rating falls below investment grade (e.g., "BBB" by Standard & Poor's or "Baa" by Moody's). If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Variable Rate Demand Wastewater Revenue Bonds (Headworks and Septic System Conversion Program), 2004 Series B

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed rated bonds at the time of execution of the swap in June 2007, the City entered into an interest rate swap in connection with its \$23,975,000 City of Oxnard Financing Authority Variable Rate Demand Wastewater Revenue Bonds (Headworks and Septic System Conversion Program), 2004 Series B. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 4.017 percent.

Terms. The bonds and the related swap agreement mature on June 1, 2034, and the swap's notional amount of \$23,155,000 matches the \$23,155,000 in variable rate bonds. The swap was entered into on June 21, 2007, after the bonds were issued in November 2004. Starting in Fiscal Year 2009, both the notional value of the swap and the principal amount of the associated debt declined. Under the swap, the City pays the counterparty a fixed payment of 4.017 percent and receives a variable payment computed as 68 percent of the 1-month London Interbank Offered Rate (LIBOR), which was calculated to be 0.4990% at 6/30/09. The bond's variable rate coupon tracks the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index.

Fair Value. The swap had a negative fair value of \$3,332,013 as of June 30, 2009. However the goal of the swap is to effectively fix the cost of debt over the term of the bonds, not for speculative purposes such as capturing the positive fair value at any point in time. Because the coupons on the City's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk. As of June 30, 2009, the City had no exposure to credit risk since the fair value of the swap was negative. The swap counterparty carries a senior debt rating of 'Aaa' by Moody's and 'AA-' by Standard & Poor's as of June 30, 2009. To mitigate the potential for credit risk, if the counterparty's credit quality falls below 'AA-' by Standard & Poor's or 'Aa' by Moody's, then the fair value of the swap will be collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

Basis Risk. The swap exposes the City to basis risk should the relationship between LIBOR and SIFMA converge, potentially changing the synthetic rate on the bonds. If a change occurs in which 68 percent of LIBOR is greater than SIFMA, the expected cost savings may be reduced.

Termination Risk. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the City in the event that the swap counterparty's credit rating falls below investment grade (e.g., 'BBB' by Standard & Poor's or 'Baa' by Moody's). If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Variable Rate Demand Lease Revenue Bonds 2003 Series B

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed rate bonds at the time of execution of the swap in June 2007, the City entered into an interest rate swap in connection with its \$13,750,000 City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds 2003 Series B. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 4.037 percent.

Terms. The bonds and the related swap agreement mature on June 1, 2033, and the swap's notional amount of \$12,700,000 matches the \$12,700,000 in variable rate bonds. The swap was entered into on June 21, 2007, after the bonds were originally issued in December 2003. The notional value of the swap and the principal amount of the associated debt declined every year commencing in 2008. Under the swap, the City pays the counterparty a fixed payment of 4.037 percent and receives a variable payment computed as 68 percent of the 1-month London Interbank Offered Rate (LIBOR), which was calculated to be 0.4990% at 6/30/09. The bond's variable rate coupon tracks the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index.

Fair Value. Because interest rates have decreased since execution of the swap, the swap had a negative fair value of \$1,915,880 as of June 30, 2009. However the goal of the swap is to effectively fix the cost of debt over the term of the bonds, not for speculative purposes such as capturing the positive fair value at any point in time. Because the coupons on the City's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk. As of June 30, 2009, the City had no exposure to credit risk since the fair value of the swap was negative. The swap counterparty carries a senior debt rating of 'Aaa' by Moody's and 'AA-' by Standard & Poor's as of June 30, 2009. To mitigate the potential for credit risk, if the counterparty's credit quality falls below 'AA-' by Standard & Poor's or 'Aa' by Moody's, then the fair value of the swap will be collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

Basis Risk. The swap exposes the City to basis risk should the relationship between LIBOR and SIFMA converge, potentially changing the synthetic rate on the bonds. If a change occurs in which 68 percent of LIBOR is greater than SIFMA, the expected cost savings may be reduced.

Termination Risk. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the City in the event that the swap counterparty's credit rating falls below investment grade (e.g., 'BBB' by Standard & Poor's or 'Baa' by Moody's). If the swap is terminated, the variable rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the City performed calculations of excess investment earnings on various bonds and financings. Liabilities were calculated for the issues and rebate payments were made as appropriate.

Debt Service

The annual debt service requirements are shown below for all long-term debt:

Fiscal Year	Governmental Activities		Business - Type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 3,695,677	\$ 6,325,533	\$ 8,858,346	\$ 14,350,872
2011	3,706,366	6,157,032	9,145,167	13,974,959
2012	3,752,396	5,984,557	9,513,700	13,529,135
2013	3,890,087	5,716,173	9,907,397	13,074,611
2014	4,032,777	5,537,357	10,150,540	12,583,888
2015-2019	20,223,939	24,701,884	44,860,873	55,690,374
2020-2024	21,915,000	19,511,213	46,755,000	44,679,833
2025-2029	23,665,000	13,278,719	56,535,000	31,688,400
2030-2034	21,760,000	7,255,865	71,770,000	15,345,325
2035-2039	16,095,000	1,613,834	14,985,000	1,133,000
Totals	<u>\$ 122,736,242</u>	<u>\$ 96,082,167</u>	<u>\$ 282,481,023</u>	<u>\$ 216,050,397</u>

Gas Tax Revenue Cert. of Participation Issued 2008			Tax Allocation Bonds Series 2006	
Fiscal Year	Principal	Interest	Principal	Interest
2010	\$ 495,000	\$ 1,219,350	\$ 420,000	\$ 897,233
2011	515,000	1,199,150	435,000	882,508
2012	535,000	1,178,150	450,000	867,020
2013	555,000	1,156,350	465,000	752,599
2014	580,000	1,133,650	480,000	736,301
2015-2019	3,295,000	5,249,375	2,685,000	3,400,367
2020-2024	4,055,000	4,486,220	3,235,000	2,831,985
2025-2029	5,005,000	3,462,975	3,945,000	2,095,974
2030-2034	6,255,000	2,216,250	4,865,000	1,164,120
2035-2037	6,145,000	530,757	2,880,000	168,431
Totals	\$ 27,435,000	\$ 21,832,227	\$ 19,860,000	\$ 13,796,538

Water Revenue Project Bonds Series 2006			Water Revenue Project Bonds Series 2004	
Fiscal Year	Principal	Interest	Principal	Interest
2010	\$ 800,000	\$ 2,625,385	\$ 1,005,000	\$ 2,020,014
2011	840,000	2,593,385	1,030,000	1,993,884
2012	875,000	2,551,385	1,065,000	1,962,984
2013	920,000	2,507,635	1,095,000	1,928,904
2014	965,000	2,461,635	1,150,000	1,874,154
2015-2019	5,545,000	11,599,851	6,430,000	8,699,622
2020-2024	6,955,000	10,188,435	8,045,000	7,087,250
2025-2029	8,770,000	8,378,987	10,265,000	4,865,250
2030-2034	14,655,000	5,725,250	13,100,000	2,028,749
2035-2037	13,500,000	1,020,750	-	-
Totals	\$ 53,825,000	\$ 49,652,698	\$ 43,185,000	\$ 32,460,811

Wastewater Revenue Bonds Series 2004 A			Wastewater Revenue Refunding Bonds - Series 2003	
Fiscal Year	Principal	Interest	Principal	Interest
2010	\$ -	\$ 4,087,725	\$ 2,175,000	\$ 1,492,063
2011	-	4,087,725	2,240,000	1,426,813
2012	-	4,087,725	2,355,000	1,314,813
2013	-	4,087,725	2,470,000	1,197,063
2014	-	4,087,725	2,595,000	1,073,562
2015-2019	-	20,438,625	15,115,000	3,222,075
2020-2024	17,555,000	19,175,375	3,495,000	174,751
2025-2029	27,355,000	13,447,375	-	-
2030-2034	35,090,000	5,715,068	-	-
2035-2037	-	-	-	-
Totals	\$ 80,000,000	\$ 79,215,068	\$ 30,445,000	\$ 9,901,140

Water Revenue Refunding Bonds Series 2001			1999 Certificate of Participation	
Fiscal Year	Principal	Interest	Principal	Interest
2010	\$ 300,000	\$ 508,796	\$ 255,000	\$ 324,423
2011	310,000	496,496	265,000	313,585
2012	325,000	483,321	275,000	302,058
2013	340,000	469,103	290,000	289,820
2014	355,000	453,803	300,000	276,625
2015-2019	2,030,000	1,998,098	1,735,000	1,156,386
2020-2024	2,595,000	1,439,562	1,910,000	728,651
2025-2029	3,315,000	720,042	1,885,000	228,951
2030-2034	765,000	39,208	-	-
2035-2037	-	-	-	-
Totals	\$ 10,335,000	\$ 6,608,429	\$ 6,915,000	\$ 3,620,499

Fiscal Year	Wastewater Revenue Bonds		Tax Allocation Bonds	
	Series 2006		Series 2008	
	Principal	Interest	Principal	Interest
2010	\$ 240,000	\$ 554,865	\$ 170,000	\$ 539,438
2011	250,000	546,105	175,000	532,538
2012	260,000	536,730	185,000	525,338
2013	270,000	526,330	190,000	517,838
2014	280,000	515,530	200,000	510,038
2015-2019	1,590,000	2,396,884	1,125,000	2,413,788
2020-2024	1,965,000	2,021,754	1,385,000	2,144,418
2025-2029	2,460,000	1,528,738	1,715,000	1,805,623
2030-2034	3,130,000	856,250	2,165,000	1,344,624
2035-2037	1,485,000	112,250	4,480,000	658,111
Totals	<u>\$ 11,930,000</u>	<u>\$ 9,595,436</u>	<u>\$ 11,790,000</u>	<u>\$ 10,991,754</u>

Fiscal Year	Tax Allocation Refunding Bonds		Adjustable Lease Revenue Bonds		
	Series 2004 A		Series 2003 B		
	Principal	Interest	Principal	Interest	Swap Interest
2010	\$ 690,000	\$ 680,128	\$ 370,000	\$ 512,699	\$ 449,332
2011	710,000	660,508	385,000	497,762	436,242
2012	730,000	637,996	395,000	482,220	422,620
2013	755,000	612,921	405,000	466,274	408,645
2014	780,000	585,278	420,000	449,924	394,316
2015-2019	4,375,000	2,429,964	2,280,000	1,986,405	1,740,898
2020-2024	4,745,000	1,400,760	2,630,000	1,498,738	1,343,501
2025-2029	3,320,000	251,707	3,045,000	934,968	819,412
2030-2034	-	-	2,770,000	283,195	248,194
2035-2037	-	-	-	-	-
Totals	<u>\$ 16,105,000</u>	<u>\$ 7,259,262</u>	<u>\$ 12,700,000</u>	<u>\$ 7,112,185</u>	<u>\$ 6,263,160</u>

Fiscal Year	Lease Revenue Refunding Bonds Series 2003 A		Variable Rate Demand Lease Revenue Bonds Series 2006		
	Principal	Interest	Principal	Interest	Swap Interest
2010	\$ 1,405,000	\$ 450,335	\$ 510,000	\$ 812,783	\$ 697,899
2011	1,475,000	380,085	525,000	794,780	682,441
2012	1,545,000	306,335	545,000	776,247	666,528
2013	1,600,000	253,805	570,000	757,009	650,009
2014	1,655,000	197,805	590,000	736,888	632,732
2015-2019	3,500,010	207,970	3,285,000	3,356,677	2,882,225
2020-2024	-	-	3,955,000	2,731,514	2,345,426
2025-2029	-	-	4,750,000	1,979,449	1,699,660
2030-2034	-	-	5,705,000	1,075,769	923,713
2035-2037	-	-	2,590,000	138,021	118,514
Totals	<u>\$ 11,180,010</u>	<u>\$ 1,796,335</u>	<u>\$ 23,025,000</u>	<u>\$ 13,159,137</u>	<u>\$ 11,299,147</u>

Fiscal Year	Solid Waste Revenue Refunding Bonds Series 2005		Wastewater Revenue Bonds Series 2004 B		
	Principal	Interest	Principal	Interest	Swap Interest
2010	\$ 1,875,000	\$ 711,750	\$ 840,000	\$ 930,136	\$ 785,053
2011	1,965,000	618,000	865,000	896,394	754,622
2012	2,065,000	519,750	885,000	861,647	723,487
2013	2,165,000	416,500	915,000	826,096	691,297
2014	2,275,000	308,250	940,000	789,341	658,227
2015-2019	3,890,000	269,500	5,120,000	3,358,413	2,761,142
2020-2024	-	-	4,190,000	2,370,231	1,928,420
2025-2029	-	-	4,370,000	1,546,946	1,201,062
2030-2034	-	-	5,030,000	617,210	363,590
2035-2037	-	-	-	-	-
Totals	<u>\$ 14,235,000</u>	<u>\$ 2,843,750</u>	<u>\$ 23,155,000</u>	<u>\$ 12,196,414</u>	<u>\$ 9,866,900</u>

2004 Capital Fund Revenue Bonds				
Housing Authority				
Fiscal Year	Principal	Interest		
2010	\$ 235,000	\$ 204,882		
2011	240,000	197,245		
2012	250,000	189,205		
2013	260,000	180,455		
2014	270,000	170,835		
2015-2019	1,540,000	677,020		
2020-2024	1,955,000	294,055		
2025-2029	-	-		
2030-2034	-	-		
2035-2037	-	-		
Totals	<u>\$ 4,750,000</u>	<u>\$ 1,913,697</u>		

ER Lease				
Equipment Lease Purchase				
Lasalle National Leasing - Total				
Fiscal Year	Principal	Interest	Principal	Interest
2010	\$ 280,414	\$ 9,049	\$ 295,774	\$ 127,169
2011	119,536	711	308,116	114,828
2012	-	-	320,972	101,971
2013	-	-	334,365	88,578
2014	-	-	348,317	74,626
2015-2018	-	-	1,544,802	146,973
Totals	<u>\$ 399,950</u>	<u>\$ 9,760</u>	<u>\$ 3,152,346</u>	<u>\$ 654,145</u>

Fifth/Del Norte Land				
Purchase Solid Waste				
Fiscal Year	Principal	Interest	Principal	Interest
2010	\$ 116,500	\$ 22,923	\$ 76,333	\$ 12,976
2011	119,991	17,055	78,892	9,128
2012	123,587	11,011	81,537	5,151
2013	150,858	4,785	47,261	1,043
2014	-	-	-	-
2015-2018	-	-	-	-
Totals	<u>\$ 510,936</u>	<u>\$ 55,774</u>	<u>\$ 284,023</u>	<u>\$ 28,298</u>

Management believes the City complies with all significant covenants related to its debt issues as of June 30, 2009.

Special Assessment Bonds

There are various 1915 Act Improvement Districts and Mello-Roos Community Facilities Districts within the City, which have issued special assessment or special tax debt. The debt is secured by liens of special assessments or special taxes on the properties in the districts and is paid by the property owners. The City is not liable under any circumstance for the repayment of the debt, but is only acting as agent for the property owners in collecting the assessments and special taxes, forwarding the collections to fiscal agents to pay the bondholders, and initiating foreclosure proceedings when appropriate.

Accordingly, such special assessment debt is not reflected in the accompanying basic financial statements. Special assessment debt outstanding at June 30, 2009 is as follows:

Mandalay Bay Assessment District:	\$ 615,000
1915 Act Improvement Bonds issued April 24, 1987; original amount \$6,250,000; maximum rate 7.4%; due 2007	
Rice Avenue/Highway 101 Assessment District:	13,805,000
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	
Rose Avenue/Highway 101 Assessment District:	4,565,000
1915 Act Improvement Bonds issued November 1, 1996; original amount \$8,560,000; average rate of 5.50%; maturing in 2016	
City of Oxnard Community Facilities District I (Westport):	9,330,000
City of Oxnard Community Facilities District 88-1:	1,035,000
Oxnard Boulevard Interchange Community Facilities District 2000-03:	9,245,000
Oxnard Boulevard/Highway 101 Interchange Assessment District 2000-01:	2,150,000
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	
Community Facilities District No. 3 - Seabridge/Mandalay Bay	32,010,000
Total	\$ 72,755,000

III. Defined Benefit Pension Plans and Other Post Employment Benefits

A. Retirement Plan Description

The City contributes to the California Public Employees' Retirement System ("PERS"), a multiple-employer, public employee defined benefit plan, which 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, 2009, was \$86,729,701; the City's total payroll was \$98,277,181. 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, becoming vested 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 2008-2009, the City's annual pension cost (APC) of \$22,755,933 for PERS was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2007 revised actuarial assumptions, using the entry age actuarial cost method.

Significant actuarial assumptions across all three plans included (1) 7.75% investment rate of return (net of administrative expenses), (2) projected annual salary increases ranging from 3.25% to 14.45% (for miscellaneous employees) and from 3.25% to 13.15% (for safety employees) and that vary based on the duration of service and type of employment, and (3) 3.25 percent per year across-the-board real salary increases, and (4) inflation of 3%. 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 fifteen-year period. In addition, actuarial gains/losses in any given year is amortized over a thirty year period. PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

Trend Information by Plan

	<u>Fiscal Year Ending June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Police	2007	\$ 8,395,608	100%	\$ -
Police	2008	8,752,107	100%	-
Police	2009	9,285,787	100%	-
Fire	2007	\$ 3,099,184	100%	\$ -
Fire	2008	3,361,352	100%	-
Fire	2009	3,546,603	100%	-
Miscellaneous	2007	\$ 9,623,972	100%	\$ -
Miscellaneous	2008	9,962,852	100%	-
Miscellaneous	2009	9,923,543	100%	-

Contributions to PERS for the Fiscal Year ended June 30, 2009, are shown below:

	City Contributions	Employee Contributions	Total
Safety employees:			
Police	\$ 7,192,455	\$ 2,093,332	\$ 9,285,787
Fire	2,673,199	873,404	3,546,603
Total safety employees	9,865,654	2,966,736	12,832,390
Miscellaneous	6,159,925	3,763,618	9,923,543
Total	\$ 16,025,579	\$ 6,730,354	\$ 22,755,933

Funded Status and Funding Progress

The funded status of each plan as of June 30, 2008, the most recent actuarial valuation is as follows (dollar amounts in thousands):

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
Police	\$ 165,344	\$ 197,254	\$ 31,910	83.8%	\$ 21,964	145.3%
Fire *	\$ 7,464,928	\$ 8,700,468	\$ 1,235,540	85.8%	\$ 914,841	135.1%
Miscellaneous	\$ 245,132	\$ 277,076	\$ 31,944	88.5%	\$ 55,412	57.6%

* Amounts reflect total risk pool valuations and liabilities.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

B. Public Agency Retirement System Retirement Enhancement Plan

Plan Description

The City established a Public Agency Retirement System Retirement Enhancement Plan (PARS) effective January 1, 2003 for selected groups 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. PARS is 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. For employees meeting the eligibility requirements, the plan provides a benefit equal to the “3% at 60” plan factor (formula is a static 3% at age 60 and older), less the PERS “2% at 55” plan factors for all years of City service plus any military service purchased through PERS (prior to July 1, 2003) while an employee of the City of Oxnard.

Eligibility for an immediate benefit is defined as reaching age 50, completing five years of Oxnard service, and retiring concurrently from both the City and PERS after leaving City employment. In addition, a deferred benefit would be available to participants who complete five years of service. The City has full discretionary authority to control, amend, modify or terminate this plan at any time.

Funding Policy

Employees and the City contribute a total of 8 percent of eligible employees' gross wages. Current employee and city contributions by employee groups are as follows:

	<u>City Contributions</u>	<u>Employee Contributions</u>
IUOE	2.7%	5.3%
SEIU	3.5%	4.5%
Management and confidential	3.0%	5.0%

In addition, the City is required to contribute the remaining amounts necessary to fund the benefit to its members using the actuarial basis recommended by PARS actuarial consultants. This contribution for the fiscal year ended June 30, 2009, was 3.44 percent of eligible employee gross wages. The City's payroll for employees covered by PARS for the year ended June 30, 2009, was \$41,593,548. PARS issues a separate comprehensive annual financial report. Copies of PARS annual financial report may be obtained from the PARS Executive Office, 3961 MacArthur Boulevard, Suite 200, Newport Beach, CA 92660.

PARS uses an entry age normal actuarial cost method, which is a projected benefit cost method. The chief characteristics of projected 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

For Fiscal Year 2008-2009, the City's annual pension cost (APC) of \$4,539,412, for PARS was equal to the City's required actual contribution. The required contribution was determined as part of the June 30, 2007, actuarial assumptions and retained the entry age actuarial cost method.

Contributions to PARS for the fiscal year ended June 30, 2009 are shown below:

	City Contributions	Employee Contributions	Total
Miscellaneous employees	\$ 1,211,944	\$ 3,327,468	\$ 4,539,412

Trend Information

The three year trend for fiscal years ending June 30 is as follows:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 4,264,587	100%	\$ -
2008	\$ 4,697,762	100%	-
2009	\$ 4,539,412	100%	-

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 39.64 percent funded. The actuarial accrued liability for benefits was \$41,103,479, and the actuarial value of assets was \$16,294,026, resulting in an unfunded actuarial accrued liability (UAAL) of \$24,809,453. The covered payroll (annual payroll of active employees covered by the plan) was \$42,158,800, and the ratio of the UAAL to the covered payroll was 58.85 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability of benefits.

C. Post-employment Health Care Benefits

Plan Description

The City participates in the CalPERS medical program, which is a cost-sharing multiple employer defined benefit healthcare plan administered by CalPERS. Employees who retire from the City and receive a CalPERS pension are eligible for post employment medical benefits. Retirees can enroll in any of the available CalPERS medical plans. This benefit continues for the life of the retiree and surviving spouse. Benefit provisions for CalPERS are established by the Public Employees Retirement Law (Part 3 of the California Government Code, Section 20000 et seq.).

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial

methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the most recent actuarial valuation date of July 1, 2007, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate and an annual healthcare cost trend rate of 7 percent beginning January 1, 2009, reduced by decrements to an ultimate rate of 5.5 percent after 2 years. A 3.25 percent annual rate of increase in future salaries is also assumed in the valuation. The remaining amortization period as of June 30, 2009 was twenty eight years.

CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California 95814.

Funding Policy

The City contributes the minimum amount allowed under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. The City's required monthly contribution for calendar year 2009 was \$101.00. The required contribution is based on pay-as-you-go financing requirements. Retirees must contribute any premium amounts in excess of the City Contribution.

Annual OPEB Cost and Net OPEB Obligation

For fiscal 2008-2009 the City's annual OPEB cost of \$2,254,674 was higher than the actual contribution. The City's annual OPEB cost, actual contribution, percentage of annual OPEB cost contributed, and the net OPEB obligation for the current year (cumulative) and prior fiscal year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	\$ 2,077,017	\$ 213,360	10%	\$ 1,863,657
6/30/2009	\$ 2,254,674	\$ 270,734	12%	\$ 3,847,597

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial accrued liability (AAL)	\$	23,751,480
Actuarial value of plan assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u>23,751,480</u>
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	86,729,701
UAAL as a percentage of covered payroll		27.386%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as RSI following the notes to the financial statements.

IV. Risk Management

All funds of the City participate in general liability and workers' compensation insurance programs and make payments to internal service funds on the basis of loss experience and exposure. The total unpaid claims and claims adjustment expense liability (long-term obligations) of \$14,002,979 recorded at June 30, 2009, 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 3.5 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 as of the date of the financial statements and the amount of the loss can be reasonably estimated.

A. General Liability

The City is self-insured for general liability claims up to \$1,000,000. The City is covered through Big Independent Cities Excess Pool (BICEP) for claims between \$1,000,000 and \$25,000,000. Self-insured general liability claims are administered through a third-party administrator, with the City Attorney's approval required for settlements over \$15,000. Litigated claims are settled directly through the City Attorney's Office.

The City's contribution to BICEP for general liability coverage in Fiscal Year 2008-2009 was \$716,274 which included a pure premium adjustment of \$123,910. During the past

five-year period, the average claims filed each year for general liability amounted to 221 claims totaling \$1,751,023 per year (an average of \$7,923 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. Information concerning the BICEP pooled liability insurance program can be obtained at 801 South Figueroa Street, Suite 1050, Los Angeles, CA 90017, telephone number (213) 896-8900.

The total unpaid claims and claims adjustment expense liability (long-term obligations) recorded at June 30, 2009 was \$4,544,718. The following schedule presents the changes in self-insurance claims liabilities for the past two years:

	Public Liability and Property Damage	
	FY 08-09	FY 07-08
Unpaid claims and claims adjustment expenses-July 1	\$ 5,123,310	\$ 3,873,469
Incurred claims and claims adjustment expenses:		
Increase/(decrease) in provision for insured events	(759,856)	810,622
Increase/(decrease) in actuarially incurred but not reported claims (IBNR)	181,264	439,219
Total incurred claims and claims adjustment expenses	(578,592)	1,249,841
Unpaid claims and claims adjustment expenses-June 30	4,544,718	5,123,310
Claims and judgements due within one year	\$ 2,288,000	\$ 2,109,320

B. Workers' Compensation

The City is self-insured for workers' compensation claims up to \$1,000,000. For claims over \$1,000,000, the City has purchased excess workers' compensation insurance through BICEP. The claims are processed by a third party administrator similar to general liability claims.

Within the City's self-insured program for workers' compensation, there has been an average of 253 claims filed per year for the past five years, with an average of approximately \$2,621,642 per year in total reported losses (an average of \$10,330 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.

The total unpaid claims and claims adjustment expense liability (long-term obligations) recorded at June 30, 2009 was \$9,458,261.

The following schedule presents the changes in self-insurance claims liabilities for the past two years:

	Worker's Compensation	
	FY 08-09	FY 07-08
Unpaid claims and claims adjustment expenses-July 1	\$ 8,517,409	\$ 9,278,930
Incurred claims and claims adjustment expenses:		
Increase/decrease in provision for insured events	670,721	(497,758)
Increase/decrease in actuarially incurred but not reported claims (IBNR)	270,131	(263,763)
Total incurred claims and claims adjustment expenses	940,852	(761,521)
Unpaid claims and claims adjustment expenses-June 30	9,458,261	8,517,409
Claims and judgements due within one year	\$ 3,616,200	\$ 3,152,414

V. Other Information

A. Commitments 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, 2009 the City has recorded a general litigation reserve of \$1,000,000 to cover any potential exposure, which has been recorded within self-insurance claims liabilities in the accompanying basic financial statements.

The City has received several federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Based upon prior experience, the City believes such disallowance, if any, would be immaterial.

B. Subsequent Events

Issuance of \$20,005,000 City of Oxnard Financing Authority Bond Anticipation Notes, Series 2009.

On August 4, 2009, the City issued its \$20,005,000 City of Oxnard Financing Authority Bond Anticipation Notes, Series 2009 (BANs). The BANs were issued to finance the acquisition of approximately 14 acres of real property adjacent to the River Ridge Golf Club in the City of Oxnard. The yield on the BANs is fixed at 1.75% with a maturity date of August 25, 2010. Repayment of the BANs is to be from the "Take Out Moneys", defined in the bond indenture as: (i) the proceeds of bonds issued, or certificates of participation executed and delivered, on or prior to the Maturity Date and secured by lease payments made by the City using available moneys in the City's General Fund, (ii) the proceeds of renewal notes to be issued by the Authority on or prior to the Maturity Date,

(iii) if the City so elects, available amounts, if any, in the City's General Fund allocable to fiscal year 2009-10, or (iv) if the City so elects, amounts obtained from any other legally available moneys of the City.

Master Equipment Lease/Purchase Agreement

On September 1, 2009 the City Council approved a master equipment lease/purchase agreement with Bank of America for a not exceed amount of \$10,000,000 over a two year period. This agreement provides for the lease-purchase of vehicles and major equipment items or systems such as a public safety computer aided dispatch and records management system. The terms of each individual lease shall be determined by the useful life of the equipment to be purchased.

Proposition 1A Securitization

Proposition 1A was passed by California voters in 2004 to ensure local property tax and sales tax revenues remain with local government thereby safeguarding funding for public safety, health, libraries, parks, and other local services. Provisions can only be suspended if the Governor declares a fiscal necessity and two-thirds of the Legislature concur.

The emergency suspension of Proposition 1A was passed by the Legislature and signed by the Governor as ABX4 14 and ABX4 15 as part of the 2009-10 budget package on July 28, 2009. Under the provision, the State will borrow 8% of the amount of property tax revenue apportioned to cities, counties and special districts. The state will be required to repay those obligations plus interest by June 30, 2013.

This legislation also authorizes the Proposition 1A Securitization Program which was instituted by California Communities to enable Local Agencies to sell their respective Proposition 1A Receivables to California Communities. Under the Securitization Program, California Communities will simultaneously purchase the Proposition 1A Receivables, issue bonds ("Prop 1A Bonds") and provide each local agency with the cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010 (to coincide with the dates that the State will be shifting property tax from local agencies). The purchase price paid to the local agencies will equal 100% of the amount of the property tax reduction. All transaction costs of issuance and interest will be paid by the State of California. Participating local agencies will have no obligation on the bonds and no credit exposure to the State

A cleanup bill, SB67, was signed by the governor on October 19, 2009. SB67 provides for critical changes to the original legislation, including but not limited to providing for: financing to occur in November; county auditor certification of amount of Prop 1A receivable; tax-exempt structure; California Communities as the only issuer; more flexibility on bond structure (interest payments, state payment date and redemption features); sales among local agencies; and revision to the hardship mechanism.

The City has committed to selling its Proposition 1A Receivable of \$3.7 million under the

Proposition 1A Securitization Program. California Communities will pledge the City's Proposition 1A Receivable to secure the repayment of a corresponding amount of the Prop 1A Bonds. The City's sale of its Proposition 1A Receivable will be irrevocable. Bondholders will have no recourse to the City if the State does not make the Proposition 1A Repayment.

State of California Budget Bill ABX4-26

This bill is part of the 2009 State budget which authorizes a shift of tax increment revenue, \$1.7 billion from the current budget year and \$2.05 billion in FY 2010-11, from redevelopment agencies to school districts. The California Redevelopment Association has filed a lawsuit to challenge the constitutionality of ABX4-26 and seeks to prevent the state from taking redevelopment funds for non-development purposes.

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REQUIRED SUPPLEMENTARY INFORMATION



**Required Supplementary Information
Schedule of Funding Progress
For the Year Ended June 30, 2009
(Dollars in Thousands)**

California Public Employees' Retirement System Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
Police						
6/30/06	\$ 137,524	\$ 167,434	\$ 29,910	82.1%	\$ 20,296	147.4%
6/30/07	\$ 151,994	\$ 181,593	\$ 29,599	83.7%	\$ 21,551	137.3%
6/30/08	\$ 165,344	\$ 197,254	\$ 31,910	83.8%	\$ 21,964	145.3%
Fire *						
6/30/06	\$ 6,102,616	\$ 7,278,050	\$ 1,175,434	83.9%	\$ 754,730	155.7%
6/30/07	\$ 6,826,599	\$ 7,986,055	\$ 1,159,456	85.5%	\$ 831,608	139.4%
6/30/08	\$ 7,464,928	\$ 8,700,468	\$ 1,235,540	85.8%	\$ 914,841	135.1%
Miscellaneous						
6/30/06	\$ 207,208	\$ 237,646	\$ 30,438	87.2%	\$ 52,304	58.2%
6/30/07	\$ 226,956	\$ 258,156	\$ 31,200	87.9%	\$ 55,185	56.5%
6/30/08	\$ 245,132	\$ 277,076	\$ 31,944	88.5%	\$ 55,412	57.6%

* Fire amounts reflect total risk pool valuations and liabilities.

Public Agency Retirement System Retirement Enhancement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
7/1/05	\$ 7,357	\$ 32,328	\$ 24,971	22.76%	\$ 33,043	75.57%
7/1/07	\$ 16,294	\$ 41,103	\$ 24,809	39.64%	\$ 42,159	58.85%

Required Supplementary Information
Schedule of Funding Progress
For the Year Ended June 30, 2009
(Dollars in Thousands)

Other Post Employment Benefit – CalPERS Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
7/1/07	\$ -	\$ 21,811	\$ 21,811	0%	\$ 84,863	25.7%
7/1/07	\$ -	\$ 23,751	\$ 23,751	0%	\$ 86,730	27.4%

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes:				
Property tax	\$ 41,375,000	\$ 41,375,000	\$ 42,064,493	\$ 689,493
Sales tax	25,300,000	25,300,000	24,043,286	(1,256,714)
Transient occupancy tax	3,800,000	3,800,000	3,328,803	(471,197)
Business license (net of refund)	5,300,000	5,300,000	5,059,323	(240,677)
Franchise tax	4,200,000	4,200,000	4,635,616	435,616
Other taxes	1,130,000	1,130,000	712,975	(417,025)
Licenses and permits	2,920,000	2,920,000	1,726,375	(1,193,625)
Intergovernmental	11,849,500	11,894,500	10,617,332	(1,277,168)
Charges for services	12,850,744	12,747,744	10,648,706	(2,099,038)
Fines and forfeitures	730,000	730,000	690,029	(39,971)
Investment earnings	2,400,000	2,400,000	1,201,095	(1,198,905)
Miscellaneous	3,634,059	2,717,766	4,241,898	1,524,132
Total revenues	115,489,303	114,515,010	108,969,931	(5,545,079)
EXPENDITURES				
General government:				
City council	394,169	384,169	411,744	(27,575)
City treasurer	1,219,913	1,154,122	1,111,979	42,143
City Clerk	538,842	572,126	564,715	7,411
City manager	1,564,339	1,468,339	1,499,865	(31,526)
City attorney	1,762,561	1,625,141	1,410,073	215,068
Financial services	3,977,196	3,742,747	3,451,748	290,999
Human resources	1,194,995	1,149,893	1,252,900	(103,007)
Non-departmental	2,578,868	4,839,051	1,650,365	3,188,686
Public safety:				
Police	50,299,359	49,466,491	44,428,839	5,037,652
Fire	14,775,177	14,630,879	13,634,893	995,986
Transportation	4,373,147	4,294,714	4,402,407	(107,693)
Community development:				
Development services	7,303,912	7,264,927	6,686,528	578,399
Economic development and tourism service	864,948	864,948	864,948	-
Housing services	317,318	297,318	305,397	(8,079)
Community services	3,326,795	3,321,145	2,972,272	348,873
Culture and leisure:				
Recreation services	3,223,825	3,129,669	3,740,849	(611,180)
Carnegie art museum	461,838	457,238	447,380	9,858
Park and public grounds	9,539,810	8,976,025	9,239,717	(263,692)
Library services	5,169,042	4,908,814	4,709,777	199,037
Capital outlay	1,599,869	1,135,767	795,364	340,403
Total expenditures	114,485,923	113,683,523	103,581,760	10,101,763
Excess (deficiency) of revenues over expenditures	1,003,380	831,487	5,388,171	4,556,684

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES(USES)				
Transfers in	2,502,717	2,502,717	2,836,750	334,033
Transfers out	(5,025,297)	(5,233,104)	(4,883,288)	349,816
Total other financing sources (uses)	(2,522,580)	(2,730,387)	(2,046,538)	683,849
Net change in fund balances	(1,519,200)	(1,898,900)	3,341,633	5,240,533
Fund balances, July 1	20,453,104	20,453,104	20,453,104	-
Fund balances, budgetary basis, June 30	\$ 18,933,904	\$ 18,554,204	\$ 23,794,737	\$ 5,240,533

Notes to Budgetary Comparison Schedule:

Budgets are prepared on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP).

State and Federal Grants
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 12,764,968	\$ 12,764,968	\$ 14,204,898	\$ 1,439,930
Intergovernmental	457,036	11,241,361	6,555,070	(4,686,291)
Fines and forfeitures	-	-	187,904	187,904
Interest	-	-	305,647	305,647
Miscellaneous	502,743	1,324,178	715,296	(608,882)
Total revenues	<u>13,724,747</u>	<u>25,330,507</u>	<u>21,968,815</u>	<u>(3,361,692)</u>
EXPENDITURES				
Public safety	12,766,866	15,095,976	13,718,377	1,377,599
Transportation	168,000	1,196,077	318,553	877,524
Community development	363,661	4,470,791	1,798,687	2,672,104
Culture and leisure	189,298	3,184,862	489,734	2,695,128
Library services	80,600	113,089	45,763	67,326
Capital Outlay	225,000	20,223,441	6,417,782	13,805,659
Total expenditures	<u>13,793,425</u>	<u>44,284,236</u>	<u>22,788,896</u>	<u>21,495,340</u>
Excess (deficiency) of revenues over expenditures	<u>(68,678)</u>	<u>(18,953,729)</u>	<u>(820,081)</u>	<u>18,133,648</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	80,600	80,600	80,600	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>80,600</u>	<u>80,600</u>	<u>80,600</u>	<u>-</u>
Net change in fund balances	11,922	(18,873,129)	(739,481)	18,133,648
Fund balance, July 1	<u>14,989,976</u>	<u>14,989,976</u>	<u>14,989,976</u>	<u>-</u>
Fund balance, budgetary basis, June 30	<u>\$ 15,001,898</u>	<u>\$ (3,883,153)</u>	<u>\$ 14,250,495</u>	<u>\$ 18,133,648</u>

Notes to Budgetary Comparison Schedule:

Budgets are prepared on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP).

Community Development Commission
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 14,877,656	\$ 14,877,656	\$ 17,476,674	\$ 2,599,018
Interest	314,611	314,611	1,934,546	1,619,935
Growth and development fees	15,000	15,000	201,227	186,227
Miscellaneous	103,281	103,281	231,287	128,006
Total revenues	15,310,548	15,310,548	19,843,734	4,533,186
EXPENDITURES				
Community development	7,748,884	9,898,806	10,090,227	(191,420)
Capital Outlay	2,605,800	42,235,226	13,623,572	28,611,654
Debt Service	-	-	791,867	(791,867)
Total expenditures	10,354,684	52,134,032	24, 505,665	27,628,367
Excess (deficiency) of revenues over expenditures	4,955,864	(36,823,484)	(4,661,931)	32,161,553
OTHER FINANCING SOURCES (USES):				
Bond Issuance	-	-	11,790,000	11,790,000
Bond Discount	-	-	(116,979)	(116,979)
Transfers in	1,328,270	2,078,270	4,806,102	2,727,832
Transfers out	(3,307,400)	(4,057,400)	(4,806,102)	(748,702)
Total other financing sources (uses)	(1,979,130)	(1,979,130)	11,673,021	13,652,151
Net change in fund balances	2,976,734	(38,802,614)	7,011,090	45,813,704
Fund balances, July 1	64,769,241	64,769,241	64,769,241	-
Fund balances, budgetary basis, June 30	\$ 67,745,975	\$ 25,966,627	\$ 71,780,331	\$ 45,813,704

Notes to Budgetary Comparison Schedule:

Budgets are prepared on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP).

SUPPLEMENTARY INFORMATION



NON-MAJOR GOVERNMENTAL FUNDS



Non-Major Governmental Funds

Special Revenue Funds

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.

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.

HUD Home Loan Fund – This fund is used to account for federal entitlement that is used to provide housing loan to low/moderate income families.

CDBG Entitlement Fund – This fund is used to account for community development block grant to develop viable urban communities.

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 Funds – This fund accounts for financing and construction of general government capital projects.

State Gas Tax Fund – This fund is used to account for the allocated share of Gas Tax Revenue. Spending of gas tax is legally restricted to be used for maintenance and improvement of public streets.

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 – This fund is used to account for Transportation Development Act revenues and to be used for street maintenance and road improvements, and construction of pedestrian and bike facilities.

Maintenance Assessment District – This fund is used to account for assessment revenues and expenditures related to waterways and landscape maintenance of various district areas in the City.

City of Oxnard
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2009

	Development Fees Fund	HUD and CDBG Grants Fund	Debt Service Fund	Capital Outlay Fund
ASSETS				
Cash and cash equivalents	\$ 33,760,393	\$ -	\$ -	\$ 2,018,486
Investments with fiscal agents	-	-	61	11,999,164
Accounts and other receivables	15	5,476,833	-	-
Due from other government	-	525,384	-	-
Other assets	-	153,336	-	-
Total assets	\$ 33,760,408	\$ 6,155,553	\$ 61	\$ 14,017,650
LIABILITIES				
Accounts payable	359,270	265,968	-	81,564
Other liabilities	139,565	125,632	-	7,410
Due to other funds	1,596,767	284,937	158,572	151,214
Unearned revenues	-	5,479,016	-	-
Total liabilities	2,095,602	6,155,553	158,572	240,188
FUND BALANCES				
Unreserved reported in:				
Special revenue funds	31,664,806	-	(158,511)	-
Capital projects funds	-	-	-	13,777,462
Total fund balances	31,664,806	-	(158,511)	13,777,462
Total liabilities and fund balances	\$ 33,760,408	\$ 6,155,553	\$ 61	\$ 14,017,650

City of Oxnard
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2009

State Gas Tax Fund	Traffic Safety Fund	Transportation Development Fund	Maintenance Assessment Districts Fund	Total Non-major Governmental Funds	
\$ 2,920,519	\$ (265,492)	\$ 2,788,302	\$ 11,144,399	\$ 52,366,607	ASSETS
113,371	-	-	-	12,112,596	Cash and cash equivalents
476	131,871	79,163	-	5,688,358	Investments with fiscal agents
-	-	-	-	525,384	Accounts and other receivables
-	-	-	-	153,336	Due from other government
\$ 3,034,366	\$ (133,621)	\$ 2,867,465	\$ 11,144,399	\$ 70,846,281	Other assets
					Total assets
					LIABILITIES
18,061	-	34,469	160,381	919,713	Accounts payable
50,880	47,701	50,073	38,898	460,159	Other liabilities
-	-	-	-	2,191,490	Due to other funds
-	-	344,087	-	5,823,103	Unearned revenues
68,941	47,701	428,629	199,279	9,394,465	Total liabilities
					FUND BALANCES
2,965,425	(181,322)	2,438,836	10,945,120	47,674,354	Unreserved reported in:
-	-	-	-	13,777,462	Special revenue funds
2,965,425	(181,322)	2,438,836	10,945,120	61,451,816	Capital projects funds
\$ 3,034,366	\$ (133,621)	\$ 2,867,465	\$ 11,144,399	\$ 70,846,281	Total fund balances
					Total liabilities and fund balances

City Of Oxnard, California
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Governmental Non-Major Funds
For the Year Ended June 30, 2009

	Development Fees Fund	HUD and CDBG Grants Fund	Debt Service Fund	Capital Outlay Fund
REVENUES				
Taxes	\$ -	\$ -	\$ 2,935,327	\$ -
Licenses and permits	744,490	-	-	-
Intergovernmental	(93,705)	6,221,094	-	4,022,035
Growth and development fees	7,009,441	-	-	-
Charges for services	-	-	-	35,521
Fines and forfeitures	-	-	-	-
Interest	1,072,540	-	(642,421)	1,477,176
Special assessments	-	-	-	-
Contributions from property owners	-	-	-	-
Miscellaneous	93,267	-	-	-
Total revenues	8,826,033	6,221,094	2,292,906	5,534,732
EXPENDITURES				
Current:				
General government	111,025	264,029	-	-
Public safety	738,366	210,982	-	-
Transportation	-	-	-	-
Community Development	787,262	2,317,241	-	-
Culture and leisure	42,945	38,697	-	31,162
Library Services	-	-	-	-
Capital outlay	3,834,511	3,390,145	-	14,102,255
Debt service:				
Principal	-	-	2,928,595	-
Interest and fiscal charges	-	-	4,089,108	-
Total expenditures	5,514,109	6,221,094	7,017,703	14,133,417
Excess (deficiency) of revenues over (under) expenditures	3,311,924	-	(4,724,797)	(8,598,685)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of bonds	-	-	-	-
Transfers in	-	-	4,812,480	2,443,247
Transfers out	(884,782)	-	(1,869,720)	(6,700,000)
Net other financing sources (uses)	(884,782)	-	2,942,760	(4,256,753)
Net change in fund balances	2,427,142	-	(1,782,037)	(12,855,438)
Fund balances, July 1	29,237,664	-	1,623,526	26,632,900
Fund balances, June 30	\$ 31,664,806	\$ -	\$ (158,511)	\$ 13,777,462

City Of Oxnard, California
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Governmental Non-Major Funds
For the Year Ended June 30, 2009

State Gas Tax Fund	Traffic Safety Fund	Transportation Development Fund	Maintenance Assessment Districts Fund	Totals	
					REVENUES
\$ -	\$ -	\$ -	\$ 6,852	\$ 2,942,179	Taxes
-	-	-	-	744,490	Licenses and permits
3,193,904	-	1,774,819	-	15,118,147	Intergovernmental
-	-	-	-	7,009,441	Growth and development fees
-	-	21,681	-	57,202	Charges for services
-	530,133	-	-	530,133	Fines and forfeitures
(171,333)	-	78,583	300,171	2,114,716	Interest
-	-	-	8,611,926	8,611,926	Special assessments
-	-	-	-	-	Contributions from property owners
244,006	-	229,388	82,824	649,485	Miscellaneous
3,266,577	530,133	2,104,471	9,001,773	37,777,719	Total revenues
					EXPENDITURES
					Current:
3,950	-	-	150,812	529,816	General government
-	394,963	-	1,751,317	3,095,628	Public safety
1,972,142	675,016	2,259,055	202,381	5,108,594	Transportation
10,078	-	-	-	3,114,581	Community Development
-	-	-	5,317,929	5,430,733	Culture and leisure
-	-	-	-	-	Library Services
(90,849)	-	1,482,363	149,823	22,868,248	Capital outlay
240,000	-	-	-	3,168,595	Debt service:
1,485,261	-	-	-	5,574,369	Principal
3,620,582	1,069,979	3,741,418	7,572,262	48,890,564	Interest and fiscal charges
					Total expenditures
(354,005)	(539,846)	(1,636,947)	1,429,511	(11,112,845)	Excess (deficiency) of revenues over (under) expenditures
					OTHER FINANCING SOURCES (USES)
-	-	-	-	-	Proceeds from sale of bonds
-	400,000	-	-	7,655,727	Transfers in
-	-	-	-	(9,454,502)	Transfers out
-	400,000	-	-	(1,798,775)	Net other financing sources (uses)
(354,005)	(139,846)	(1,636,947)	1,429,511	(12,911,620)	Net change in fund balances
3,319,430	(41,476)	4,075,783	9,515,609	74,363,436	Fund balances, July 1
\$ 2,965,425	\$ (181,322)	\$ 2,438,836	\$ 10,945,120	\$ 61,451,816	Fund balances, June 30

City of Oxnard, California
Non-Major - Development Fees Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2009

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Licenses and permits	\$ 860,969	\$ 860,969	\$ 744,490	\$ (116,479)
Intergovernmental	-	-	(93,705)	(93,705)
Growth and development fees	4,923,660	4,923,660	7,009,441	2,085,781
Interest	550,446	550,446	1,072,540	522,094
Miscellaneous	32,810	32,810	93,267	60,457
Total revenues	6,367,885	6,367,885	8,826,033	2,458,148
EXPENDITURES				
General government	67,020	67,020	111,025	(44,005)
Public safety	865,769	865,769	738,366	127,403
Community development	-	-	787,262	(787,262)
Culture and leisure	-	-	42,945	(42,945)
Capital Outlay	3,511,508	22,929,478	3,834,511	19,094,967
Total expenditures	4,444,297	23,862,267	5,514,109	18,348,158
Excess (deficiency) of revenues over (under) expenditures	1,923,588	(17,494,382)	3,311,924	20,806,306
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	1,100,000	-	1,100,000
Operating transfers out	(1,928,388)	(2,131,888)	(884,782)	(1,247,106)
Proceeds from issuance of long-term debt	-	-	-	-
Total other financing sources (uses)	(1,928,388)	(1,031,888)	(884,782)	(147,106)
Net change in fund balances	(4,800)	(18,526,270)	2,427,142	20,953,412
Fund balance, July 1	29,237,664	29,237,664	29,237,664	-
Fund balance, June 30	\$ 29,232,864	\$ 10,711,394	\$ 31,664,806	\$ 20,953,412

City of Oxnard, California
Non-Major - CDBG & HUD
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	\$ 4,364,467	\$ 4,748,898	\$ 6,221,094	\$ 1,472,196
Fines and forfeitures	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>4,364,467</u>	<u>4,748,898</u>	<u>6,221,094</u>	<u>1,472,196</u>
EXPENDITURES				
General government	288,060	288,060	264,029	24,031
Public safety	245,000	245,000	210,982	34,018
Community Development	1,933,467	3,364,781	2,317,241	1,047,540
Culture and leisure	37,940	38,696	38,697	(1)
Capital Outlay	1,860,000	5,026,079	3,390,145	1,635,934
Total expenditures	<u>4,364,467</u>	<u>8,962,616</u>	<u>6,221,094</u>	<u>2,741,522</u>
Excess (deficiency) of revenues over (under) expenditures	-	(4,213,718)	-	4,213,718
Net changes in fund balances	-	(4,213,718)	-	4,213,718
Fund balance, July 1	-	-	-	-
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ (4,213,718)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,213,718</u></u>

City of Oxnard, California
Non-Major - Debt Service Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ -	\$ -	\$ 2,935,327	\$ 2,935,327
Interest	13,001	13,001	(642,421)	(655,422)
Total revenues	<u>13,001</u>	<u>13,001</u>	<u>2,292,906</u>	<u>2,279,905</u>
EXPENDITURES				
Debt Service:				
Principal	1,853,551	1,853,551	2,928,595	(1,075,044)
Interest	1,910,380	1,910,380	4,089,108	(2,178,728)
Total expenditures	<u>3,763,931</u>	<u>3,763,931</u>	<u>7,017,703</u>	<u>(3,253,772)</u>
Excess (deficiency) of revenues over (under) expenditures	(3,750,930)	(3,750,930)	(4,724,797)	(973,867)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,750,930	3,750,930	4,812,480	1,061,550
Transfers out	-	-	(1,869,720)	(1,869,720)
Total other financing uses	<u>3,750,930</u>	<u>3,750,930</u>	<u>2,942,760</u>	<u>(808,170)</u>
Net changes in fund balances	-	-	(1,782,037)	(1,782,037)
Fund balance, July 1	<u>1,623,526</u>	<u>1,623,526</u>	<u>1,623,526</u>	<u>-</u>
Fund balance, June 30	<u>\$ 1,623,526</u>	<u>\$ 1,623,526</u>	<u>\$ (158,511)</u>	<u>\$ (1,782,037)</u>

City Of Oxnard, California
Non-Major - Capital Outlay Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2009

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 109,000	\$ 109,000	\$ 4,022,035	\$ 3,913,035
Interest	-	408,385	1,477,176	1,068,791
Charges for services	-	-	35,521	35,521
Total revenues	109,000	517,385	5,534,732	5,017,347
EXPENDITURES				
General government	-	29,570	-	29,570
Culture and leisure	-	-	31,162	(31,162)
Capital Outlay	907,220	27,372,011	14,102,255	13,269,756
Total expenditures	907,220	27,401,581	14,133,417	13,268,164
Excess (deficiency) of revenues over (under) expenditures	(798,220)	(26,884,196)	(8,598,685)	18,285,511
OTHER FINANCING SOURCES (USES)				
Operating transfers in	833,220	2,445,344	2,443,247	(2,097)
Operating transfers out	-	-	(6,700,000)	(6,700,000)
Total other financing sources (uses)	833,220	2,445,344	(4,256,753)	(6,702,097)
Net change in fund balances	35,000	(24,438,852)	(12,855,438)	11,583,414
Fund balance, July 1	26,632,900	26,632,900	26,632,900	-
Fund balance, June 30	\$ 26,667,900	\$ 2,194,048	\$ 13,777,462	\$ 11,583,414

City of Oxnard, California
Non-Major - State Gas Tax Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2009

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 3,684,551	\$ 3,684,551	\$ 3,193,904	\$ (490,647)
Interest	20,000	20,000	(171,333)	(191,333)
Miscellaneous	501,000	501,000	244,006	(256,994)
Total revenues	4,205,551	4,205,551	3,266,577	(938,974)
EXPENDITURES				
General government	7,000	7,000	3,950	3,050
Transportation	2,489,430	2,504,730	1,972,142	532,588
Community development	9,400	9,400	10,078	(678)
Capital Outlay	-	(42,209)	(90,849)	48,640
Debt service:				-
Principal	240,000	240,000	240,000	-
Interest and fiscal charges	1,485,261	1,473,821	1,485,261	(11,440)
Total expenditures	4,231,091	4,192,742	3,620,582	572,160
Excess (deficiency) of revenues over (under) expenditures	(25,540)	12,809	(354,005)	(366,814)
Net change in fund balances	(25,540)	12,809	(354,005)	(366,814)
Fund balance, July 1	3,319,430	3,319,430	3,319,430	-
Fund balance, June 30	\$ 3,293,890	\$ 3,332,239	\$ 2,965,425	\$ (366,814)

City of Oxnard, California
Non-Major - Traffic Safety
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2009

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Fines and forfeitures	\$ 595,402	\$ 595,402	\$ 530,133	\$ (65,269)
Total revenues	595,402	595,402	530,133	(65,269)
EXPENDITURES				
Public safety	401,165	401,165	394,963	6,202
Transportation	594,237	594,237	675,016	(80,779)
Total expenditures	995,402	995,402	1,069,979	(74,577)
Excess (deficiency) of revenues over (under) expenditures	(400,000)	(400,000)	(539,846)	(139,846)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	400,000	400,000	400,000	-
Total other financing sources (uses)	400,000	400,000	400,000	-
Net change in fund balances	-	-	(139,846)	(139,846)
Fund balance, July 1	(41,476)	(41,476)	(41,476)	-
Fund balance, June 30	\$ (41,476)	\$ (41,476)	\$ (181,322)	\$ (139,846)

City of Oxnard, California
Non-Major - Transportation Development
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2009

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 2,138,508	\$ 2,138,508	\$ 1,774,819	\$ (363,689)
Charges for services	-	-	21,681	21,681
Interest	202,000	202,000	78,583	(123,417)
Special assessments	-	-	-	-
Miscellaneous	207,732	207,732	229,388	21,656
Total revenues	2,548,240	2,548,240	2,104,471	(443,769)
EXPENDITURES				
Transportation	2,438,895	2,438,895	2,259,055	179,840
Capital Outlay	109,345	2,719,090	1,482,363	1,236,727
Total expenditures	2,548,240	5,157,985	3,741,418	1,416,567
Excess (deficiency) of revenues over (under) expenditures	-	(2,609,745)	(1,636,947)	972,798
Net change in fund balances	-	(2,609,745)	(1,636,947)	972,798
Fund balance, July 1	4,075,783	4,075,783	4,075,783	-
Fund balance, June 30	\$ 4,075,783	\$ 1,466,038	\$ 2,438,836	\$ 972,798

City of Oxnard, California
Non-Major - Maintenance Assessment District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2009

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ 6,852	\$ 6,852
Interest	25,000	25,000	300,171	275,171
Special assessments	7,395,693	7,395,693	8,611,926	1,216,233
Miscellaneous	-	-	82,824	82,824
Total revenues	7,420,693	7,420,693	9,001,773	1,581,080
EXPENDITURES				
General government	145,337	145,337	150,812	(5,475)
Public safety	587,837	587,837	1,751,317	(1,163,480)
Transportation	1,053,453	1,009,316	202,381	806,935
Culture and leisure	5,334,066	5,334,066	5,317,929	16,137
Capital Outlay	300,000	300,000	149,823	150,177
Total expenditures	7,420,693	7,376,556	7,572,262	(195,706)
Excess (deficiency) of revenues over (under) expenditures	-	44,137	1,429,511	1,385,374
Net change in fund balances	-	44,137	1,429,511	1,385,374
Fund balance, July 1	9,515,609	9,515,609	9,515,609	-
Fund balance, June 30	\$ 9,515,609	\$ 9,559,746	\$ 10,945,120	\$ 1,385,374

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INTERNAL SERVICE FUNDS



INTERNAL SERVICE FUNDS

Internal Service Funds are established to account for goods and services provided by one City department to other City department or related entities, generally on a cost recovery basis.

Public Liability and Property Damage Fund-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.

Workers' Compensation Fund-This fund is used to account for the City's self-insurance program for workers' compensation claims.

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, 2009

	Public Liability/Property Damage	Worker's Compensation	Utility Customer Service	Information Services
ASSETS				
Cash and cash equivalents	\$ 6,421,660	\$ 13,971,054	\$ 827,946	\$ 1,960,993
Accounts and other receivable (net of allowance for uncollectibles)	41,224	-	-	-
Capital assets:				
Land	595,500	-	-	-
Machinery and equipment	52,621	56,827	42,507	1,483,615
Construction in progress	1,007,799	-	-	76,148
Total capital assets	1,655,920	56,827	42,507	1,559,763
Less accumulated depreciation	(45,235)	(48,990)	(38,571)	(1,043,878)
Net capital assets	1,610,685	7,837	3,936	515,885
Total assets	8,073,569	13,978,891	831,882	2,476,878
LIABILITIES				
Current liabilities:				
Accounts payable	20,382	88,660	30,147	32,072
Other liabilities	2,856	13,917	21,911	55,058
Compensated absences payable - current	-	25,000	28,000	145,000
Self insurance claims - due within one year	2,288,000	3,593,759	-	-
Total current liabilities	2,311,238	3,721,336	80,058	232,130
Noncurrent liabilities:				
Compensated absences payable	-	796	438	84,989
Self insurance claims	2,256,718	5,864,502	-	-
Other post employment payable	104,418	2,943	2,943	26,483
Total noncurrent liabilities	2,361,136	5,868,241	3,381	111,472
Total liabilities	4,672,374	9,589,577	83,439	343,602
NET ASSETS				
Invested in capital assets, net of related debt	1,610,685	7,837	3,936	515,885
Unrestricted	1,790,510	4,381,477	744,507	1,617,391
Total net assets	\$ 3,401,195	\$ 4,389,314	\$ 748,443	\$ 2,133,276

City of Oxnard, California
Internal Service Funds
Combining Statement of Net Assets
June 30, 2009

Facilities Maintenance	Equipment Maintenance	Total	
\$ 1,245,055	\$ 1,099,083	\$ 25,525,791	ASSETS
			Cash and cash equivalents
2,300	-	43,524	Accounts and other receivable (net of allowance for uncollectibles)
-	-	595,500	Capital assets:
625,806	524,849	2,786,225	Land
202,685	197,935	1,484,567	Machinery and equipment
828,491	722,784	4,866,292	Construction in progress
(448,950)	(421,409)	(2,047,033)	Total capital assets
379,541	301,375	2,819,259	Less accumulated depreciation
1,626,896	1,400,458	28,388,574	Net capital assets
			Total assets
			LIABILITIES
			Current liabilities:
51,619	302,739	525,619	Accounts payable
72,210	128,427	294,379	Other liabilities
125,000	215,000	538,000	Compensated absences payable - current
-	-	5,881,759	Self insurance claims - due within one year
248,829	646,166	7,239,757	Total current liabilities
			Noncurrent liabilities:
103,947	124,278	314,448	Compensated absences payable
-	-	8,121,220	Self insurance claims
26,483	39,235	202,505	Other post employment payable
130,430	163,513	8,638,173	Total noncurrent liabilities
379,259	809,679	15,877,930	Total liabilities
			NET ASSETS
379,541	301,375	2,819,259	Invested in capital assets, net of related debt
868,096	289,404	9,691,385	Unrestricted
\$ 1,247,637	\$ 590,779	\$ 12,510,644	Total net assets

City of Oxnard, California
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
For Fiscal Year Ended June 30, 2009

	Public Liability/Property Damage	Workers' Compensation	Utility Customer Services	Information Services
OPERATING REVENUES:				
Charges for services	\$ 2,605,146	\$ 1,964,342	\$ 1,336,292	\$ 3,149,140
OPERATING EXPENSES:				
Salaries and wages	33,312	361,462	555,750	1,682,949
Contractual services	242,929	378,409	143,307	54,491
Operating supplies	-	-	-	142,888
Utilities	835	4,735	19,871	1,031,756
Depreciation	7,377	4,570	1,152	155,050
General and administrative	260,900	373,454	451,728	133,867
Repairs and maintenance	715	17,866	34,078	293,215
Claims expenses	2,526,175	4,734,103	-	-
Total operating expenses	3,072,243	5,874,599	1,205,886	3,494,216
Net operating income (loss)	(467,097)	(3,910,257)	130,406	(345,076)
NON-OPERATING REVENUES (EXPENSES)				
Interest income	202,358	503,825	19,710	-
Total non-operating revenues (expenses)	202,358	503,825	19,710	-
Income (loss) before contributions and transfers	(264,739)	(3,406,432)	150,116	(345,076)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Changes in net assets	(264,739)	(3,406,432)	150,116	(345,076)
Net Assets - July 1	3,665,934	7,795,746	598,327	2,478,352
Net Assets - June 30	\$ 3,401,195	\$ 4,389,314	\$ 748,443	\$ 2,133,276

City of Oxnard, California
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
For Fiscal Year Ended June 30, 2009

Facilities Maintenance	Equipment Maintenance	Total	
\$ 3,605,946	\$ 8,747,816	\$ 21,408,682	OPERATING REVENUES:
			Charges for services
			OPERATING EXPENSES:
2,213,862	3,469,796	8,317,131	Salaries and wages
164,467	61,585	1,045,188	Contractual services
352,205	3,844,600	4,339,693	Operating supplies
687,648	18,477	1,763,322	Utilities
40,444	51,785	260,378	Depreciation
66,932	135,523	1,422,404	General and administrative
95,862	926,333	1,368,069	Repairs and maintenance
-	-	7,260,278	Claims expenses
3,621,420	8,508,099	25,776,463	Net operating expenses
(15,474)	239,717	(4,367,781)	Operating income (loss)
			NON-OPERATING REVENUES (EXPENSES)
44,403	20,073	790,369	Interest income
44,403	20,073	790,369	Total non-operating revenues (expenses)
28,929	259,790	(3,577,412)	Income (loss) before contributions and transfers
-	6,500	6,500	Transfers in
-	-	-	Transfers out
28,929	266,290	(3,570,912)	Changes in net assets
1,218,708	324,489	16,081,556	Net Assets - July 1
\$ 1,247,637	\$ 590,779	\$ 12,510,644	Net Assets - June 30

City of Oxnard
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2009

	Public Liability/Property Damage	Workers' Compensation	Utility Customers Services	Information Services
Cash flows from operating activities :				
Receipts from customers	\$ 2,570,767	\$ 1,964,342	\$ 1,336,292	\$ 3,149,140
Payments to suppliers	(665,244)	(1,067,093)	(646,290)	(1,614,554)
Payments to employees	(33,312)	(360,315)	(552,495)	(1,692,719)
Claims paid	(3,104,767)	(3,753,172)	-	-
Net cash flows from operating activities	(1,232,556)	(3,216,238)	137,507	(158,133)
Cash flows from noncapital financing activities:				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-	-
Cash flows from capital financing activities:				
Acquisitions(Disposals) of capital assets	(294,030)	-	-	(150,005)
Proceeds from capital lease	-	-	-	-
Net cash flows from capital and related financing activities	(294,030)	-	-	(150,005)
Cash flows from investing activities:				
Interest on investments	202,358	503,825	19,710	-
Cash flows from investing activities	202,358	503,825	19,710	-
Net increase (decrease) in cash and cash equivalents	(1,324,228)	(2,712,413)	157,217	(308,138)
Cash and cash equivalents-July 1	7,745,888	16,683,467	670,729	2,269,131
Cash and cash equivalents-June 30	\$ 6,421,660	\$ 13,971,054	\$ 827,946	\$ 1,960,993
Reconciliation of operating income (loss) to net cash used by operating activities:				
Operating income (loss)	\$ (467,097)	\$ (3,910,257)	\$ 130,406	\$ (345,076)
Adjustment to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	7,377	4,570	1,152	155,050
Loss on Disposal of Capital Assets	-	-	-	-
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	(34,379)	-	-	-
Increase (decrease) in accounts payable	(169,052)	(307,493)	(19,370)	(28,092)
Increase (decrease) in other liabilities	(95,231)	11,921	19,121	43,272
Increase (decrease) in self insurance liability	(578,592)	980,931	-	-
Increase (decrease) in compensated absences & OPEB	104,418	4,090	6,198	16,713
Cash flows from operating activities	\$ (1,232,556)	\$ (3,216,238)	\$ 137,507	\$ (158,133)

City of Oxnard
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2009

Facilities Maintenance	Equipment Maintenance	Total	
\$ 3,605,471	\$ 8,747,816	\$ 21,373,828	Cash flows from operating activities :
(1,273,964)	(4,987,522)	(10,254,667)	Receipts from customers
(2,201,348)	(3,442,742)	(8,282,931)	Payments to suppliers
-	-	(6,857,939)	Payments to employees
130,159	317,552	(4,021,709)	Claims paid
			Net cash flows from operating activities
			Cash flows from noncapital
-	6,500	6,500	financing activities:
		-	Transfers in
			Transfers out
-	6,500	6,500	Net cash provided (used) by noncapital
			financing activities
(236,443)	(131,468)	(811,946)	Cash flows from capital financing activities:
		-	Acquisitions(Disposals) of capital assets
			Proceeds from capital lease
(236,443)	(131,468)	(811,946)	Net cash flows from capital and related
			financing activities
44,403	20,073	790,369	Cash flows from investing activities:
44,403	20,073	790,369	Interest on investments
(61,881)	212,657	(4,036,786)	Cash flows from investing activities
1,306,936	886,426	29,562,577	Net increase (decrease) in cash and cash equivalents
\$ 1,245,055	\$ 1,099,083	\$ 25,525,791	Cash and cash equivalents-July 1
			Cash and cash equivalents-June 30
			Reconciliation of operating income (loss) to net
\$ (15,474)	\$ 239,717	\$ (4,367,781)	cash used by operating activities:
			Operating income (loss)
40,444	51,785	260,378	Adjustment to reconcile operating income to net
		-	cash provided by operating activities:
(475)	-	(34,854)	Depreciation and amortization
6,778	(143,902)	(661,131)	Loss on Disposal of Capital Assets
59,889	103,663	142,635	Changes in assets and liabilities:
-	-	402,339	Decrease (increase) in accounts receivable
38,997	66,289	236,705	Increase (decrease) in accounts payable
\$ 130,159	\$ 317,552	\$ (4,021,709)	Increase (decrease) in other liabilities
			Increase (decrease) in self insurance liability
			Increase (decrease) in compensated absences & OPEB
			Cash flows from operating activities

FIDUCIARY FUNDS



Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
June 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
ARTWORKS FUND				
ASSETS				
Cash and Cash Equivalents	\$ 49,337	\$ 1,513		\$ 50,850
Total Assets	<u>\$ 49,337</u>	<u>\$ 1,513</u>	<u>\$ -</u>	<u>\$ 50,850</u>
LIABILITIES				
Trust and Agency Payables	\$ 49,337	\$ 1,513		\$ 50,850
Total Liabilities	<u>\$ 49,337</u>	<u>\$ 1,513</u>	<u>\$ -</u>	<u>\$ 50,850</u>
IMPROVEMENT DISTRICTS FUND				
ASSETS				
Cash and Cash Equivalents	\$ 9,478,040	\$ 5,689,964	\$ 10,006,908	\$ 5,161,096
Investments with Fiscal Agents	27,970,843	298,059	3,646,678	24,622,224
Total Assets	<u>\$ 37,448,883</u>	<u>\$ 5,988,023</u>	<u>\$ 13,653,586</u>	<u>\$ 29,783,320</u>
LIABILITIES				
Trust and Agency Payables	\$ 37,448,883	\$ 5,988,023	\$ 13,653,586	\$ 29,783,320
Total Liabilities	<u>\$ 37,448,883</u>	<u>\$ 5,988,023</u>	<u>\$ 13,653,586</u>	<u>\$ 29,783,320</u>
TOTAL - ALL FIDUCIARY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 9,527,377	\$ 5,691,477	\$ 10,006,908	\$ 5,211,946
Investments with Fiscal Agents	27,970,843	298,059	3,646,678	24,622,224
Total Assets	<u>\$ 37,498,220</u>	<u>\$ 5,989,536</u>	<u>\$ 13,653,586</u>	<u>\$ 29,834,170</u>
LIABILITIES				
Trust and Agency Payables	\$ 37,498,220	\$ 5,989,536	\$ 13,653,586	\$ 29,834,170
Total Liabilities	<u>\$ 37,498,220</u>	<u>\$ 5,989,536</u>	<u>\$ 13,653,586</u>	<u>\$ 29,834,170</u>

STATISTICAL SECTION



STATISTICAL SECTION

This part of the City Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Schedule I	–	Net Assets by Component
Schedule II	–	Changes in Net Assets
Schedule III	–	Fund Balances of Governmental Funds
Schedule IV	–	Changes in Fund Balances of Governmental Funds
Schedule V	–	Governmental Activities Tax Revenues by Source

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Schedule VI	–	Assessed Value and Estimated Value of Taxable Property
Schedule VII	–	Direct and Overlapping Property Tax Rates
Schedule VIII	–	Principal Property Taxpayers
Schedule IX	–	Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Schedule X	–	Ratios of Outstanding Debt by Type
Schedule XI	–	Direct and Overlapping Governmental Activities Debt
Schedule XII	–	Legal Debt Margin Information
Schedule XIII	–	Pledged Revenue Coverage

Demographics and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Schedule XIV	–	Demographic and Economic Statistics
Schedule XV	–	Principal Employers

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and activities it performs.

Schedule XVI	–	Full-Time Equivalent City Government Employees by Function
Schedule XVII	–	Operating Indicators by Function
Schedule XVIII	–	Capital Assets by Function

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report of the relevant year. The City implemented Statement 34 in 2001. Schedules presenting government-side information include information beginning in that year.

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City of Oxnard, California

SCHEDULE I Net Assets by Component Last Nine Fiscal Years (accrual basis of accounting)

	Fiscal Year			
	2001	2002	2003	2004
Governmental activities				
Invested in capital assets, net of related debt	\$53,182,282	\$56,440,149	\$105,248,878	\$104,613,981
Restricted	15,555,288	18,239,533	59,123,684	12,510,935
Unrestricted	48,584,003	71,775,592	16,356,191	91,002,589
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>
Business-type activities				
Invested in capital assets, net of related debt	\$158,107,742	\$161,339,177	\$171,973,198	\$59,252,770
Restricted	5,841,492	2,931,639	2,714,603	7,380,620
Unrestricted	41,672,083	42,906,594	38,624,788	159,369,013
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>
Primary government				
Invested in capital assets, net of related debt	\$211,290,024	\$217,779,326	\$277,222,076	\$163,866,751
Restricted	21,396,780	21,171,172	61,838,287	19,891,555
Unrestricted	90,256,086	114,682,186	54,980,979	250,371,602
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>

The City of Oxnard implemented GASB 34 for the fiscal year ended June 30, 2001.
Information prior to the implementation of GASB 34 is not available.

Source: Finance Department, City of Oxnard

City of Oxnard, California

SCHEDULE I

Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)

Fiscal Year					
2005	2006	2007	2008	2009	
\$131,874,401	\$1,313,161,486	\$1,329,023,654	\$1,357,202,580	\$1,371,345,945	Governmental activities
16,183,475	15,902,180	33,774,265	48,175,216	12,852,498	Invested in capital assets, net of related debt
80,742,442	95,688,754	94,848,663	79,025,330	111,642,569	Restricted
<u>\$228,800,318</u>	<u>\$1,424,752,420</u>	<u>\$1,457,646,582</u>	<u>\$1,484,403,126</u>	<u>\$1,495,841,012</u>	Unrestricted
					Total governmental activities net assets
\$97,741,991	\$154,777,148	\$225,311,825	\$229,468,962	\$238,066,640	Business-type activities
7,696,523	13,405,164	12,508,465	8,782,553	7,811,268	Invested in capital assets, net of related debt
138,793,254	83,556,063	46,954,212	47,628,743	55,267,595	Restricted
<u>\$244,231,768</u>	<u>\$251,738,375</u>	<u>\$284,774,502</u>	<u>\$285,880,258</u>	<u>\$301,145,503</u>	Unrestricted
					Total business-type activities net assets
\$229,616,392	\$1,467,938,634	\$1,554,335,479	\$1,586,671,542	\$1,609,412,585	Primary government
23,879,998	29,307,344	46,282,730	56,957,769	20,663,766	Invested in capital assets, net of related debt
219,535,696	179,244,817	141,802,875	126,654,073	166,910,164	Restricted
<u>\$473,032,086</u>	<u>\$1,676,490,795</u>	<u>\$1,742,421,084</u>	<u>\$1,770,283,384</u>	<u>\$1,796,986,515</u>	Unrestricted
					Total primary government net assets

City of Oxnard, California

SCHEDULE II Changes in Net Assets Last Nine Fiscal Years (accrual basis of accounting)

	Fiscal Year			
	2001	2002	2003	2004
Expenses				
Governmental activities:				
General government	\$8,962,823	\$11,561,786	\$11,089,303	\$12,911,930
Public safety	43,221,741	47,675,795	51,798,458	58,758,103
Transportation	5,529,190	4,900,486	8,576,565	8,595,630
Community development	13,613,463	17,583,882	25,632,688	18,590,562
Culture and leisure	5,613,563	7,917,645	8,194,868	11,177,403
Libraries	2,629,171	2,908,754	3,115,118	3,940,974
Interest on long-term debt	2,542,778	1,811,687	2,076,882	2,305,762
Total governmental activities expenses	<u>82,112,729</u>	<u>94,360,035</u>	<u>110,483,882</u>	<u>116,280,364</u>
Business-type activities:				
Water	17,335,671	20,660,212	19,281,560	23,636,082
Wastewater	19,406,873	18,321,799	22,141,678	18,960,096
Environmental resource	30,287,398	29,770,148	28,693,531	35,070,009
Performing arts and convention center	1,113,265	1,250,372	1,284,733	1,402,812
Oxnard housing authority	17,685,407	20,103,955	22,800,927	24,462,843
Municipal golf course	4,318,642	3,901,301	2,052,025	3,130,165
Total business-type activities expenses	<u>90,147,256</u>	<u>94,007,787</u>	<u>96,254,454</u>	<u>106,662,007</u>
Total primary government expenses	<u>\$172,259,985</u>	<u>\$188,367,822</u>	<u>\$206,738,336</u>	<u>\$222,942,371</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$8,279,046	\$8,609,967	\$12,172,573	\$8,044,319
Public safety	1,054,655	2,412,682	5,066,751	3,654,740
Transportation	21,323	204,005	2,079,319	1,455,304
Community development	13,502,510	12,780,422	16,018,715	16,712,568
Culture and leisure	1,216,114	1,337,193	2,343,267	1,772,109
Libraries	86,064	103,356	196,900	214,559
Operating grants and contributions	25,907,496	36,071,980	32,793,458	39,370,445
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	<u>50,067,208</u>	<u>61,519,605</u>	<u>70,670,983</u>	<u>71,224,044</u>

The City of Oxnard implemented GASB 34 for the fiscal year ended June 30, 2001.
Information prior to the implementation of GASB 34 is not available.

Source: Finance Department, City of Oxnard

City of Oxnard, California

SCHEDULE II Changes in Net Assets Last Nine Fiscal Years (accrual basis of accounting)

Fiscal Year					
2005	2006	2007	2008	2009	
					Expenses
					Governmental activities:
\$13,646,432	\$18,360,819	\$19,130,468	\$21,898,728	\$19,717,999	General government
68,542,046	75,789,982	80,579,263	88,547,776	86,249,353	Public safety
9,912,068	10,341,829	9,893,618	10,847,730	10,600,127	Transportation
18,937,934	22,614,813	19,369,860	27,123,076	26,989,828	Community development
12,018,761	15,345,765	16,015,957	18,162,564	20,945,072	Culture and leisure
3,919,671	4,654,234	5,025,580	5,517,965	5,341,028	Libraries
2,299,356	1,904,516	3,263,821	4,701,143	6,519,008	Interest on long-term debt
<u>129,276,268</u>	<u>149,011,958</u>	<u>153,278,567</u>	<u>176,798,983</u>	<u>176,362,415</u>	Total governmental activities expenses
					Business-type activities:
23,152,648	26,636,150	30,683,509	33,417,143	29,837,358	Water
25,482,133	27,939,236	29,033,021	24,009,381	22,337,575	Wastewater
37,117,879	38,535,592	39,817,351	45,329,486	41,117,534	Environmental resource
1,565,920	1,590,321	1,761,156	1,829,853	1,799,861	Performing arts and convention center
25,507,125	24,724,889	23,494,108	23,758,739	26,153,808	Oxnard housing authority
4,028,435	3,983,695	4,433,702	3,794,080	7,601,054	Municipal golf course
<u>116,854,140</u>	<u>123,409,883</u>	<u>129,222,847</u>	<u>132,138,682</u>	<u>128,847,190</u>	Total business-type activities expenses
<u>\$246,130,408</u>	<u>\$272,421,841</u>	<u>\$282,501,414</u>	<u>\$308,937,665</u>	<u>\$305,209,605</u>	Total primary government expenses
					Program Revenues
					Governmental activities:
					Charges for services:
\$8,516,015	\$7,864,784	\$17,237,868	\$8,515,014	\$9,765,771	General government
5,306,818	6,513,674	6,114,255	4,921,670	5,017,708	Public safety
2,468,510	4,369,882	4,217,846	4,050,457	4,042,492	Transportation
23,822,460	24,448,745	11,095,658	15,030,222	11,825,981	Community development
2,725,055	928,054	3,903,705	4,401,090	5,273,551	Culture and leisure
209,622	169,339	320,939	246,576	260,577	Libraries
20,254,587	30,436,511	25,025,965	23,207,919	25,875,331	Operating grants and contributions
-	16,758,901	6,804,709	12,902,805	9,420,033	Capital grants and contributions
<u>63,303,067</u>	<u>91,489,890</u>	<u>74,720,945</u>	<u>73,275,753</u>	<u>71,481,444</u>	Total governmental activities program revenues

City of Oxnard, California

SCHEDULE II Changes in Net Assets Last Nine Fiscal Years (accrual basis of accounting)

	Fiscal Year			
	2001	2002	2003	2004
Business-type activities:				
Charges for services:				
Water	\$16,226,461	\$17,206,345	\$20,465,812	\$28,401,190
Wastewater	18,254,171	20,495,040	22,130,759	23,532,305
Environmental resource	29,697,676	28,432,860	29,811,773	32,965,746
Performing arts and convention center	422,078	296,295	364,053	371,553
Oxnard housing authority	18,292,175	18,040,124	20,342,572	23,024,813
Municipal golf course	3,351,431	3,207,541	2,687,299	7,487,215
Operating grants and contributions	4,777,822	3,881,547	3,422,902	-
Capital grants and contributions	-	-	-	-
Total business-like activities program revenues	<u>91,021,814</u>	<u>91,559,752</u>	<u>99,225,170</u>	<u>115,782,822</u>
Total primary government program revenues	<u>\$141,089,022</u>	<u>\$153,079,357</u>	<u>\$169,896,153</u>	<u>\$187,006,866</u>
Net (expense) revenue				
Governmental activities	(32,045,521)	(32,840,430)	(39,812,899)	(45,056,320)
Business-like activities	874,558	(2,448,035)	2,970,716	9,120,815
Total primary government net expense	<u>(\$31,170,963)</u>	<u>(\$35,288,465)</u>	<u>(\$36,842,183)</u>	<u>(\$35,935,505)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$23,484,567	\$25,873,406	\$30,115,989	\$35,245,432
Sales taxes	18,140,143	19,846,352	20,775,896	22,772,358
Transient occupancy taxes	2,328,218	2,321,758	2,247,831	2,222,553
Franchise taxes	4,807,104	7,085,201	2,830,462	3,718,917
Deed transfer taxes	583,617	555,249	573,234	1,159,215
Business license taxes	2,203,188	3,194,683	-	4,386,245
Penalties on delinquent taxes	90,164	182,230	190,546	181,655
Investment earnings	4,389,201	4,588,082	3,858,978	4,547,276
Sale of capital assets	-	-	-	-
Transfers	(1,463,398)	(1,672,830)	(1,236,947)	(1,778,579)
Total governmental activities	<u>54,562,804</u>	<u>61,974,131</u>	<u>59,355,989</u>	<u>72,455,072</u>
Business-type activities:				
Investment earnings	-	2,331,298	1,927,516	2,080,206
Sale of capital assets	-	-	-	-
Transfers	1,463,398	1,672,830	1,236,947	1,488,793
Total business-type activities	<u>1,463,398</u>	<u>4,004,128</u>	<u>3,164,463</u>	<u>3,568,999</u>
Total primary program	<u>\$56,026,202</u>	<u>\$65,978,259</u>	<u>\$62,520,452</u>	<u>\$76,024,071</u>
Change in Net Assets				
Governmental activities	22,517,283	29,133,701	19,543,090	27,398,752
Business-type activities	2,337,956	1,556,093	6,135,179	12,689,814
Total primary government	<u>\$24,855,239</u>	<u>\$30,689,794</u>	<u>\$25,678,269</u>	<u>\$40,088,566</u>

City of Oxnard, California

SCHEDULE II Changes in Net Assets Last Nine Fiscal Years (accrual basis of accounting)

Fiscal Year					
2005	2006	2007	2008	2009	
					Business-type activities:
					Charges for services:
\$34,334,436	\$32,150,667	\$36,855,486	\$35,378,947	\$38,477,754	Water
33,709,319	26,139,278	24,503,133	27,621,114	24,846,717	Wastewater
36,071,999	36,704,264	40,122,057	42,795,069	39,695,711	Environmental resource
468,732	483,475	517,766	485,548	483,371	Performing arts and convention center
21,411,579	23,197,945	23,137,523	23,785,335	6,105,106	Oxnard housing authority
3,119,621	3,899,645	3,999,148	3,234,074	4,398,074	Municipal golf course
-	-	-	-	19,635,556	Operating grants and contributions
-	1,306,910	-	-	543,140	Capital grants and contributions
<u>129,115,686</u>	<u>123,882,184</u>	<u>129,135,113</u>	<u>133,300,087</u>	<u>134,185,429</u>	Total business-like activities program revenues
<u>\$192,418,753</u>	<u>\$215,372,074</u>	<u>\$203,856,058</u>	<u>\$206,575,840</u>	<u>\$205,666,873</u>	Total primary government program revenues
					Net (expense) revenue
(65,973,201)	(57,522,068)	(78,557,622)	(103,523,230)	(104,880,971)	Governmental activities
12,261,546	472,301	(87,734)	1,161,405	5,338,239	Business-like activities
<u>(\$53,711,655)</u>	<u>(\$57,049,767)</u>	<u>(\$78,645,356)</u>	<u>(\$102,361,825)</u>	<u>(\$99,542,732)</u>	Total primary government net expense
					General Revenues and Other Changes in Net Assets
					Governmental activities:
					Taxes
\$49,096,920	\$58,537,770	\$68,429,117	\$75,726,666	\$76,681,392	Property taxes
23,212,641	23,985,182	25,783,808	24,205,622	24,043,286	Sales taxes
2,445,468	3,309,716	3,550,903	3,618,611	3,328,803	Transient occupancy taxes
4,572,206	3,914,317	3,686,627	3,986,567	4,635,616	Franchise taxes
1,196,393	1,230,768	880,370	860,378	573,882	Deed transfer taxes
3,967,972	4,470,841	4,504,455	4,662,658	5,059,323	Business license taxes
126,250	132,403	129,679	123,956	145,945	Penalties on delinquent taxes
3,911,106	4,860,461	6,653,231	7,561,978	5,556,004	Investment earnings
-	7,146,270	-	4,351,772	59,319	Sale of capital assets
(1,882,942)	(2,280,393)	(2,166,406)	5,181,566	(3,764,713)	Transfers
<u>86,646,014</u>	<u>105,307,335</u>	<u>111,451,784</u>	<u>130,279,774</u>	<u>116,318,857</u>	Total governmental activities
					Business-type activities:
4,486,577	4,753,913	7,480,785	5,125,917	3,299,336	Investment earnings
-	-	23,476,670	-	2,862,957	Sale of capital assets
<u>1,481,242</u>	<u>2,280,393</u>	<u>2,166,406</u>	<u>(5,181,566)</u>	<u>3,764,713</u>	Transfers
<u>5,967,819</u>	<u>7,034,306</u>	<u>33,123,861</u>	<u>(55,649)</u>	<u>9,927,006</u>	Total business-type activities
<u>\$92,613,833</u>	<u>\$112,341,641</u>	<u>\$144,575,645</u>	<u>\$130,224,125</u>	<u>\$126,245,863</u>	Total primary program
					Change in Net Assets
20,672,813	47,785,267	32,894,162	26,756,544	11,437,886	Governmental activities
<u>18,229,365</u>	<u>7,506,607</u>	<u>33,036,127</u>	<u>1,105,756</u>	<u>15,265,245</u>	Business-type activities
<u>\$38,902,178</u>	<u>\$55,291,874</u>	<u>\$65,930,289</u>	<u>\$27,862,300</u>	<u>\$26,703,131</u>	Total primary government

City of Oxnard, California

SCHEDULE III Fund Balances of Governmental Funds Last Nine Fiscal Years (accrual basis of accounting)

	Fiscal Year			
	2001	2002	2003	2004
General Fund				
Reserved	\$1,631,586	\$1,870,298	\$3,211,597	\$1,180,342
Unreserved	19,864,559	25,526,320	24,597,396	25,398,644
Total general fund	<u>\$21,496,145</u>	<u>\$27,396,618</u>	<u>\$27,808,993</u>	<u>\$26,578,986</u>
All other governmental funds				
Reserved	\$13,838,262	\$13,887,599	\$8,486,307	\$11,330,593
Unreserved, reported in:				
Special revenue funds	32,000,890	37,036,381	45,814,074	55,595,303
Capital projects funds	12,487,381	12,639,137	12,974,002	21,790,919
Total all other governmental funds	<u>\$58,326,533</u>	<u>\$63,563,117</u>	<u>\$67,274,383</u>	<u>\$88,716,815</u>

The City of Oxnard implemented GASB 34 for the fiscal year ended June 30, 2001.
Information prior to the implementation of GASB 34 is not available.

Source: Finance Department, City of Oxnard

City of Oxnard, California

SCHEDULE III Fund Balances of Governmental Funds Last Nine Fiscal Years (accrual basis of accounting)

Fiscal Year					
2005	2006	2007	2008	2009	
					General Fund
\$4,201,060	\$3,658,849	\$3,573,245	\$344,987	\$0	Reserved
19,197,335	23,523,456	21,424,406	20,108,117	23,794,737	Unreserved
<u>\$23,398,395</u>	<u>\$27,182,305</u>	<u>\$24,997,651</u>	<u>\$20,453,104</u>	<u>\$23,794,737</u>	Total general fund
					All other governmental funds
\$11,982,415	\$12,243,331	\$30,201,020	\$47,830,229	\$12,852,498	Reserved
					Unreserved, reported in:
53,104,087	58,172,246	51,516,503	61,096,986	61,924,849	Special revenue funds
22,103,670	26,320,799	47,966,047	45,195,438	72,705,295	Capital projects funds
<u>\$87,190,172</u>	<u>\$96,736,376</u>	<u>\$129,683,570</u>	<u>\$154,122,653</u>	<u>\$147,482,642</u>	Total all other governmental funds

City of Oxnard, California

SCHEDULE IV Changes in Fund Balances of Governmental Funds Last Nine Fiscal Years (modified accrual basis of accounting)

	Fiscal Year			
	2001	2002	2003	2004
Revenues				
Taxes	\$51,637,001	\$59,058,879	\$59,303,485	\$69,686,376
Licenses and permits	2,211,303	1,987,392	2,862,476	2,182,715
Intergovernmental	27,714,568	37,691,308	38,508,559	40,834,560
Growth and development fees	8,049,376	7,432,528	8,796,590	9,004,335
Charges for services	6,070,045	7,908,643	12,022,652	11,105,208
Fines and forfeitures	1,284,259	1,411,837	853,188	1,198,456
Interest	4,389,201	4,588,082	3,858,978	4,547,276
Special assessments	1,250,930	1,515,592	1,727,674	2,089,097
Contributions from property owners	-	-	-	-
Miscellaneous	3,486,727	3,572,305	3,055,944	4,809,675
Total revenues	<u>106,093,410</u>	<u>125,166,566</u>	<u>130,989,546</u>	<u>145,457,698</u>
Expenditures				
General government	7,713,044	9,786,593	9,781,192	11,444,213
Public safety	40,353,308	44,560,812	48,494,541	55,856,590
Transportation	5,384,755	4,743,755	8,409,737	8,108,305
Community development	13,031,954	17,413,069	20,454,657	17,912,245
Culture and leisure	7,799,434	10,362,084	7,811,085	10,824,801
Library services	-	-	2,991,509	3,818,769
Capital outlay	16,294,274	23,794,668	22,199,380	31,640,247
Debt Service:				
Principal	2,370,096	2,412,335	4,525,483	2,908,600
Cost of issuance	-	-	-	-
Interest	2,250,368	1,988,947	2,178,355	2,102,073
Total expenditures	<u>95,197,233</u>	<u>115,062,263</u>	<u>126,845,939</u>	<u>144,615,843</u>
Excess of revenues over (under) expenditures	<u>10,896,177</u>	<u>10,104,303</u>	<u>4,143,607</u>	<u>841,855</u>
Other Financing Sources (Uses)				
Proceeds from loans payable	-	2,705,584	7,435,000	-
Proceeds from financing sources	-	-	-	34,750,209
Payment to escrow agent	-	-	(6,380,000)	(13,601,060)
Proceeds from sale of property	-	-	-	-
Proceeds from sale of bonds	-	-	-	-
Bond discount	-	-	-	-
Transfers in	5,177,295	6,374,102	6,989,190	6,475,027
Transfers out	(6,640,693)	(8,046,932)	(8,064,156)	(8,253,606)
Total other financing sources (uses)	<u>(1,463,398)</u>	<u>1,032,754</u>	<u>(19,966)</u>	<u>19,370,570</u>
Net change in fund balances	<u>\$9,432,779</u>	<u>\$11,137,057</u>	<u>\$4,123,641</u>	<u>\$20,212,425</u>
Debt service as a percentage of noncapital expenditures	5.86%	4.82%	6.41%	4.44%

The City of Oxnard implemented GASB 34 for the fiscal year ended June 30, 2001.
Information prior to the implementation of GASB 34 is not available.

City of Oxnard, California

SCHEDULE IV
Changes in Fund Balances of Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)

Fiscal Year					
2005	2006	2007	2008	2009	
					Revenues
\$84,617,850	\$95,580,997	\$106,964,959	\$113,184,458	\$114,468,247	Taxes
2,116,934	5,937,172	3,434,727	2,792,191	2,470,865	Licenses and permits
27,036,948	31,543,392	31,830,674	36,110,724	32,290,549	Intergovernmental
10,061,956	9,616,234	4,984,467	5,724,940	7,210,668	Growth and development fees
15,358,432	14,721,778	11,418,999	12,877,753	10,705,908	Charges for services
1,248,242	1,320,782	1,383,780	1,350,628	1,408,066	Fines and forfeitures
3,911,106	4,860,461	6,653,231	7,561,978	5,556,004	Interest
2,240,492	2,346,088	14,967,993	9,014,090	8,611,926	Special assessments
-	1,085,000	-	-	-	Contributions from property owners
5,240,064	10,352,424	6,700,305	9,757,199	5,837,966	Miscellaneous
<u>151,832,024</u>	<u>177,364,328</u>	<u>188,339,135</u>	<u>198,373,961</u>	<u>188,560,199</u>	Total revenues
					Expenditures
11,788,754	11,994,048	12,283,152	12,390,389	11,883,205	General government
64,312,956	69,405,713	75,815,578	80,409,884	74,877,737	Public safety
9,709,306	10,254,324	10,136,221	10,642,590	9,829,554	Transportation
18,597,956	22,100,626	18,962,172	26,158,572	25,832,640	Community development
11,520,103	14,366,317	15,141,511	16,894,790	19,348,413	Culture and leisure
3,731,437	4,214,038	4,558,864	4,950,293	4,755,540	Library services
29,924,300	41,227,891	56,309,445	52,283,436	43,704,965	Capital outlay
					Debt Service:
2,999,393	7,983,492	2,251,795	2,754,823	3,168,595	Principal
-	-	-	-	791,867	Cost of issuance
<u>2,072,111</u>	<u>1,920,662</u>	<u>2,411,174</u>	<u>3,810,737</u>	<u>5,574,369</u>	Interest
<u>154,656,316</u>	<u>183,467,111</u>	<u>197,869,912</u>	<u>210,295,514</u>	<u>199,766,885</u>	Total expenditures
<u>(2,824,292)</u>	<u>(6,102,783)</u>	<u>(9,530,777)</u>	<u>(11,921,553)</u>	<u>(11,206,686)</u>	Excess of revenues over (under) expenditures
					Other Financing Sources (Uses)
-	-	-	-	-	Proceeds from loans payable
-	-	-	-	-	Proceeds from financing sources
-	14,567,020	-	-	-	Payment to escrow agent
-	1,885,649	-	-	-	Proceeds from sale of property
-	-	42,459,723	26,634,523	11,790,000	Proceeds from sale of bonds
-	-	-	-	(116,979)	Bond discount
10,770,253	13,659,615	13,159,636	14,107,966	10,573,077	Transfers in
<u>(12,653,195)</u>	<u>(10,679,387)</u>	<u>(15,326,042)</u>	<u>(8,926,400)</u>	<u>(14,337,790)</u>	Transfers out
<u>(1,882,942)</u>	<u>19,432,897</u>	<u>40,293,317</u>	<u>31,816,089</u>	<u>7,908,308</u>	Total other financing sources (uses)
<u>(\$4,707,234)</u>	<u>\$13,330,114</u>	<u>\$30,762,540</u>	<u>\$19,894,536</u>	<u>(\$3,298,378)</u>	Net change in fund balances
4.07%	6.96%	3.29%	4.16%	6.11%	Debt service as a percentage of noncapital expenditures

City of Oxnard, California

SCHEDULE V
 Governmental Activities Tax Revenues by Source
 Last Nine Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Transient Occupancy Tax	Franchise Tax	Deed Transfer Tax	Business License	Penalties and Interest	Total
2001	23,484,567	18,140,143	2,328,218	4,807,104	583,617	2,203,188	90,164	51,637,001
2002	25,873,406	19,846,352	2,321,758	7,085,201	555,249	3,194,683	182,230	59,058,879
2003	30,115,989	20,775,896	2,247,831	2,830,462	849,413	3,366,003	190,546	60,376,140
2004	35,245,432	22,772,358	2,222,553	3,718,917	1,159,215	4,386,245	181,655	69,686,375
2005	49,096,920	23,212,641	2,445,468	4,572,206	1,196,393	3,967,972	126,250	84,617,850
2006	58,537,770	23,985,182	3,309,716	3,914,317	1,230,768	4,470,841	132,403	95,580,997
2007	68,429,117	25,783,808	3,550,903	3,686,627	880,370	4,504,455	129,679	106,964,959
2008	75,726,666	24,205,622	3,618,611	3,986,567	860,378	4,662,658	123,956	113,184,458
2009	76,681,392	24,043,286	3,328,803	4,635,616	573,882	5,059,323	145,945	114,468,247

The City of Oxnard implemented GASB 34 for the fiscal year ended June 30, 2001. Information prior to the implementation of GASB 34 is not available.

Source: Finance Department, City of Oxnard

City of Oxnard, California

SCHEDULE VI
Assessed Value and Estimated 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						
2000	4,830,144,691	2,014,131,847	91,597,348	874,969,634	6,060,904,252	1.18067%	6,060,904,252	100.00%
2001	5,378,551,952	2,267,262,765	97,930,553	846,810,724	6,896,934,546	1.17277%	6,896,934,546	100.00%
2002	5,857,044,851	2,494,786,288	111,351,225	905,863,935	7,557,318,429	1.20417%	7,557,318,429	100.00%
2003	6,420,500,506	2,673,117,741	124,301,084	1,110,078,014	8,107,841,317	1.21447%	8,107,841,317	100.00%
2004	7,253,159,544	2,975,719,097	117,948,102	1,346,099,223	9,000,727,520	1.20384%	9,000,727,520	100.00%
2005	8,168,388,379	3,341,067,161	114,301,049	1,537,114,090	10,086,642,499	1.19624%	10,086,642,499	100.00%
2006	9,405,951,581	3,814,788,282	120,544,440	1,835,609,239	11,505,675,064	1.17614%	11,505,675,064	100.00%
2007	10,689,026,776	4,312,067,166	147,705,238	2,126,175,049	13,022,624,131	1.16564%	13,022,624,131	100.00%
2008	11,602,771,692	4,729,388,831	121,309,333	2,299,830,016	14,153,639,840	1.17864%	14,153,639,840	100.00%
2009	11,762,899,574	4,861,610,331	130,760,465	2,692,759,267	14,062,511,103	1.19334%	14,062,511,103	100.00%

Source: County of Ventura, Office of the Auditor-Controller
Finance Department, City of Oxnard

City of Oxnard, California

SCHEDULE VII
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	City Direct Rates			Overlapping Rates			Total Direct & Overlapping Rates
	Basic (1)	Debt Service	Total Direct	School Districts	Water Districts	Total Overlapping	
2000	1.00000%	0.18067%	1.18067%	0.14920%	0.06067%	0.20987%	1.39054%
2001	1.00000%	0.17277%	1.17277%	0.11070%	0.06399%	0.17469%	1.34746%
2002	1.00000%	0.20417%	1.20417%	0.10420%	0.05690%	0.16110%	1.36527%
2003	1.00000%	0.21447%	1.21447%	0.10790%	0.05120%	0.15910%	1.37357%
2004	1.00000%	0.20384%	1.20384%	0.09770%	0.04476%	0.14246%	1.34630%
2005	1.00000%	0.19624%	1.19624%	0.08410%	0.04224%	0.12634%	1.32258%
2006	1.00000%	0.17614%	1.17614%	0.09850%	0.03691%	0.13541%	1.31155%
2007	1.00000%	0.16564%	1.16564%	0.08220%	0.03272%	0.11492%	1.28056%
2008	1.00000%	0.17864%	1.17864%	0.10500%	0.02922%	0.13422%	1.31286%
2009	1.00000%	0.19334%	1.19334%	0.11160%	0.01290%	0.12450%	1.31784%

NOTE: (1) The passage of Proposition 13 on June 6, 1978 established a maximum countywide levy of 1% of market value or \$1.00 per \$100 of assessed value.

Source: County of Ventura, Office of the Auditor-Controller

City of Oxnard, California

SCHEDULE VIII

Principal Property Taxpayers
Current Year and Eight Years Ago

Taxpayer	2009			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Proctor & Gamble Paper Products	286,909,233	1	1.762%	285,208,162	1	4.153%
St. John's Regional Medical Center	212,314,343	2	1.304%	146,803,106	2	2.138%
Reliant Energy Ormond Beach, Inc.	84,700,000	3	0.520%			
MEF Realty LLC	81,333,355	4	0.499%			
Essex Tierra Vista Limited Partnership	81,115,378	5	0.487%			
GS Channel Islands LLC	80,640,312	6	0.495%			
Haas Automation Inc	79,349,400	7	0.487%			
SI VIII LLC	76,591,411	8	0.470%			
Duesenberg Investment Company	65,256,074	9	0.401%			
Fred Kavli	64,813,345	10	0.398%			
Willamette Industries Inc				68,998,598	3	1.005%
CHW Central Coast				56,821,100	4	0.827%
Tiger Ventura County				51,687,562	5	0.753%
Channel Islands Harbor Investment Company				46,501,245	6	0.677%
AT&T Credit Corp Trust				43,778,328	7	0.638%
Ormond Beach Power				39,712,544	8	0.578%
Donwen Corporation				36,659,711	9	0.534%
Seminis Vegetable Seeds Inc				32,215,842	10	0.469%
Other taxpayers	<u>15,174,455,552</u>		<u>93.177%</u>	<u>6,058,680,229</u>		<u>88.228%</u>
Totals	<u><u>16,287,478,403</u></u>		<u><u>100.000%</u></u>	<u><u>6,867,066,427</u></u>		<u><u>100.000%</u></u>

Source: HdL Coren & Cone, Ventura County Assessor 2007/08 Combined Tax Rolls

City of Oxnard, California

SCHEDULE IX Property Tax Levies and Collections Last Ten Fiscal Years

Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	17,038,470	17,317,763	101.64%	99,032	17,416,795	102.22%
2001	23,380,000	23,484,567	100.45%	90,164	23,574,731	100.83%
2002	25,900,000	25,718,029	99.30%	284,711	26,002,740	100.40%
2003	30,040,000	29,892,747	99.51%	190,546	30,083,293	100.14%
2004	35,432,169	35,281,916	99.58%	344,390	35,626,306	100.55%
2005	44,743,658	49,223,170	110.01%	126,250	49,349,420	110.29%
2006	54,511,910	58,537,770	107.39%	132,403	58,670,173	107.63%
2007	59,401,879	68,429,117	115.20%	129,679	68,558,796	115.42%
2008	69,931,705	75,726,668	108.29%	121,075	75,847,743	108.46%
2009	69,147,624	76,681,392	110.90%	145,945	76,827,337	111.11%

Source: Finance Department, City of Oxnard

City of Oxnard, California

SCHEDULE X
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities		Total Primary Government	(1) Percentage of Personal Income	(1) Per Capita
	Revenue Bonds	Certificates of Participation	Tax Allocation Bonds	Capital Leases	Revenue Bonds	Capital Leases			
2000	12,285,000	8,805,000	15,620,000	1,163,893	89,448,949	-	127,322,842	4.133%	794
2001	10,705,000	8,625,000	15,065,000	891,305	85,646,884	1,401,008	122,334,197	3.507%	688
2002	9,080,000	8,440,000	14,475,000	604,201	88,945,000	1,215,752	122,759,953	3.410%	674
2003	9,535,000	8,245,000	13,850,000	307,187	84,030,000	2,824,171	118,791,358	2.985%	653
2004	22,874,301	8,045,000	19,185,000	1,729,354	214,035,699	2,916,139	268,785,493	6.389%	1,444
2005	21,607,009	7,835,000	18,635,000	1,412,398	236,943,314	2,469,070	288,901,791	6.553%	1,530
2006	19,975,756	7,620,000	18,030,000	1,086,013	298,559,567	2,010,676	347,282,012	7.464%	1,828
2007	43,109,750	7,395,000	37,940,000	749,911	292,625,260	1,536,788	383,356,709	7.890%	1,986
2008	41,746,367	34,835,000	37,040,000	493,471	286,428,643	4,603,874	405,147,355	7.841%	2,079
2009	40,337,356	34,350,000	47,755,000	293,886	278,427,654	4,053,370	405,217,266	7.963%	2,056

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

Source: Finance Department, City of Oxnard

City of Oxnard, California

SCHEDULE XI

Direct and Overlapping Governmental Activities Debt

As of June 30, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Oxnard Overlapping Debt:			
Metropolitan Water District	2,265,241	0.772%	17,488
Ventura County Community College District	46,931,636	14.795%	6,943,536
Ventura County Superintendent of Schools - Certificates of Participation	1,884,501	14.792%	278,755
Ventura County General Fund Obligations	9,189,530	14.792%	1,359,315
Oxnard Union High School District	26,446,017	45.953%	12,152,738
Oxnard Union High School District - Certificates of Participation	4,317,284	45.953%	1,983,922
Oxnard School District	118,405,903	92.207%	109,178,531
Oxnard School District - Certificates of Participation	5,430,992	92.207%	5,007,755
Rio School District	14,071,964	83.787%	11,790,476
Rio School District - Certificates of Participation	6,908,238	83.787%	5,788,205
Hueneme School District	12,261,165	48.349%	5,928,151
Ocean View School District	4,773,598	38.434%	1,834,685
Ocean View School District - Certificates of Participation	717,255	38.434%	275,670
Rio School District - Community Facilities District 1	30,510,000	100.000%	30,510,000
City of Oxnard - Mandalay Bay Assessment District 85-5R	615,000	100.000%	615,000
City of Oxnard - Rose Avenue/Hwy 101 Assessment District 96-1	4,565,000	100.000%	4,565,000
City of Oxnard - Rice Avenue/Hwy 101 Assessment District 2001-1	13,805,000	100.000%	13,805,000
City of Oxnard - Oxnard Blvd/Hwy 101 Assessment District 2000-1	2,150,000	100.000%	2,150,000
City of Oxnard Community Facilities District 1	9,330,000	100.000%	9,330,000
City of Oxnard Community Facilities District 3	32,010,000	100.000%	32,010,000
City of Oxnard Community Facilities District 88-1	1,035,000	100.000%	1,035,000
Oxnard Boulevard Interchange Community District	9,385,000	100.000%	9,385,000
Subtotal - Overlapping Debt	357,008,324		265,944,227
City of Oxnard Direct Debt:			
City of Oxnard Financing Authority			53,820,000
Subtotal - Direct Debt			53,820,000
Total direct and overlapping debt			319,764,227

Source: California Municipal Statistics, Inc.

City of Oxnard, California

SCHEDULE XII
Legal Debt Margin Information
Last Ten Fiscal Years
(in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	1,040,381	1,161,562	1,269,477	1,382,688	1,534,332	1,726,418	1,983,111	2,250,164	2,449,824	2,493,677
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>1,040,381</u>	<u>1,161,562</u>	<u>1,269,477</u>	<u>1,382,688</u>	<u>1,534,332</u>	<u>1,726,418</u>	<u>1,983,111</u>	<u>2,250,164</u>	<u>2,449,824</u>	<u>2,493,677</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	13,931,751
Add back: exempt real property	<u>2,692,759</u>
Total assessed value	<u>16,624,510</u>
Debt limit (15% of total assessed value)	2,493,677
Debt applicable to limit:	
General obligation bonds	400,870
Less: assets in debt service funds for principal payments	
Revenue bonds - governmental activities	(40,337)
Revenue bonds - business-type activities	(278,428)
Tax allocation bond - community development commission	(47,755)
Certificates of participation	<u>(34,350)</u>
Total net debt applicable limit	<u>0</u>
Legal debt margin	<u>2,493,677</u>

Source: Finance Department, City of Oxnard

SCHEDULE XIII
Pledged Revenue Coverage
Last Ten Fiscal Years

Water Revenue Bonds						
Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Interest	Coverage
2000	16,529,128	15,057,247	1,471,881	534,642	230,776	1.92
2001	16,226,461	15,347,727	878,734	522,065	224,747	1.18
2002	17,856,094	18,141,656	(285,562)	794,388	709,225	(0.19)
2003	20,602,479	16,782,851	3,819,628	225,000	730,142	4.00
2004	28,898,906	19,899,216	8,999,690	235,000	1,315,783	5.80
2005	34,609,573	18,351,471	16,258,102	1,150,000	2,682,330	4.24
2006	34,212,012	21,865,005	12,347,007	1,202,083	2,699,580	3.16
2007	40,719,155	22,674,080	18,045,075	1,205,000	2,625,730	4.71
2008	38,369,885	27,732,616	10,637,269	1,235,000	5,253,315	1.64
2009	38,477,754	25,883,824	12,593,930	2,040,000	5,149,575	1.75
Wastewater Revenue Bonds						
2000	17,749,682	11,315,240	6,434,442	1,760,000	2,653,560	1.46
2001	18,254,171	11,591,100	6,663,071	1,840,000	2,568,810	1.51
2002	22,005,625	11,978,948	10,026,677	1,925,000	2,484,277	2.27
2003	23,515,790	16,445,581	7,070,209	1,805,000	1,883,286	1.92
2004	23,182,456	12,958,128	10,224,328	1,750,000	1,924,827	2.78
2005	36,892,293	14,715,076	22,177,217	1,815,000	5,969,101	2.85
2006	28,512,017	16,185,708	12,326,309	1,885,000	6,682,905	1.44
2007	27,322,064	16,956,481	10,365,583	2,135,000	7,259,743	1.10
2008	29,054,646	17,562,559	11,492,087	2,260,000	7,418,756	1.19
2009	24,846,717	16,268,395	8,578,322	3,155,000	7,282,032	0.82
Environmental Resources Revenue Bonds						
2000	32,195,190	28,050,828	4,144,362	860,000	1,403,617	1.83
2001	29,697,676	26,728,446	2,969,230	1,096,492	1,303,060	1.24
2002	28,714,969	26,240,998	2,473,971	1,012,756	1,570,081	0.96
2003	30,031,391	25,682,146	4,349,245	1,617,980	1,499,922	1.39
2004	33,200,540	30,574,399	2,626,141	1,433,833	1,216,797	0.99
2005	36,529,711	34,228,035	2,301,676	19,001,588	1,155,331	0.11
2006	36,878,690	36,342,348	536,342	2,033,392	1,117,677	0.17
2007	40,322,484	38,170,528	2,151,956	2,142,556	1,036,405	0.68
2008	42,986,155	43,113,155	(127,000)	2,102,040	943,620	(0.04)
2009	39,695,711	38,055,524	1,640,187	2,335,505	970,779	0.50

City of Oxnard, California

SCHEDULE XIII Pledged Revenue Coverage Last Ten Fiscal Years

	Oxnard Housing Authority Revenue Bonds					
	<u>Gross Revenues</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenues</u>	<u>Debt Service Principal</u>	<u>Interest</u>	<u>Coverage</u>
2000						
2001						
2002						
2003						
2004	21,823,107	22,305,475	(482,368)		181,708	(2.65)
2005	21,515,845	23,235,370	(1,719,525)	205,000	231,660	(3.94)
2006	23,321,917	22,699,304	622,613	205,000	227,758	1.44
2007	22,616,071	21,496,289	1,119,782	215,000	243,407	2.44
2008	23,956,893	21,916,273	2,040,620	220,000	218,233	4.66
2009	6,068,591	24,438,665	(18,370,074)	225,000	209,945	(42.24)

Note: The above operating expenses figures do not include depreciation and debt service expenses

Source: Finance Department, City of Oxnard

City of Oxnard, California

SCHEDULE XIV Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	(1) Population	(2) Personal Income (in thous)	(2) Per Capita Income	(3) Median Age	(4) School Enrollment	(5) Unemployment Rate
2000	160,300	3,080,485	19,217	32	40,238	6.38%
2001	177,700	3,488,251	19,630	30	39,865	4.90%
2002	182,027	3,599,948	19,777	30	42,106	5.20%
2003	181,800	3,979,057	21,887	30	41,936	7.40%
2004	186,122	4,207,288	22,605	30	42,276	5.60%
2005	188,941	4,408,869	23,346	30	38,372	4.90%
2006	189,990	4,652,855	24,490	28	37,196	4.00%
2007	192,997	4,858,838	25,176	31	37,956	4.70%
2008	194,905	5,166,932	26,510	36	37,703	6.10%
2009	197,067	5,088,467	25,821	30	38,911	10.30%

Sources: (1) California Department of Finance, Demographic Research Unit
 (2) Consumer Price Index of Urban Wage Earners
 (3) US Census
 (4) Oxnard School Districts (Elementary) and Oxnard Union High School District
 (5) State Employment Development Department (data is based on annual average)

City of Oxnard, California

SCHEDULE XV
Principal Employers
Current Year

Employer	Employees	Rank	Percentage of Total City Employment
St. John's Regional Medical Center	1,994	1	2.441%
Oxnard High School District	1,500	2	1.836%
Waterway Plastics	1,300	3	1.591%
City of Oxnard	1,167	4	1.428%
Haas Automation	996	5	1.219%
Aluminum Precision	700	6	0.857%
Total	<u>7,657</u>		<u>9.372%</u>

Source: Economic Development Corporation of Oxnard

City of Oxnard, California

SCHEDULE XVI Full-Time Equivalent City Government Employees by Function Last Ten Fiscal Years

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	178	196	197	200	207	211	217	214	186	234
Public Safety										
Police										
Officers	198	200	202	208	220	229	235	236	236	293
Civilians	119	127	128	131	134	138	152	151	151	95
Fire										
Firefighters & officers	83	85	86	87	89	91	100	102	103	100
Civilians	3	2	2	4	5	4	4	5	4	7
Transportation	34	36	36	36	36	36	45	56	84	50
Community development	55	47	50	53	56	57	57	59	67	66
Culture and recreation	69	70	72	78	79	79	74	83	85	85
Utilities										
Water	34	34	41	45	44	44	48	47	46	45
Wastewater	71	67	67	67	67	72	72	72	74	72
Environmental Resources	77	76	76	80	80	80	81	81	76	78
Housing	74	76	77	80	80	80	80	81	81	81
Total	995	1,016	1,034	1,069	1,097	1,121	1,165	1,187	1,194	1,206

Source: Finance Department, City of Oxnard

City of Oxnard, California

SCHEDULE XVII Operating Indicators by Function Last Five Fiscal Years

Function	2005	2006	2007	2008	2009
Police					
Physical arrests	6,492	8,162	8,835	8,425	7,842
Parking violations	36,240	28,533	31,462	51,046	37,968
Traffic violations	30,985	19,590	20,525	16,673	23,305
Fire					
Number of calls answered	11,117	10,631	11,212	12,210	13,310
Inspections	2,829	3,109	3,693	3,190	4,244
Highways and streets					
Potholes repaired	18,333	10,545	12,200	12,375	12,300
Sanitation					
Total number of customers	43,617	44,941	45,731	43,489	37,195
Refuse/recyclables collected (tons/day)	-	708	681	581	571
Recyclables collected (tons/day)	-	30	13	13	95
Culture and recreation					
Community center admissions	48,800	43,849	42,831	43,230	51,872
Water					
Total number of customers	37,276	38,053	38,816	39,531	40,206
Average daily consumption	29,000,000	29,000,000	29,000,000	29,326,500	25,781,331
Wastewater					
Total number of customers	34,694	35,188	35,646	36,484	37,251
Average daily sewerage treatment	23,000,000	23,000,000	23,000,000	23,000,000	23,000,000

Note: The City of Oxnard did not prepare the above schedule prior to implementation of GASB 44; therefore, information prior to that year is not available.

Source: Various departments, City of Oxnard

City of Oxnard, California

**SCHEDULE XVIII
Capital Assets by Function
Last Five Fiscal Years**

Function	2005	2006	2007	2008	2009
Public safety					
Police					
Stations	1	1	1	1	1
Police vehicles	223	261	345	269	223
Fire					
Stations	6	7	7	7	7
Hydrants	4,180	5,200	5,000	5,150	6,282
Sanitation					
Collection trucks	48	48	57	52	52
Highways and streets					
Streets (miles)	403	400	400	400	400
Streetlights	650	650	650	654	654
Traffic signals	9,120	9,120	9,258	9,314	9,371
Culture and recreation					
Parks acreage	449	469	469	494	550
Parks	45	49	49	55	58
Ball diamonds	31	30	30	30	30
Basketball courts	20	19	19	24	29
Craft/Activity buildings	9	8	8	8	8
Gymnasium	2	3	3	3	2
Swimming pools	1	1	1	1	1
Tennis courts	33	31	31	32	31
Community centers	3	3	3	3	3
Library					
Number of books	336,518	361,713	433,008	355,151	353,455
Number of microfilms	8,299	8,394	8,473	8,510	8,525
Number of audiotapes	14,537	18,200	20,284	21,055	20,864
Number of videotapes	9,377	12,917	14,709	15,582	15,318
Number of CD-ROMS (data disk)	609	708	808	755	632
Water					
Water mains (miles)	500	525	600	601	663
Maximum daily treatment capacity	18,000,000	18,000,000	18,000,000	18,600,000	18,600,000
Sewer					
Miles of sewer lines	425	435	440	445	445

Note: The City of Oxnard did not prepare the above schedule prior to implementation of GASB 44; therefore, information prior to that year is not available.

Source: Various departments, City of Oxnard

APPENDIX D
FORMS OF BOND COUNSEL OPINIONS

[FORM OF BOND COUNSEL OPINION FOR 2010A BONDS]

[Closing Date]

Governing Board
City of Oxnard Financing Authority
300 West Third Street
Oxnard, California 93030

\$16,455,000
City of Oxnard Financing Authority
Water Revenue Project Bonds
Series 2010A
(Final Opinion)

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Oxnard Financing Authority (the “Authority”) in connection with the issuance by the Authority of \$16,455,000 aggregate principal amount of the City of Oxnard Financing Authority Water Revenue Project Bonds, Series 2010A (the “Bonds”), pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) and the provisions of a Trust Indenture, dated as of February 1, 2010 (the “Indenture”), by and among the Authority, the City of Oxnard (the “City”), and Wells Fargo Bank, National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture and in the Installment Purchase Agreement, dated as of February 1, 2010 (the “Installment Purchase Agreement”), by and between the City and the Authority, as applicable.

In such connection, we have reviewed the Indenture, the Installment Purchase Agreement, the Assignment Agreement, dated as of February 1, 2010, by and between the Authority and the Trustee (the “Assignment 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.

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, the Assignment 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, the Assignment Agreement, and the Tax Certificate and their enforceability 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 express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, severability, or waiver provisions contained in the documents mentioned in the previous sentence.

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 2010 Installment Payments or the Net Water 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 2010 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 2010 Installment Payments. The Installment Purchase Agreement creates a valid pledge, to secure the payment of the 2010 Installment Payments, of the Net Water System Revenues.
3. Interest on the Bonds is excluded 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 and is not included in adjusted current earnings in calculating corporate alternative minimum taxable income.

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

Respectfully submitted,

[FORM OF BOND COUNSEL OPINION FOR 2010B BONDS]

[Closing Date]

Governing Board
City of Oxnard Financing Authority
300 West Third Street
Oxnard, California 93030

\$83,670,000
City of Oxnard Financing Authority
Water Revenue Project Bonds
Series 2010B
(Federally Taxable Build America Bonds)
(Final Opinion)

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Oxnard Financing Authority (the “Authority”) in connection with the issuance by the Authority of \$83,670,000 aggregate principal amount of the City of Oxnard Financing Authority Water Revenue Project Bonds, Series 2010B (Federally Taxable Build America Bonds) (the “Bonds”), pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) and the provisions of a Trust Indenture, dated as of February 1, 2010 (the “Indenture”), by and among the Authority, the City of Oxnard (the “City”), and Wells Fargo Bank, National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture and in the Installment Purchase Agreement, dated as of February 1, 2010 (the “Installment Purchase Agreement”), by and between the City and the Authority, as applicable.

In such connection, we have reviewed the Indenture, the Installment Purchase Agreement, the Assignment Agreement, dated as of February 1, 2010, by and between the Authority and the Trustee (the “Assignment 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.

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, the Assignment Agreement, and the Tax Certificate. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Installment Purchase Agreement, the Assignment Agreement, and the Tax Certificate and their enforceability 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 express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, severability, or waiver provisions contained in the documents mentioned in the previous sentence.

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 2010 Installment Payments or the Net Water 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 2010 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 2010 Installment Payments. The Installment Purchase Agreement creates a valid pledge, to secure the payment of the 2010 Installment Payments, of the Net Water System Revenues.
3. Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code").
4. Interest on the Bonds is exempt from State of California personal income taxes.

Except as stated in paragraphs 3 and 4 above, we express no opinion as to federal or State of California tax consequences of the ownership of the Bonds. We also express no opinion regarding any other tax consequences with respect to the acquisition, ownership, or disposition of, or the accrual or receipt of interest on, the Bonds. Any federal tax advice contained herein is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein. Each owner of the Bonds should seek advice based on its particular circumstances from an independent tax advisor.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”), dated as of [Closing Date], is executed and delivered by the City of Oxnard Financing Authority (the “Authority”) and Wells Fargo Bank, National Association, as trustee and as dissemination agent (the “Dissemination Agent”), in connection with the issuance by the Authority of \$16,455,000 aggregate principal amount of the City of Oxnard Financing Authority Water Revenue Project Bonds, Series 2010A (the “2010A Bonds”), and \$83,670,000 aggregate principal amount of the City of Oxnard Financing Authority Water Revenue Project Bonds, Series 2010B (Federally Taxable Build America Bonds) (the “2010B Bonds” and, together with the 2010A Bonds, the “Bonds”). The 2010A Bonds are being issued pursuant to a Trust Indenture, dated as of February 1, 2010, by and among the City of Oxnard (the “City”), the Authority, and the Dissemination Agent, as trustee (the “2010A Indenture”). The 2010B Bonds are being issued pursuant to a Trust Indenture, dated as of February 1, 2010, by and among the City, the Authority, and the Dissemination Agent, as trustee (the “2010B Indenture” and each of the 2010A Indenture and the 2010B Indenture, an “Indenture”).

The Authority and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement.

This Disclosure Agreement is being executed and delivered by the Authority and the Dissemination Agent for the benefit of the 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 2010A Indenture, the 2010B Indenture, and in the Installment Purchase Agreement, dated as of February 1, 2010 (the “Installment Purchase Agreement”), by and between the Authority and 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 which 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.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement relating to the Bonds.

“Participating Underwriter” shall mean E. J. De La Rosa & Co., Inc., the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2011, provide to MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) calendar days prior to each such Annual Report 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 must be submitted in an electronic format as prescribed by MSRB, accompanied by such identifying information as is prescribed by MSRB, 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 (which include information regarding the funds and accounts of the Authority), if any, 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, the Authority shall provide written 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 to MSRB an Annual Report by the date required in subsection (a), the Authority shall send to MSRB a notice in substantially the form attached hereto as Exhibit A. Such notice must be submitted in an electronic format as prescribed by MSRB, accompanied by such identifying information as prescribed by MSRB.

(c) The Dissemination Agent shall:

(i) file the Annual Report with MSRB; and

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

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, for the most recent Fiscal Year of the City then ended. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the City in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the City shall be audited by such auditor as shall then be required or permitted by State law or the applicable Indenture. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the City may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the City shall modify the basis upon

which its financial statements are prepared, the Authority shall provide a notice of such modification to MSRB, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) An update of the information contained in the following tables under the heading “THE WATER SYSTEM” in the Official Statement for the Bonds, if the information is not included elsewhere in the Annual Report:

Table 8, “Historic Water Usage.”

Table 9, “Projected Water Usage.”

Table 11, “Monthly Water Service Charges.”

Table 12, “Monthly Commodity Rates.”

Table 13, “Connection Fee Equivalency Factor, Charges, and Fees.”

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 Authority, the City, or related public entities, that are available to the public on MSRB’s Internet web site or filed with the Securities and Exchange Commission. 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 of either series, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on any reserve fund for the applicable series of Bonds reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancements securing the applicable series of Bonds reflecting financial difficulties;
- (v) any change in the provider of any letter of credit or any municipal bond insurance policy securing the applicable series of Bonds, or any failure by the providers of such letters of credit or municipal bond insurance policies to perform on the letter of credit or municipal bond insurance policy;
- (vi) adverse tax opinions or events adversely affecting the tax-exempt status of the applicable series of Bonds;
- (vii) amendment to the applicable Indenture or this Disclosure Agreement modifying the rights of Owners of the applicable series of Bonds;
- (viii) unscheduled prepayment of any Bond of the applicable series;

(ix) defeasances;

(x) any release, substitution, or sale of property securing repayment of the Bonds of the applicable series; and

(xi) 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 laws, the Authority shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d) below.

(d) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with MSRB, with a copy to the Trustee and the Participating Underwriter. Such notice must be submitted in an electronic format as prescribed by MSRB, accompanied by such identifying information as prescribed by MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) 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 applicable Indenture.

(e) The Authority hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the Authority and that the Trustee or the Dissemination Agent shall not be responsible for determining whether the Authority's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligation of the Authority, the Trustee, 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.

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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the Authority and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Authority. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Authority in a timely manner and in a form suitable for filing.

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 related 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 (including regulatory) requirements, a change in law (including rules or regulations) or in

interpretations thereof, or a change in the identity, nature, or status of the Authority or the type of business conducted thereby.

(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 Owners of the Bonds of each series in the manner provided in the applicable Indenture for amendments to such Indenture with the consent of Owners or (ii) does not, in the opinion of the Authority or nationally recognized bond counsel, materially impair the interest of Owners of the applicable series of Bonds.

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 quantitative and, to the extent reasonably feasible, 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 MSRB.

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 the occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Agreement, any Owner of a Bond, Participating Underwriter, or Trustee 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 2010A Indenture or the 2010B Indenture, as applicable, 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 and its officers, directors, employees, and agents, harmless against any loss, expense and liabilities which 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 all 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. This Disclosure Agreement shall inure solely to the benefit of the Authority, the City, the Trustee, the Dissemination Agent, the Participating Underwriter, and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

If to the Authority or the City: City of Oxnard Financing Authority
300 West Third Street
Oxnard, CA 93030
Attention: Controller

If to the Dissemination Agent: Wells Fargo Bank, National Association
707 Wilshire Blvd., 17th Floor
Los Angeles, CA 90017
Attention: Corporate Trust Services
Ref: City of Oxnard

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

Date: [Closing Date]

CITY OF OXNARD FINANCING AUTHORITY

Controller

WELLS FARGO BANK,
NATIONAL ASSOCIATION,
as Dissemination Agent and Trustee

By: _____
Its: Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Oxnard Financing Authority

Name of Bond Issues: City of Oxnard Financing Authority Water Revenue Project Bonds,
Series 2010A and
City of Oxnard Financing Authority Water Revenue Project Bonds,
Series 2010B (Federally Taxable Build America Bonds)

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the City of Oxnard Financing Authority (the “Authority”) has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated [Closing Date], 2010, by and among the Authority, the City of Oxnard, and Wells Fargo Bank, National Association, as trustee and dissemination agent. The Authority anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF OXNARD FINANCING AUTHORITY

By: _____
Authorized Signatory

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