

*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 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “TAX MATTERS.”*

**\$9,345,000**

**CITY OF OXNARD FINANCING AUTHORITY  
WATER REVENUE REFUNDING BONDS  
SERIES 2012**

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

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 Refunding Bonds, Series 2012 (the “Bonds”), are being issued in the aggregate principal amount of \$9,345,000 by the City of Oxnard Financing Authority (the “Authority”) pursuant to (i) 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), (ii) Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (Section 53580 and following), and (iii) the provisions of a Trust Indenture, dated as of April 1, 2012 (the “Indenture”), by and among the Authority, the City of Oxnard, California (the “City”), and Wells Fargo Bank, National Association, as trustee (the “Trustee”). 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.”

A portion of the proceeds from the sale of the Bonds will be used to refund, on a current refunding basis, all of the outstanding City of Oxnard Financing Authority Water Revenue Refunding and Project Bonds, Series 2001 (the “2001 Bonds”), which 2001 Bonds were previously issued in the aggregate principal amount of \$12,410,000 and are currently outstanding in the aggregate principal amount of \$9,725,000. A portion of the proceeds from the sale of the Bonds will also be used to fund a reserve fund established for the Bonds under the Indenture, and to pay certain costs related to the issuance of the Bonds. The proceeds from the 2001 Bonds were used to finance the cost of certain capital improvements to the Water System (as defined herein) and to fund an escrow account to defease the then-outstanding City of Oxnard Financing Authority Water Revenue Bonds, Series 1993 (Water System Capital Improvements Project). See “THE REFUNDING PLAN,” “THE BONDS – Estimated Sources and Uses of Bond Proceeds,” and “SECURITY FOR THE BONDS – Reserve Fund.”

The Bonds will be delivered in fully registered form without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the Bonds purchased. See “THE BONDS – Book-Entry Only System.”

Payments of interest on the Bonds will be made by the Trustee to DTC, which will in turn remit such interest to its participants for subsequent dispersal to beneficial owners of the Bonds as described herein. Interest on the Bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2012, 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 designated corporate office of the Trustee upon maturity or the earlier redemption thereof.

**The Bonds are subject to optional redemption prior to the stated maturities thereof, as described herein. See “THE BONDS – Optional Redemption of Bonds.”**

The Bonds are limited obligations of the Authority, payable from certain installment payments (the “2012 Installment Payments”) to be received by the Authority pursuant to an Amended and Restated Installment Purchase Agreement, dated as of April 1, 2012 (the “2012 Installment Purchase Agreement”), by and between the Authority and the City, which 2012 Installment Purchase Agreement amends and restates in its entirety 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 that certain First Amendment to Amended and Restated Installment Purchase Agreement, dated as of January 27, 2004, by and between the City and the Authority (collectively, the “2001 Restated Installment Purchase Agreement”). The 2012 Installment Payments will be assigned by the Authority to the Trustee pursuant to an Assignment Agreement, dated as of April 1, 2012, by and between the Authority and the Trustee. The Bonds are further secured by certain amounts on deposit in funds and accounts held under the Indenture. 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 ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE FROM AND SECURED BY THE 2012 INSTALLMENT PAYMENTS AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS PLEDGED THEREFOR UNDER THE INDENTURE. THE OBLIGATION OF THE CITY TO MAKE 2012 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, AS SUCH TERMS ARE DEFINED HEREIN. THE BONDS 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 2012 INSTALLMENT PAYMENTS AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS PLEDGED THEREFOR UNDER THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN. THE OBLIGATION OF THE CITY TO MAKE 2012 INSTALLMENT PAYMENTS UNDER THE 2012 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 2012 INSTALLMENT PAYMENTS AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS PLEDGED THEREFOR UNDER THE INDENTURE FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE 2012 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 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 Goodwin Procter LLP, Los Angeles, California, as Disclosure Counsel, and for the Underwriter by Fulbright & Jaworski LLP., Los Angeles, California, as Underwriter’s Counsel. 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 April 19, 2012.*

**STONE & YOUNGBERG**  
A DIVISION OF STIFEL NICOLAUS

Dated: April 4, 2012

## MATURITY SCHEDULE

Maturity Date (June 1)	Principal Amount	Interest Rate	Yield	CUSIP <sup>(1)</sup> No.	Maturity Date (June 1)	Principal Amount	Interest Rate	Yield	CUSIP <sup>(1)</sup> No.
2013	\$390,000	3.000%	0.580%	691879 EZ9	2023	\$540,000	3.000%	3.170%	691879 FK1
2014	400,000	2.000	0.810	691879 FA3	2024	200,000	5.000	3.400 <sup>(2)</sup>	691879 FL9
2015	410,000	3.000	1.040	691879 FB1	2024	350,000	4.000	3.400 <sup>(2)</sup>	691879 FT2
2016	415,000	3.000	1.340	691879 FC9	2025	580,000	3.500	3.700	691879 FM7
2017	430,000	3.000	1.580	691879 FD7	2026	600,000	3.625	3.900	691879 FN5
2018	445,000	3.000	1.900	691879 FE5	2027	620,000	4.000	4.100	691879 FP0
2019	455,000	4.000	2.210	691879 FF2	2028	250,000	5.000	3.750 <sup>(2)</sup>	691879 FQ8
2020	475,000	4.000	2.500	691879 FG0	2028	400,000	4.000	4.180	691879 FU9
2021	495,000	5.000	2.710	691879 FH8	2029	675,000	4.125	4.250	691879 FR6
2022	515,000	4.000	2.910 <sup>(2)</sup>	691879 FJ4	2030	700,000	4.125	4.320	691879 FS4

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(2) Yield to optional redemption date of June 1, 2021; callable at par.

**CITY OF OXNARD, CALIFORNIA**

**MAYOR AND CITY COUNCIL**

Dr. Thomas E. Holden, *Mayor*  
Dr. Irene G. Pinkard, *Mayor Pro Tem*  
Bryan A. MacDonald, *Councilman*  
Tim Flynn, *Councilman*  
Carmen Ramirez, *Councilmember*

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**GOVERNING BOARD OF THE AUTHORITY**

Dr. Thomas E. Holden, *Chairman*  
Dr. Irene G. Pinkard, *Vice Chair*  
Bryan A. MacDonald, *Board Member*  
Tim Flynn, *Board Member*  
Carmen Ramirez, *Board Member*

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**CITY OFFICIALS**

Karen R. Burnham, *Interim City Manager*  
Rob Roshanian, *Interim 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*

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**PROFESSIONAL SERVICES**

***Bond Counsel and Disclosure Counsel***

Goodwin Procter LLP  
Los Angeles, California

***Trustee***

Wells Fargo Bank, National Association  
Los Angeles, California

***Financial Advisor***

First Southwest Company  
Santa Monica, California

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 in this Official Statement 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.

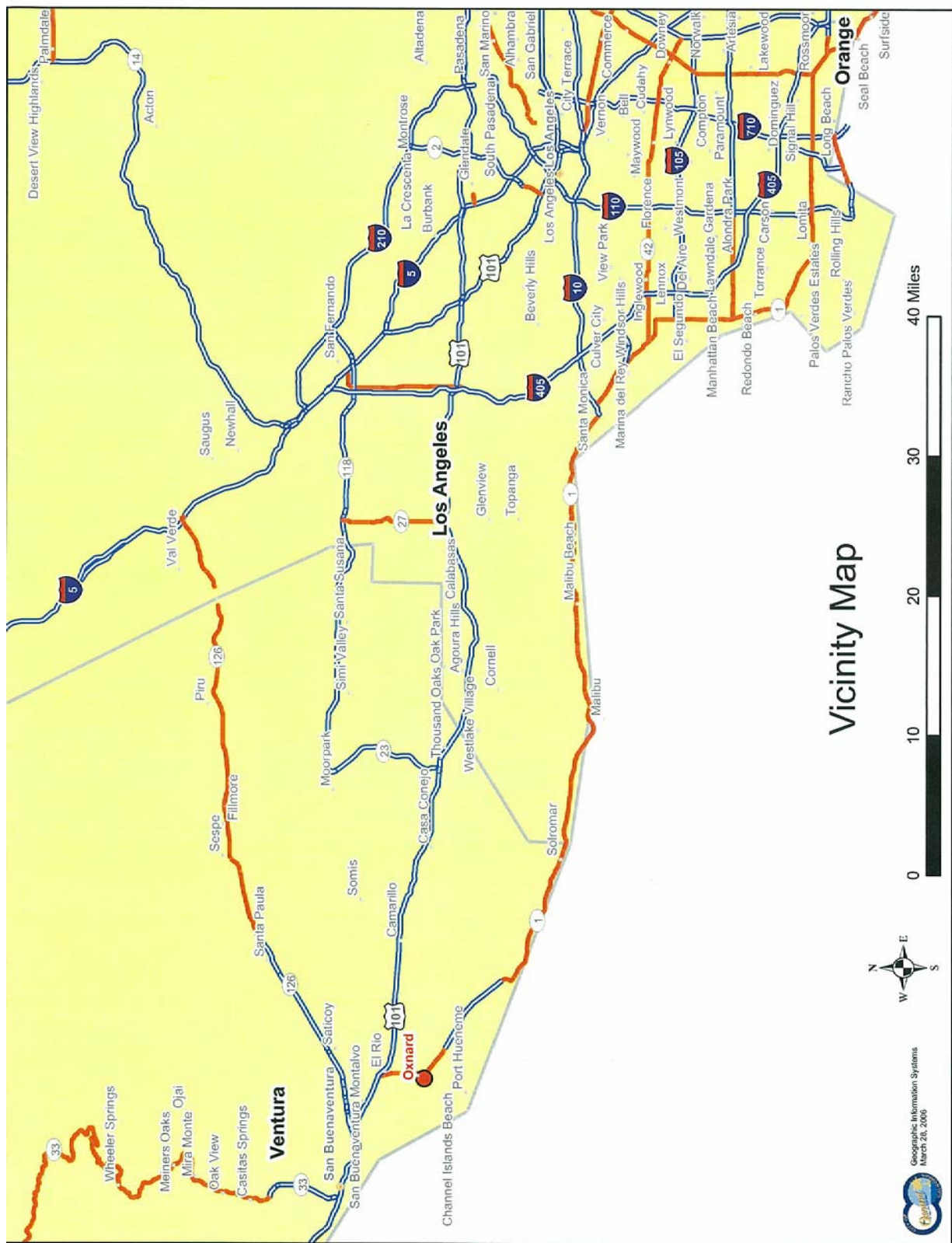
The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances 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.

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



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**\$9,345,000**  
**CITY OF OXNARD FINANCING AUTHORITY**  
**WATER REVENUE REFUNDING BONDS**  
**SERIES 2012**

**INTRODUCTION**

**General**

This Official Statement, which includes the cover page, Table of Contents, and Appendices (the “Official Statement”), provides certain information concerning the issuance of the City of Oxnard Financing Authority Water Revenue Refunding Bonds, Series 2012, in the aggregate principal amount of \$9,345,000 (the “Bonds”). Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive and reference is made to each such document for complete details of all terms and conditions therein. All statements in this Official Statement are qualified in their entirety by reference to the applicable documents.

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used 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 199,722 in 2011, which represents approximately 24% of the County’s population. 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 Bonds are being issued by the City of Oxnard Financing Authority (the “Authority”), a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California, pursuant to (i) the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) (the “Act”), and (ii) Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (Section 53580 and following) (the “Refunding Law”), and (iii) the and the provisions of a Trust Indenture, dated as of April 1, 2012 (the “Indenture”), by and among the Authority, the City, and Wells Fargo Bank, National Association, as trustee (the “Trustee”).

**Purpose of Issuance**

A portion of the proceeds from the sale of the Bonds will be used to refund, on a current refunding basis, all of the outstanding City of Oxnard Financing Authority Water Revenue Refunding and Project Bonds, Series 2001 (the “2001 Bonds”), which 2001 Bonds were previously issued in the

aggregate principal amount of \$12,410,000 and are currently outstanding in the aggregate principal amount of \$9,725,000. A portion of the proceeds from the sale of the Bonds will also be used to fund a reserve fund established for the Bonds under the Indenture (the “Reserve Fund”), and to pay certain costs related to the issuance of the Bonds. The proceeds from the 2001 Bonds were used to finance the cost of certain capital improvements to the Water System and to fund an escrow account to defease the then-outstanding City of Oxnard Financing Authority Water Revenue Bonds, Series 1993 (Water System Capital Improvements Project) (the “1993 Bonds”). See “THE REFUNDING PLAN,” “THE BONDS – Estimated Sources and Uses of Bond Proceeds,” and “SECURITY FOR THE BONDS – Reserve Fund.”

### **Registration, Date, and Maturity of Bonds**

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

### **Payment of the Bonds**

Interest on the Bonds is payable semiannually on June 1 and December 1, commencing June 1, 2012 (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 aggregate principal amount of Bonds may request in writing payment of such interest by wire transfer in immediately available funds to a designated account in the United States. Principal of and any redemption premium with respect to each Bond will be paid upon surrender of such Bond at the designated corporate trust office of the Trustee in Los Angeles, California, upon the maturity or earlier redemption thereof. See “THE BONDS – Authorization and Payment of Bonds.”

### **Redemption of Bonds**

***Optional Redemption of Bonds.*** The Bonds maturing on or before June 1, 2021, are not subject to optional redemption. The Bonds maturing on or after June 1, 2022, are subject to redemption, as a whole or in part, on any date on or after June 1, 2021, in the order of maturity as directed by the City and randomly by lot within each maturity, in integral multiples of \$5,000, from amounts prepaid by the City pursuant to the 2012 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 Bonds.”

### **Security for the Bonds**

***Payment from 2012 Installment Payments; Pledge of Net Water System Revenues.*** The Bonds are limited obligations of the Authority and are payable from installment payments (the “2012 Installment Payments”) to be made by the City to the Authority pursuant to an Amended and Restated Installment Purchase Agreement, dated as of April 1, 2012 (the “2012 Installment Purchase Agreement”), by and between the Authority and the City, which 2012 Installment Purchase Agreement amends and restates in its entirety 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 that certain First Amendment to Amended and Restated Installment Purchase Agreement, dated as of January 27, 2004, by and between the City and the Authority (collectively, the “2001 Restated Installment Purchase Agreement”). The 2012 Installment Payments will be assigned by the Authority to the Trustee pursuant to an Assignment Agreement, dated

as of April 1, 2012(the “Assignment Agreement”), by and between the Authority and the Trustee. The Bonds are further secured by certain amounts on deposit in funds and accounts held under the Indenture. See “SECURITY FOR THE BONDS.”

Pursuant to the Indenture, the 2012 Installment Payments received by the Trustee thereunder are to be applied to the payment of the principal of and interest on the Bonds. The 2012 Installment Payments are payable solely from Net Water System Revenues. See “SECURITY FOR THE BONDS – Pledge of Net Water System Revenues to Pay 2012 Installment Payments” and “ – Pledge of 2012 Installment Payments to Pay Bonds.” See also “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Selected Definitions,” “ – Indenture,” and “ – 2012 Installment Purchase Agreement.”

The obligation of the City to make 2012 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 (as defined herein). See “PARITY OBLIGATIONS.”

**Reserve Fund.** Pursuant to the 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 Reserve Fund created under the Indenture, which Reserve Fund will be held by the Trustee under the Indenture and pledged to the payment of principal of and interest on the Bonds in an amount equal to the Reserve Requirement. See “SECURITY FOR THE BONDS – Reserve Fund” and “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Indenture.”

### **Parity Obligations and Additional City Bonds or Contracts**

The 2012 Installment Payments are payable from the Net Water System Revenues on an equal basis with the 2010 Installment Payments, the 2006 Installment Payments, and the 2004 Installment Payments, as such terms are defined herein (collectively, the “Parity Obligations”). See “PARITY OBLIGATIONS.” The 2012 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 2012 Installment Purchase Agreement. See “SECURITY FOR THE BONDS – Additional City Bonds or Contracts.”

### **Rate Covenant**

The 2012 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 2012 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, 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 listed therein. 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 are limited obligations of the Authority payable from and secured by the 2012 Installment Payments and amounts in certain funds and accounts pledged therefor under the Indenture. The obligation of the city to make 2012 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 (as such terms are defined herein). The Bonds 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 2012 Installment Payments and amounts in certain funds and accounts pledged therefor under the Indenture, as more fully described herein. The obligation of the City to make 2012 Installment Payments under the 2012 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 2012 Installment Payments and amounts in certain funds and accounts pledged therefor under the Indenture for the payment of the principal of or interest on the Bonds. Neither the Bonds nor the obligation of the City to make 2012 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 in this Official Statement 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.

## Additional Information

Additional information regarding this Official Statement, as well as copies of the Indenture and other documents described herein, may be obtained from the City. The City's address for such purpose is: City of Oxnard, 300 West Third Street, Oxnard, California 93030, Attention: Chief Financial Officer. The Chief Financial Officer's telephone number is (805) 385-7475.

## THE REFUNDING PLAN

A portion of the proceeds from the sale of the Bonds will be used to refund, on a current refunding basis, all of the outstanding 2001 Bonds, which 2001 Bonds were previously issued in the aggregate principal amount of \$12,410,000 and are currently outstanding in the aggregate principal amount of \$9,725,000. The proceeds from the 2001 Bonds were used to finance the cost of certain capital improvements to the Water System and to fund an escrow account to defease the then-outstanding 1993 Bonds, which had been previously issued by the Authority to finance the cost of certain other capital improvements to the Water System. The Authority is authorized to issue the Bonds to refund the outstanding 2001 Bonds pursuant to the Act and the Refunding Law.

The outstanding 2001 Bonds to be refunded and paid at maturity or redeemed, as applicable, are described in the following table:

<b>Maturity Date (June 1)</b>	<b>Principal Amount</b>	<b>Redemption Price</b>	<b>Maturity or Redemption Date</b>	<b>CUSIP <sup>(1)</sup></b>
2012	\$ 325,000	N/A	June 1, 2012	691879 BV1
2013	340,000	100.00%	June 1, 2012	691879 BW9
2014	355,000	100.00%	June 1, 2012	691879 BX7
2015	370,000	100.00%	June 1, 2012	691879 BY5
2016	385,000	100.00%	June 1, 2012	691879 BZ2
2017	405,000	100.00%	June 1, 2012	691879 CA6
2018	425,000	100.00%	June 1, 2012	691879 CB4
2019	445,000	100.00%	June 1, 2012	691879 CC2
2026	3,825,000	100.00%	June 1, 2012	691879 CD0
2030	2,850,000	100.00%	June 1, 2012	691879 CE8

(1) Copyright 2012, American Bankers Association. CUSIP data are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. Such CUSIP data are provided only for the convenience of the reader and are not intended to create a database and do not serve in any way as a substitute for the services and information provided by the CUSIP Service Bureau. CUSIP is a registered trademark of the American Bankers Association. The City takes no responsibility for the accuracy of any CUSIP data set forth herein or for any changes or errors in such data.

The 2001 Bonds were previously issued by the Authority pursuant to, and will be refunded in accordance with, the terms of that certain Trust Indenture, dated as of June 1, 2001 (the "2001 Indenture"), by and among the Authority, the City, and the Trustee, as trustee for the 2001 Bonds (the "2001 Trustee"). Upon the issuance of the Bonds, a portion of the proceeds from the sale of the Bonds (the "Refunding Proceeds"), together with certain other available moneys then on deposit in the funds and accounts established under the 2001 Indenture and held by the 2001 Trustee (together with the Refunding Proceeds, the "Escrow Proceeds"), will be delivered to the 2001 Trustee, acting as escrow agent (the "Escrow Agent") under that certain Escrow Agreement, dated as of April 1, 2012 (the "Escrow

Agreement”), by and between the Authority and the Escrow Agent. The Escrow Agent will hold the Escrow Proceeds in an irrevocable escrow fund (the “Escrow Fund”) for the benefit of the owners of the outstanding 2001 Bonds, to be applied solely as provided in the Escrow Agreement. The Escrow Proceeds will be held uninvested as cash in accordance with the terms of the Escrow Agreement and will be used to pay or redeem all outstanding 2001 Bonds on June 1, 2012, at the redemption price of 100% of the principal amount of the 2001 Bonds to be redeemed, as applicable, together with interest accrued thereon to the redemption date. Upon the deposit of the Escrow Proceeds into the Escrow Fund, the 2001 Bonds will no longer be deemed outstanding and the 2001 Indenture shall be discharged.

## **THE BONDS**

### **Authorization and Payment of Bonds**

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

The Bonds will be issued as fully registered bonds in the denomination of \$5,000 each or any integral multiple thereof; 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 designated 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.”

### **Optional Redemption of Bonds**

The Bonds maturing on or before June 1, 2021, are not subject to optional redemption. The Bonds maturing on or after June 1, 2022, are subject to redemption, as a whole or in part, on any date on or after June 1, 2021, in the order of maturity as directed by the City and randomly by lot within each maturity, in integral multiples of \$5,000, from amounts prepaid by the City pursuant to the 2012 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.

### **Notice of Redemption**

The Trustee will mail a notice of such redemption, in the form and substance as prescribed in the Indenture to affected Owners, and to all Securities Depositories and the 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 will be initially delivered in the form of one fully registered Bond for each of the maturities of the Bonds, registered in the name of Cede & Co., as nominee of DTC, as Owner of all the Bonds. The following description of DTC and its book-entry system has been provided by DTC and has not been verified for accuracy or completeness by the City or the Authority, and neither the City nor the Authority shall have any liability with respect thereto. Neither the City nor the Authority shall have any responsibility or liability for any aspects of the records maintained by DTC relating to or payments made on account of beneficial ownership, or for maintaining, supervising, or reviewing any records maintained by DTC relating to beneficial ownership, of interests in the Bonds.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds in the aggregate principal amount of such Bonds, 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 rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *The foregoing internet address is included for reference only and the information on the internet site is not a part of this Official Statement or incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information included in such internet site.*

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. 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 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 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 are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts 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 principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds 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 and the moneys transferred from certain funds and accounts established under the 2001 Indenture

**Table 1**  
**Estimated Sources and Uses of Funds**

<b>Estimated Sources:</b>	
Principal Amount	\$ 9,345,000.00
Plus: Net Original Issue Premium	355,762.45
Less: Underwriter's Discount	(70,087.51)
Amounts Released under 2001 Indenture	<u>1,241,101.14</u>
<b>Total Sources</b>	<b>\$10,871,776.08</b>
<b>Estimated Uses:</b>	
Transfer to Escrow Agent for Deposit Into Escrow Fund <sup>(1)</sup>	\$ 9,966,660.63
Deposit to Reserve Fund <sup>(2)</sup>	735,818.76
Deposit to Costs of Issuance Fund <sup>(3)</sup>	<u>169,296.69</u>
<b>Total Uses</b>	<b>\$10,871,776.08</b>

<sup>(1)</sup> To be used to refund the 2001 Bonds. See "THE REFUNDING PLAN."

<sup>(2)</sup> Represents the Reserve Requirement for the Bonds.

<sup>(3)</sup> Moneys in the Costs of Issuance Fund are expected to be used to pay the fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor, and the Trustee, as well as printing, and other miscellaneous costs related to the Bonds.

### Debt Service on the Bonds

The table below presents the annual debt service on the Bonds for the year ending on June 1 in the years shown below:

**Table 2**  
**Debt Service Schedule**

<b>Year Ending June 1</b>	<b>Principal of Bonds</b>	<b>Interest on Bonds</b>	<b>Total Debt Service</b>
2012		\$ 40,310.52	\$ 40,310.52
2013	\$ 390,000.00	345,518.76	735,518.76
2014	400,000.00	333,818.76	733,818.76
2015	410,000.00	325,818.76	735,818.76
2016	415,000.00	313,518.76	728,518.76
2017	430,000.00	301,068.76	731,068.76
2018	445,000.00	288,168.76	733,168.76
2019	455,000.00	274,818.76	729,818.76
2020	475,000.00	256,618.76	731,618.76
2021	495,000.00	237,618.76	732,618.76
2022	515,000.00	212,868.76	727,868.76
2023	540,000.00	192,268.76	732,268.76
2024	550,000.00	176,068.76	726,068.76
2025	580,000.00	152,068.76	732,068.76
2026	600,000.00	131,768.76	731,768.76
2027	620,000.00	110,018.76	730,018.76
2028	650,000.00	85,218.76	735,218.76
2029	675,000.00	56,718.76	731,718.76
2030	<u>700,000.00</u>	<u>28,875.00</u>	<u>728,875.00</u>
<b>Totals</b>	<b>\$9,345,000.00</b>	<b>\$3,863,154.44</b>	<b>\$13,208,154.44</b>

Source: Underwriter.

## PARITY OBLIGATIONS

### Description of Parity Obligations

The 2012 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:

**2010 Installment Payments.** The 2012 Installment Payments are payable from the Net Water System Revenues on an equal basis with installment payments (the “2010 Installment Payments”) payable under that certain Installment Purchase Agreement, dated as of February 1, 2010 (the “2010 Installment Purchase Agreement”), by and between the City and the Authority. The 2010 Installment Payments are pledged to the payment of debt service on (a) \$16,455,000 in original principal amount of City of Oxnard Financing Authority Water Revenue Project Bonds, Series 2010A (the “2010A Bonds”), previously issued by the Authority pursuant to the provisions of a Trust Indenture, dated as of February 1, 2010 (the “2010A Indenture”), by and among the Authority, the City, and Wells Fargo Bank, National Association, as trustee for the 2010A Bonds (the “2010 Trustee”), and (b) \$83,670,000 in original principal amount of 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 “2010 Bonds”), previously issued by the Authority pursuant to the provisions of a Trust Indenture, dated as of February 1, 2010 (the “2010B Trust Indenture” and, together with the 2010A Trust Indenture and the 2010 Installment Purchase Agreement, the “2010 Agreements”), by and among the Authority, the City, and the 2010 Trustee. Proceeds from the sale of the 2010 Bonds were used by the Authority to finance certain capital improvements to the City’s Groundwater Recovery Enhancement and Treatment Program (the “GREAT Program”), including the Advanced Water Purification Facility (the “AWPF”), the Recycled Water Backbone System (the “RWB”), and appurtenances and appurtenant work relating to the foregoing (collectively, the “2010 Project”). Interest on the 2010 Bonds is payable on June 1 and December 1, and principal of the 2010 Bonds is payable on June 1, through June 1, 2040.

**2006 Installment Payments.** The 2012 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 \$54,600,000 in original principal amount of City of Oxnard Financing Authority Water Revenue Project Bonds, Series 2006 (the “2006 Bonds”), previously issued by the Authority 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 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 2012 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 \$47,895,000 in original principal amount of City of Oxnard Financing Authority Water Revenue Project Bonds, Series 2004 (the “2004 Bonds”), previously issued by

the Authority 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.

**Priority of Payments.** All Water System Revenues are deposited into the Revenue Fund. Pursuant to the 2012 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 2012 Installment Payments and the outstanding Parity Obligations, which Parity Obligations are comprised of the 2010 Installment Payments, the 2006 Installment Payments, the 2004 Installment Payments, and any other City Bonds or Contracts that are on a parity with the 2012 Installment Payments. In the event that there are insufficient funds in the Revenue Fund to pay the 2012 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 2012 Installment Payments if the conditions for additional obligations described under the caption “SECURITY FOR THE BONDS – Additional City Bonds or Contracts” are satisfied. Although the 2012 Installment Purchase Agreement constitutes a Contract, it is not subject to all of the conditions referenced in the preceding sentence. Instead, the City will deliver a certificate in connection with the issuance of the Bonds stating that the Installment Purchase Agreement is being entered into for the purpose of refunding the 2001 Restated Installment Purchase Agreement and showing that Maximum Annual Debt Service on all outstanding City Bonds or Contracts after the incurring of the obligations under the Installment Purchase Agreement will not exceed Maximum Annual Debt Service on all City Bonds or Contracts outstanding prior to the incurring of such obligations. See also “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 Bonds and the outstanding Parity Obligations:

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

Year Ending June 1	Principal of Bonds	Interest on Bonds	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	Interest on 2001 Bonds	Total Debt Service
2012	--	\$ 40,311	\$1,215,000	\$752,475		\$ 5,786,173	\$ 875,000	\$ 2,551,385	\$ 1,065,000	\$ 1,962,984	<u>\$241,661</u>	\$14,489,988
2013	\$ 390,000	345,519	1,255,000	716,025		5,786,173	920,000	2,507,635	1,095,000	1,928,904		14,944,256
2014	400,000	333,819	1,300,000	670,325		5,786,173	965,000	2,461,635	1,150,000	1,874,154		14,941,106
2015	410,000	325,819	1,340,000	631,325		5,786,173	1,015,000	2,413,385	1,190,000	1,833,904		14,945,606
2016	415,000	313,519	1,410,000	564,325		5,786,173	1,060,000	2,370,248	1,235,000	1,789,874		14,944,139
2017	430,000	301,069	1,460,000	507,925		5,786,173	1,105,000	2,322,548	1,285,000	1,742,944		14,940,659
2018	445,000	288,169	1,535,000	434,925		5,786,173	1,150,000	2,275,585	1,335,000	1,693,150		14,943,002
2019	455,000	274,819	1,610,000	358,175		5,786,173	1,215,000	2,218,085	1,385,000	1,639,750		14,942,002
2020	475,000	256,619	1,695,000	277,675		5,786,173	1,270,000	2,157,335	1,455,000	1,570,500		14,943,302
2021	495,000	237,619	1,770,000	199,925		5,786,173	1,325,000	2,102,725	1,530,000	1,497,750		14,944,192
2022	515,000	212,869	<u>1,865,000</u>	<u>102,575</u>		5,786,173	1,390,000	2,043,100	1,605,000	1,421,250		14,940,967
2023	540,000	192,269			\$ 1,970,000	5,786,173	1,450,000	1,977,075	1,685,000	1,341,000		14,941,517
2024	550,000	176,069			2,060,000	5,651,838	1,520,000	1,908,200	1,770,000	1,256,750		14,892,857
2025	580,000	152,069			2,150,000	5,511,367	1,595,000	1,836,000	1,855,000	1,168,250		14,847,686
2026	600,000	131,769			2,240,000	5,364,758	1,670,000	1,760,238	1,950,000	1,075,500		14,792,265
2027	620,000	110,019			2,345,000	5,212,013	1,745,000	1,683,000	2,050,000	978,000		14,743,032
2028	650,000	85,219			2,445,000	5,052,107	1,835,000	1,595,750	2,150,000	875,500		14,688,576
2029	675,000	56,719			2,555,000	4,885,383	1,925,000	1,504,000	2,260,000	768,000		14,629,102
2030	<u>700,000</u>	<u>28,875</u>			2,670,000	4,711,157	2,025,000	1,407,750	2,370,000	655,000		14,567,782
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>						13,294,750
<b>Totals <sup>(1)</sup></b>	<b>\$9,345,000</b>	<b>\$3,863,154</b>	<b>\$16,455,000</b>	<b>\$5,215,675</b>	<b>\$83,670,000</b>	<b>\$138,310,019</b>	<b>\$52,185,000</b>	<b>\$44,433,929</b>	<b>\$41,150,000</b>	<b>\$28,446,914</b>	<b>\$241,661</b>	<b>\$423,316,352</b>

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

## **SECURITY FOR THE BONDS**

### **Pledge of Net Water System Revenues to Pay 2012 Installment Payments**

Pursuant to the 2012 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 2012 Installment Payments and the outstanding Parity Obligations. The Net Water System Revenues will not be used for any other purpose while any of the 2012 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 2012 Installment Purchase Agreement, the 2010 Installment Purchase Agreement, the 2006 Installment Purchase Agreement, and the 2004 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 2012 Installment Purchase Agreement, the Indenture, the 2010 Agreements, the 2006 Agreements, or the 2004 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 2012 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 2012 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 2012 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 2012 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 2004 Installment Purchase Agreement, the 2006 Installment Purchase Agreement, the 2010 Installment Purchase Agreement, the 2012 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 2012 Installment Purchase Agreement to mean the whole and each and every part of the waterworks system serving the City (including, without limitation, 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. There are currently no Separate Facilities.

### **Pledge of 2012 Installment Payments to Pay Bonds**

Pursuant to the Indenture, all 2012 Installment Payments are pledged to, and are permitted to be used only for, the punctual payment of the Bonds. The Indenture provides that all 2012 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 all 2012 Installment Payments applicable to the Bonds, as and when received, in the Payment Fund established under the Indenture.

### **Rate Covenant**

The City has covenanted in the 2012 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 2012 Installment Purchase Agreement, includes the payment of the 2012 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 2012 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 Revenue Fund the City agrees and covenants to maintain and to hold

separate and apart from other funds so long as any 2012 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 2012 Installment Purchase Agreement, the Indenture, the 2004 Agreements, the 2006 Agreements, the 2010 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 2012 Installment Purchase Agreement, in the amounts and at the times required by the 2012 Installment Purchase Agreement and described below;
- (b) 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;
- (c) 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;
- (d) to the 2010 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
- (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 2012 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 Bonds, to replenish the Reserve Fund established under the Indenture (or reserve fund surety bond) securing the Bonds, in the amounts and at the times required by the 2012 Installment Purchase Agreement and as described below;
- (ii) 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;

- (iii) 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;
- (iv) to the 2010 Trustee, to replenish any reserve fund (or reserve fund surety bond) securing the 2010 Bonds, in the amounts and at the times required by the 2010 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 2012 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 2012 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 2012 Installment Purchase Agreement:

*Payment Fund.* 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 the Bonds, for deposit in the Payment Fund established under the Indenture, a sum equal to (1) one-sixth of the portion of the next 2012 Installment Payment designated as interest, as set forth in the 2012 Installment Purchase Agreement, and coming due on the next 2012 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 2012 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 2012 Installment Payment designated as principal, as set forth in the 2012 Installment Purchase Agreement, and coming due on the next applicable 2012 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 2012 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 Payment Fund of 2012 Installment Payments if the amount in such Payment Fund is at least equal to the amount of the 2012 Installment Payment due and payable during the current Bond Year with respect to the Bonds.

*Reserve Fund.* On or before the last day of each month, the City shall, from the moneys in the Revenue Fund after the transfers described in above have been made to the Payment Fund, transfer to the Trustee, as trustee for the Bonds, for deposit in the Reserve Fund established under the Indenture, that sum, if any, equal to one-twelfth of the amount necessary, calculated on the date of any transfer described above, to restore the Reserve Fund to an amount equal to the Reserve Requirement; provided however, that the City, upon notice to each rating agency then rating the Bonds, may provide for the Reserve Fund at any time, in whole or in part, by one or more insurance policies, letters of credit, surety bonds, or other form of guaranty from a financial institution, the long-term unsecured obligations of which are rated at



the time of purchase in the two highest rating categories (excluding gradations within a rating category) of each rating agency then rating the Bonds.

No transfer of moneys for deposit to the Reserve Fund in connection with the 2012 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 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 2004 Agreements, the 2006 Agreements, the 2010 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 Indenture for all services rendered under the 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 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 2012 Installment Purchase Agreement or the Indenture; and (c) to the extent not already paid under the 2004 Installment Purchase Agreement, the 2006 Installment Purchase Agreement, or the 2010 Installment Purchase Agreement, all amounts necessary to pay any insurance premiums required to be made from time to time under the 2012 Installment Purchase Agreement.

## **Reserve Fund**

Pursuant to the Indenture, the City will be required to maintain or cause to be maintained a separate Reserve Fund for the Bonds. The Reserve Fund will be pledged to the payment of principal of and interest on the Bonds at the Reserve Requirement. The term “Reserve Requirement” is defined in the 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 Bonds originally issued, (ii) Maximum Annual Debt Service on the Bonds, or (iii) 125% of the Average Annual Debt Service on the Bonds. The term “Maximum Annual Debt Service” is defined in the Indenture to mean, at any point in time, with respect to the Bonds 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. The term “Average Annual Debt Service” is defined in the Indenture 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 the Indenture to mean, for any Bond Year, the sum of (1) the interest payable on all outstanding Bonds in such Bond Year, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds, if any, are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of any sale of any Bonds), and (2) the principal amount of all outstanding Bonds maturing by their terms in such Bond Year.

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

## **Additional City Bonds or Contracts**

Pursuant to the 2012 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 2004 Installment Purchase Agreement, the 2006 Installment Purchase Agreement, and the 2010 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 2012 Installment Purchase Agreement or the 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.

Although the 2012 Installment Purchase Agreement constitutes a Contract, the City will not obtain or provide the certificate prepared by an Independent Financial Consultant described above. Instead, in connection with the issuance of the Bonds, the City will deliver a certificate stating that the Installment Purchase Agreement is being entered into for the purpose of refunding the 2001 Restated Installment Purchase Agreement and showing that Maximum Annual Debt Service on all outstanding City Bonds or Contracts after the incurring of the obligations under the Installment Purchase Agreement will not exceed Maximum Annual Debt Service on all City Bonds or Contracts outstanding prior to the incurring of such obligations, as permitted under 2001 Restated Installment Purchase Agreement, the 2004 Installment Purchase Agreement, the 2006 Installment Purchase Agreement, and the 2010 Installment Purchase Agreement. 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 2012 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 the 2012 Installment Payments, the 2010 Installment Payments, the 2006 Installment Payments, the 2004 Installment Payments, any other City Bonds or Contracts that are on a parity with the 2012 Installment Payments, and any Additional Payments. Any Net Proceeds not applied to the reconstruction, repair, or replacement of the damaged or destroyed portions of the Water System 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 deposited in the Revenue Fund and applied to the payment of the 2012 Installment Payments, the 2010 Installment Payments, the 2006 Installment Payments, the 2004 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 deposited in the Revenue Fund and applied to the payment of the 2012 Installment Payments, the 2010 Installment Payments, the 2006 Installment Payments, the 2004 Installment Payments, and Debt Service on outstanding Contracts and City Bonds.

### **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 Bonds, the Indenture, and the 2012 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 opinion of Bond Counsel (the form of which is attached as Appendix D), will be similarly qualified.

### **RISK FACTORS**

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

### **Bonds are Limited Obligations**

The Bonds are payable from (i) the 2012 Installment Payments, which are payable from the Net Water System Revenues, and (ii) amounts held in certain funds and accounts established under the Indenture. Consequently, the payment of principal of and interest on the Bonds will be dependent upon the availability and sufficiency of such 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 2012 Installment Payments under the 2012 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 2012 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.

No assurance can be made that Net Water System Revenues, estimated or otherwise, will be realized by the City in amounts sufficient to pay the 2012 Installment Payments. Among other matters, drought, general and local economic conditions, and changes in law and government regulations (including initiatives and moratoriums on growth) could adversely affect the amount of Net Water System Revenues realized by the City. In addition, the realization of future Net Water System Revenues is subject to, among other things, the capabilities of management of the City, the ability of the City to provide water to its customers, and the ability of the City to establish, maintain, and collect rates and charges sufficient to pay for operation and maintenance expenditures and the 2012 Installment Payments. See "THE WATER SYSTEM."

## **Water 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 2012 Installment Payments, which could in turn adversely impact the Authority's ability to make payments of the principal of or interest on the Bonds.

## **Rate Setting Process Under Proposition 218**

Proposition 218 (as defined herein), which added Articles XIIC and XIID to the State Constitution, affects the City's ability to impose future rate increases and no assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of majority protest or initiative, the City might thereafter be unable to generate Net Water System Revenues in the amounts required by the 2012 Installment Payments. See "CONSTITUTIONAL PROVISIONS AFFECTING WATER SYSTEM REVENUES AND EXPENDITURES – California Constitution Article XIIC and Article XIID Limitations."

Notwithstanding the foregoing, the City has covenanted in the 2012 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. See "SECURITY FOR THE BONDS – Rate Covenant."

## **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 2012 Installment Payments due under the 2012 Installment Purchase Agreement, which would in turn adversely impact the Authority's ability to pay the principal of and interest on the Bonds when due. It is not possible to predict the timing or nature of more stringent operating standards that may be imposed upon the City over the term of the Bonds.

## **Increased System Expenses**

Changes in technology 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 2012 Installment Purchase Agreement. The City's ability to make its required 2012 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 2012 Installment Purchase Agreement. The City's ability to make its required 2012 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 2012 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 2012 Installment Payments, which in turn would impair the ability of the Authority to make payments of principal of and interest on the Bonds when due.

The chance that the occurrence of severe seismic activity in the area of the 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 2012 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 2012 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 2012 Installment Payments and, consequently, in the event of such a deficit, the City would not have sufficient Net Water System Revenues to pay the 2012 Installment Payments in full and the Authority may have to make draws on the Reserve Fund established under the Indenture.

### **Limited Recourse on Default**

If the City defaults on its obligation to make 2012 Installment Payments, the Trustee, as assignee of the Authority, has the right to accelerate the total unpaid principal amount of the 2012 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 2012 Installment Payments.

### **Limitations on Available Remedies**

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

## **Absence of Market for the Bonds**

There can be no assurance that there will ever be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for 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 Bonds**

As discussed under the caption “TAX MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of acts or omissions of the City or the Authority in violation of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the Bonds are not subject to acceleration or special redemption and will remain outstanding until maturity or until redemption in accordance with the terms of the Indenture.

## **Economic, Political, Social, and Environmental Conditions**

Prospective investors are encouraged to evaluate current and prospective economic, political, social, and environmental conditions as part of an informed investment decision. Changes in economic, political, social, or environmental conditions on a local, state, federal, or international level may adversely affect investment risk generally. Such conditional changes may include (but are not limited to) 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 2012 Installment Purchase Agreement that it will, in each year, prescribe rates and charges sufficient to provide for payments of the 2012 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, a constitutional initiative entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution, which contain a number of interrelated provisions affecting the ability of local governments, including 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 2012 Installment Purchase Agreement, and/or the Authority's ability to pay principal of or interest on the Bonds. In such event, there can be no assurance that remedies will be available to fully protect the interests of the holders of any of the Bonds. See "RISK FACTORS – Limitations on Available Remedies."

**Article XIII C.** Section 1 of Article XIII C requires majority voter approval for the imposition, extension, or increase of general taxes, and Section 2 of Article XIII C requires two-thirds voter approval for the imposition, extension, or increase of special taxes. These voter approval requirements of Article XIII C reduce the flexibility of the City to raise revenues by the levy of general or special taxes and, given such voter approval requirements, no assurance can be given that the City will be able to enact, impose, extend, or increase any such taxes in the future to meet increased expenditure requirements. The City has not enacted, imposed, extended, or increased any tax since the effective date of Proposition 218.

Section 3 of Article XIII C expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees, and charges, regardless of the date such taxes, assessments, fees, or charges were imposed. Section 3 of Article XIII C expands the initiative power to include reducing or repealing assessments, fees, and charges, which had previously been considered

administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIC to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments, or fees and charges imposed prior to November 6, 1996.

“Fees” and “charges” are not expressly defined in Article XIIC or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIC and Article XIID (“SB 919”). Such terms are, however, defined in Article XIID, discussed below. On July 24, 2006, the California Supreme Court (the “Court”) ruled in *Bighorn-Desert View Water Agency v. Virgil (Kelley)* (the “Bighorn Decision”) that charges for ongoing water delivery are property-related fees and charges within the meaning of Article XIID and are also fees or charges within the meaning of Section 3 of Article XIIC. The Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIC.

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

The Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water and wastewater service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 5, 1996 (the date of adoption of Proposition 218), assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. 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, including the City’s Water System fees and charges, which are the source of Net Water System Revenues pledged to the payment of debt service on the Bonds and other Parity Obligations.

Notwithstanding the fact that Water System charges may be subject to reduction or repeal by voter initiative undertaken pursuant to Section 3 of Article XIIC, the City has covenanted in the 2012 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 meet its debt service requirements with respect to the Bonds.

**Article XIID.** Article XIID defines a “fee” or “charge” as any levy other than an *ad valorem* tax, special tax, or assessment, imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A “property-related service” is defined as “a public service having a direct relationship to a property ownership.” As discussed above, in the Bighorn Decision, the Court held that a public water agency’s charges for ongoing water delivery are fees and charges within the meaning of Article XIID. Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners

of the identified parcels file written protests against it. As a result, the local government's ability to increase such fee or charge may be limited by a majority protest.

The City's Water System charges have two components, a base fee based on meter size and a commodity charge based on the volume of water consumed. The City has ratified prior increases in its water rates and charges, and believes it has complied with the applicable and material notice and protest procedures of Article XIID for its current water rates and charges. As of the date of this Official Statement, there has not been and there is no pending litigation challenging any of the City's water fees and charges approved since the effective date of Proposition 218. While the City currently believes, based upon the judicial precedent in place during the period of these prior rate increases, that a reviewing court could reasonably uphold the validity of those increases, the City cannot provide any assurances as to the outcome of a challenge to the prior increases in the City's water rates and charges that were not approved in accordance with the notice and hearing requirements of Article XIID if one were brought.

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

Article XIID establishes procedural requirements for the imposition of assessments, which are defined as any charge upon real property for a special benefit conferred upon the real property. Standby charges are classified as assessments. Procedural requirements for assessments under Article XIID include conducting a public hearing and mailed protest procedure, with notice to the record owner of each parcel subject to the assessment. The assessment may not be imposed if a majority of the ballots returned oppose the assessment, with each ballot weighted according to the proportional financial obligation of the affected parcel.

The City believes that, as of the date of this Official Statement, current water fees and charges that are subject to Proposition 218 materially comply with the provisions thereof. Should it become necessary to increase the water fees and charges above current levels, the City would be required to comply with the requirements of Article XIID in connection with such proposed increase. To date, there have been no legal challenges to water rate increases implemented by the City pursuant to Proposition 218 or otherwise. As of the date of this Official Statement and under existing standards as of such date, the City believes that rates and charges may be established at levels that are expected to permit deposits to a Rate Stabilization Fund or maintenance of uncommitted cash reserves. See "THE WATER SYSTEM."

The City believes that current water capacity fees are not subject to Proposition 218. Furthermore, as of the date of this Official Statement, the City is not unaware of any legal challenges to this position.

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

## **Future Initiatives**

Articles XIII B, XIII C, and XIII D of the California 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 Exercise of Powers Agreement, dated as of October 8, 1991, as amended on April 21, 1992, by and among the City, the Oxnard Community Development Commission (as successor to the Redevelopment Agency of the City of Oxnard), and the Housing Authority of the City of Oxnard. The Authority was created 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:

<b><u>Name</u></b>	<b><u>Office</u></b>
Dr. Thomas E. Holden	Chairman
Dr. Irene G. Pinkard	Vice Chair
Bryan A. MacDonald	Board Member
Tim Flynn	Board Member
Carmen Ramirez	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:

<b><u>Name</u></b>	<b><u>Position</u></b>
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 2012 Installment Payments by the City under the 2012 Installment Purchase Agreement, or with respect to the performance of the City of other covenants made by it in the 2012 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 2012.

Among other things, the Water System Master Plan includes recommendations with respect to capital improvements to the Water System expected to be required in the future. The following table describes such capital improvements expected to be required through Fiscal Year 2016-17.

**Table 4**  
**City of Oxnard**  
**Water System**  
**5-Year Capital Improvement Program**

<b>Description</b>	<b><u>FY12/13</u></b>	<b><u>FY13/14</u></b>	<b><u>FY14/15</u></b>	<b><u>FY15/16</u></b>	<b><u>FY16/17</u></b>
<b><i>Potable Water</i></b>					
Blending Station No.2 Rehab	\$ 0	\$ 0	\$ 0	\$ 546,400	\$1,013,000
Hydraulic Improvements	0	3,605,000	5,516,700	4,152,400	1,463,200
Communication Tower	250,000	0	0	0	0
Blending Station No. 3 Desalter	0	0	424,400	5,463,600	9,004,100
Hansen Computer Upgrade	0	0	210,100	216,400	0
Asset Management - Water	<u>3,025,000</u>	<u>3,115,800</u>	<u>5,357,500</u>	<u>5,518,300</u>	<u>5,683,800</u>
Subtotal	\$3,275,000	\$6,720,800	\$11,508,700	\$15,897,100	\$17,164,100
<b><i>Recycle Water - GREAT Program</i></b>					
Recycled Water Distribution - Phase 1B	\$0	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Recycled Water Customer Retrofits	<u>0</u>	<u>500,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Subtotal	\$0	\$2,500,000	\$2,250,000	\$2,250,000	\$2,250,000
<b>Total (Inflated)</b>	<b>\$3,275,000</b>	<b>\$9,220,800</b>	<b>\$13,758,700</b>	<b>\$18,147,100</b>	<b>\$19,414,100</b>
<b>Source of Funds</b>					
Water Revenues	\$3,275,000	\$3,574,800	\$ 5,704,600	\$6,130,400	\$6,500,100
Connection Fees	0	2,500,000	2,250,000	2,250,000	2,250,000
Bonds	<u>0</u>	<u>3,146,000</u>	<u>5,804,100</u>	<u>9,766,700</u>	<u>10,664,000</u>
<b>Total Capital Improvements (Inflated)</b>	<b>\$3,275,000</b>	<b>\$9,220,800</b>	<b>\$13,758,700</b>	<b>\$18,147,100</b>	<b>\$19,414,100</b>

Source: City.

## 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, Los Angeles, California. 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.

On March 6, 2012, the City Council approved the proposed 3% rate increase effective July 1, 2012, initiating the Proposition 218 public notification and protest period. A public hearing on the rate increase is anticipated to be held May 8, 2012.

## **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 ("MWD"), from which it purchases State Project Water. CMWD wholesales water directly to various cities throughout Ventura County including the City. See also "APPENDIX F – The Metropolitan Water District of Southern California."

*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 were implemented in 2007 and 2010.

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.

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**Table 5**  
**City of Oxnard Water System**  
**Projected Sources of Supply and Demand**  
**(Acre-Feet)**

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

<sup>(1)</sup> The maximum City entitlement of CMWD water is 13,400 (17,379 acre-feet per year (“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).

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

***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, 2011, there were 40,785 water accounts serving a population of approximately 200,000 within the City and a small unincorporated portion of the County. Since Fiscal Year 2009-10, the number of accounts increased by only 29 accounts. Since Fiscal Year 2006-07, however, the number of accounts has increased by approximately 5.1%. Approximately 86% of the consumer base for water service is comprised of residential consumers, while the balance is comprised of commercial and industrial consumers.

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## 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 ten Fiscal Years.

**Table 6**  
**City of Oxnard Water System**  
**Historic Water Usage**  
**(Acre-Feet)**

<b>Fiscal Year Ended June 30</b>	<b>City Groundwater</b>	<b>UWCD Groundwater</b>	<b>Imported Water <sup>(1)</sup></b>	<b>Total Water Usage</b>
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
2010	7,195.45	10,853.54	10,573.70	28,622.69
2011	8,964.78	7,707.12	11,653.19	28,325.09

<sup>(1)</sup> From CMWD.

Source: City.

## Projected Water Usage

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

**Table 7**  
**City of Oxnard Water System**  
**Projected Water Usage**  
**(Acre-Feet)**

<b>Fiscal Year Ending June 30</b>	<b>Groundwater Produced by City Wells</b>	<b>Groundwater Produced with City Credits</b>	<b>Regional Water Purchase</b>	<b>Imported Water Purchase</b>	<b>UWCD Ferro Pit Allocations</b>	<b>UWCD M&amp;I Supplemental</b>	<b>AWPF</b>	<b>Less: Brine Loss</b>	<b>Total Projected Water Usage</b>
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	3,000	14,000	(4,200)	41,500
2016	8,400	--	6,800	12,500	1,000	3,000	14,000	(2,100)	43,600
2017	8,400	--	6,800	12,500	1,000	3,000	14,000	(2,100)	43,600

Source: City of Oxnard Public Works Department.

## Ten Largest Users

The following table lists the City's ten largest users of the Water System. Together, these ten entities accounted for approximately 10.05% of Water System Revenues in Fiscal Year ended June 30, 2011.

**Table 8**  
**City of Oxnard Water System**  
**Ten Largest Users**  
**(as of June 30, 2011)**

User	Type of Business	Revenue	Percentage of Annual Revenue
Procter & Gamble Paper Production	Manufacturer	\$2,212,359	5.18%
International Paper	Manufacturer	798,419	1.87
Gills Onion	Food Processor	381,628	0.89
Coastal Green Vegetable	Agriculture	290,594	0.68
Puretec	Industrial Water Company	146,594	0.34
Oxnard College	College	111,650	0.26
Oxnard Lemon Company	Food Packer	96,597	0.23
JM Smucker Company	Food Processor	90,318	0.21
Frozsun Foods, Inc.	Food Processor	87,856	0.21
St. John's Regional Medical Center	Hospital	<u>76,125</u>	<u>0.18</u>
Totals		\$4,292,140	10.05%

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 rate increases for water purchase costs 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 9**  
**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 "	\$ 15.62	\$ 13.58	\$ 11.31
1"	23.62	20.40	16.46
1 1/2 "	42.22	35.75	28.29
2"	69.26	54.44	43.00
3"	139.62	120.13	90.00
4"	235.78	194.17	152.68
6"	487.29	404.31	310.69
8"	699.22	580.13	452.44
10"	1,124.45	932.50	716.35

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 10**  
**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	\$2.54		
7 to 12	2.82		
Over 12	3.95		
0 to 17		\$2.07	
18 to 32		2.31	
Over 32		3.44	
0 to 17			\$2.07
18 to 32			2.31
Over 32			3.44

(1) Rates adopted November 3, 2009, pursuant to 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 2011 was \$2,212,359.40. 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 11**  
**City of Oxnard Water System**  
**Connection Fee Equivalency Factor, Charges and Fees**

<b>Meter Size</b>	<b>Equivalency Factor</b>	<b>Capital Facility Charge</b>	<b>Water Resource Development Fee</b>	<b>Total</b>
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"	(1)	(1)	(1)	(1)

(1) 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 12**  
**City of Oxnard Water System**  
**Comparative Monthly Rates for**  
**Typical Residential Customers**

<b>Service Area</b>	<b>Monthly 3/4" Meter Charge (\$/month)</b>	<b>Average Commodity Rate <sup>(1)</sup> (\$/hcf <sup>(2)</sup>)</b>	<b>Typical Bill <sup>(3)</sup></b>
City of Simi Valley	\$16.63	\$1.22	\$31.27
City of Moorpark	7.25	2.42	36.30
City of Camarillo	15.39	1.85	37.56
City of Ventura	15.03	2.02	39.27
City of Fillmore	34.43	0.57	41.31
<b>City of Oxnard</b>	<b>15.62</b>	<b>2.68</b>	<b>47.78</b>
City of Thousand Oaks	15.53	3.04	52.01
City of Santa Paula	33.56	2.21	60.08
Channel Islands Community Services District	25.59	2.95	60.93
City of Port Hueneme	42.16	2.76	75.28
City of Ojai	46.70	3.56	89.44

(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. Delinquencies during the past five years have been approximately 1.88% of the amount billed to customers.

## **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, 2011, 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, 2007, through June 30, 2011.

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**Table 13**  
**City of Oxnard Water System**  
**Combined Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**(Fiscal Year Ended June 30)**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<i>Operating Revenues</i>					
Charges for Services	\$32,936,665	\$33,449,586	\$36,797,364	\$37,078,139	\$42,671,452
Connection Fees	3,665,610	1,897,437	1,205,329	979,454	492,987
Miscellaneous and Reimbursements	<u>48,068</u>	<u>31,924</u>	<u>475,061</u>	<u>382,060</u>	<u>6,127</u>
<i>Total Operating Revenues</i>	<u>\$36,650,343</u>	<u>\$35,378,947</u>	<u>\$38,477,754</u>	<u>\$38,439,653</u>	<u>\$43,170,566</u>
<i>Operating Expenses</i>					
Salaries and Wages	4,210,571	4,499,030	4,588,162	5,051,323	4,420,902
Contractual Services	1,284,374	1,547,279	2,015,756	1,612,079	1,101,235
Operating Supplies	13,553,448	16,872,314	15,195,818	17,432,821	19,252,446
Utilities	437,612	305,832	594,897	513,181	700,446
Depreciation and Amortization	2,262,555	2,608,763	2,491,740	2,734,215	3,557,371
General and Administrative	2,915,789	4,148,686	3,139,823	3,724,682	4,040,008
Repairs and Maintenance	<u>272,286</u>	<u>359,475</u>	<u>349,368</u>	<u>347,906</u>	<u>395,389</u>
<i>Total Operating Expenses</i>	<u>\$24,936,635</u>	<u>\$30,341,379</u>	<u>\$28,375,564</u>	<u>\$31,416,207</u>	<u>\$33,467,797</u>
<i>Operating Income (Loss):</i>	<i>\$11,713,708</i>	<i>\$5,037,568</i>	<i>\$10,102,190</i>	<i>\$7,023,446</i>	<i>\$9,702,769</i>
<i>Non Operating Revenues (Expenses)</i>					
Intergovernmental	205,143	0	0	0	0
Interest on Investments	3,863,669	2,990,938	1,917,626	1,325,345	2,947,699
Interest Expense	<u>(6,131,927)</u>	<u>(3,271,159)</u>	<u>(1,305,104)</u>	<u>(5,561,344)</u>	<u>(761,297)</u>
Total Nonoperating Revenues (Expenses)	<u>(\$2,063,115)</u>	<u>(\$280,221)</u>	<u>\$612,522</u>	<u>(\$4,235,999)</u>	<u>\$2,186,402</u>
<i>Changes in Net Assets</i>	<i>\$9,650,593</i>	<i>\$4,757,347</i>	<i>\$10,714,712</i>	<i>\$2,787,447</i>	<i>\$11,889,171</i>
<b>Total Net Assets – July 1</b>	<b>\$87,694,738</b>	<b>\$97,345,331</b>	<b>\$102,102,678</b>	<b>\$112,817,390</b>	<b>\$115,604,837</b>
<b>Total Net Assets – June 30</b>	<b>\$97,345,331</b>	<b>\$102,102,678</b>	<b>\$112,817,390</b>	<b>\$115,604,837</b>	<b>\$127,494,008</b>

Source: City of Oxnard Comprehensive Annual Financial Reports for applicable fiscal years.

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**Table 14**  
**City of Oxnard Water System**  
**Historic Revenues, Expenses, and Debt Service Coverage**  
**(Fiscal Year Ended June 30)**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<i>Revenues</i>					
Charges for Services	\$32,936,665	\$33,449,586	\$36,797,362	\$37,078,134	\$42,671,452
Interest Income	3,863,669	2,990,928	1,917,626	1,325,345	1,321,539
Intergovernmental Revenue	205,143	0	0	0	0
Other Income	<u>48,068</u>	<u>31,924</u>	<u>475,061</u>	<u>382,060</u>	<u>6,127</u>
Total Revenues <sup>(1)</sup>	\$37,053,545	\$36,472,438	\$39,190,051	\$38,785,539	\$43,999,118
<i>Expenses</i>					
Total Operation and Maintenance Expenses	<u>22,674,080</u>	<u>27,732,616</u>	<u>25,883,824</u>	<u>28,681,992</u>	<u>29,910,426</u>
Net Water System Revenues	\$14,379,465	\$8,739,822	\$13,306,227	\$10,103,547	\$14,088,692
Annual Debt Service <sup>(2)</sup>	\$6,686,344	\$6,487,715	\$7,260,115	\$9,257,115	\$9,021,247
Coverage <sup>(3)</sup>	2.15	1.35	1.83	1.09	1.57

(1) Totals do not include connection fees.

(2) Includes debt service on the 2001 Bonds, 2004 Bonds, 2006 Bonds, and 2010 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, 2012, through June 30, 2016, 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.

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**Table 15**  
**City of Oxnard Water System**  
**Projected Revenues, Expenses, and Debt Service Coverage**  
**(Fiscal Year Ending June 30)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<i>Revenues</i>					
Charges for Services	\$46,800,500	\$48,226,890	\$49,926,657	\$51,622,640	\$52,520,181
Interest Income	586,643	614,139	642,850	672,828	704,124
Other Income	<u>3,250</u>	<u>3,250</u>	<u>3,250</u>	<u>3,250</u>	<u>3,250</u>
Total Revenues <sup>(1)</sup>	\$47,390,393	\$48,844,279	\$50,572,757	\$52,298,718	\$53,227,555
<i>Expenses</i>					
Total Operation and Maintenance Expenses	\$28,564,800	\$28,672,600	\$29,344,300	\$30,034,900	\$30,744,800
Net Water System Revenues	\$18,825,593	\$20,171,679	\$21,228,457	\$22,263,818	\$22,482,755
Annual Debt Service <sup>(2) (3)</sup>	\$12,160,823	\$12,764,513	\$12,763,613	\$12,769,445	\$12,765,515
Coverage <sup>(4)</sup>	1.55	1.58	1.66	1.74	1.76

(1) Totals do not include connection fees.

(2) Includes scheduled debt service on the 2001 Bonds, 2004 Bonds, 2006 Bonds, 2010 Bonds, and Bonds. Debt service shown in the table with respect to the 2001 Bonds represents only the debt service due in 2012; on June 1, 2012, all outstanding 2001 Bonds will be paid or redeemed as described herein. See "THE REFUNDING PLAN."

(3) Debt service on the 2001 Bonds, 2004 Bonds, 2006 Bonds, 2010 Bonds, and Bonds includes reductions in estimated debt service payments resulting from the receipt of federal interest subsidies for outstanding Build America Bonds, from bond-funded interest, and from 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. Debt service shown in the table with respect to the 2001 Bonds represents only the debt service due in 2012; on June 1, 2012, all outstanding 2001 Bonds will be paid or redeemed as described herein. See "THE REFUNDING PLAN."

(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; provided, however, that Annual Debt Service and Coverage amounts are provided by the Underwriter.

## Investment of City Funds

The Revenue Fund, into which all Water System Revenues are initially deposited, the Reserve Fund established under the Indenture, and all other funds held under the 2012 Installment Purchase Agreement and the Indenture are required to be invested in certain Permitted Investments as provided under the Indenture and the 2012 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 2011.

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 Indenture or the 2012 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. The Indenture does not contain any provision to prepay the principal of or interest on the Bonds 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 2012 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**

### **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 Bonds is excluded from gross income for United States 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. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the United States federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is set forth in Appendix D attached hereto and will accompany the 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 Bonds. The Authority has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to assure that interest on the 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 Bonds being included in gross income for United States federal income tax purposes, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of those 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 Bonds may adversely affect the tax status of interest on the Bonds.

Although Bond Counsel has rendered an opinion that interest on the 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 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 Bonds, all potential purchasers should consult their tax advisors concerning collateral tax consequences with respect to the Bonds.

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

Current and future legislative proposals, if enacted into law, clarification of the Code, or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The Obama Administration has also included a substantially identical proposal as part of its proposed fiscal year 2013 budget. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code, or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion.

### **Risk of Audit by Internal Revenue Service**

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, 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 Internal Revenue Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Authority as the taxpayer and the Owners of the Bonds may have no right to participate in such procedure.

Bond Counsel's opinion 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 Bonds. Neither the Authority nor Bond Counsel is responsible to pay or reimburse the costs of any Owner with respect to any audit or litigation relating to the Bonds.

## **Original Issue Discount and Premium**

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

In general, if the Bonds are issued for an amount greater than the stated principal amount of the Bonds, the 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 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 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 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 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 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 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.

## **RATING**

Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies ("S&P"), has assigned its municipal bond rating of "A+" to the Bonds. Such rating reflects only the views of the rating agency furnishing the same and any desired explanation of the significance of such rating should be obtained from the rating agency at the following address: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or

withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the foregoing rating may have an adverse effect on the market price of the Bonds.

### **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 listed therein. 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 are being purchased by Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a price of \$9,630,674.94 (which represents the aggregate principal amount of the Bonds, less an Underwriter’s discount of \$70,087.51, plus a net original issue premium of \$355,762.45.)

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

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

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

### **FINANCIAL ADVISOR**

First Southwest Company is employed as Financial Advisor to the Authority and the City in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

## **LITIGATION**

The City and the Authority will certify, and the City Attorney will render opinions on behalf of the City and the Authority upon the issuance of the Bonds to the effect that, there is no action, suit or proceeding known to the City or the Authority to be pending or threatened, restraining, or enjoining the execution or delivery of the Bonds, the Indenture, or the 2012 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 2012 Installment Payments when due.

## **CERTAIN LEGAL MATTERS**

Goodwin Procter LLP, Los Angeles, California, Bond Counsel, will render an opinion with respect to the Bonds in substantially the form set forth in Appendix D hereto. Copies of such opinion will be furnished to the Underwriter at the time of delivery of the Bonds. Certain legal matters will be passed upon for the City and the Authority by the City Attorney and by Goodwin Procter LLP, Los Angeles, California, as Disclosure Counsel, and for the Underwriter by Fulbright & Jaworski L.L.P., Los Angeles, California, as Underwriter's Counsel.

## **MISCELLANEOUS**

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds and of statutes and 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

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## **APPENDIX A**

### **SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS**

The following is a brief summary of certain provisions of the Indenture and the 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 Project:

(a) all reasonable compensation to the Trustee pursuant to the Indenture for all services rendered under the 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 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 Installment Purchase Agreement, the Indenture; and

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

“Assignment Agreement” means that certain Assignment Agreement, by and between the Authority and the Trustee, dated as of April 1, 2012, 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, 2012.

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

“Business Day” means any day other than (1) a Saturday, 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 Designated Corporate Trust Office of the Trustee is located.

“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 duty 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 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.

“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 Installment Purchase Agreement and any amendments and supplements thereto, the 2004 Installment Purchase Agreement, the 2006 Installment Purchase Agreement, the 2010 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 Installment Payments and that are secured by a pledge and lien on the Water System Revenues.

“Costs of Issuance” means 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 Installment Purchase Agreement, the Indenture, and the related sale of the Bonds, 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 and any other charge, cost, or fee in connection with the original sale, execution, and delivery of the Bonds.

“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 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 Payment Fund; 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 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 (as such term is defined in the 2010B Trust Indenture) 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 Indenture, any other securities depository that agrees to follow procedures required to be followed by a securities depository in connection with the Bonds and that is selected by the Authority with the consent of the Trustee.

“Designated 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.

“Escrow Agent” means Wells Fargo Bank, National Association, and its successors and assigns.

“Escrow Agreement” means the Escrow Agreement, dated as of April 1, 2012, by and between the Authority and the Escrow Agent.

“Escrow Fund” means the fund of that name established under the Escrow Agreement.

“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 & 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, 2012, and any date on which the unpaid 2012 Installment Payments are declared to be due and payable immediately and provided such declaration is not rescinded or annulled, all in accordance with the Installment Purchase Agreement.

“Letter of Representations” means the letter of the Authority 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 delivered to and accepted by DTC.

“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 2004 Installment Purchase Agreement, the 2006 Installment Purchase Agreement, the 2010 Installment Purchase Agreement, the 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, as of the date of calculation, means the largest amount of Debt Service coming due and payable on the City Bonds and Contracts in the current or any future Fiscal Year.

“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 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 Indenture.

“Original Purchaser” means Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus.

“Outstanding,” when used as of any particular time with respect to any Bond, means (subject to the provisions of the Indenture) any Bond issued under the Indenture, 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 Indenture; 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 Indenture.

“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 Indenture.

“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.

“Project” means the 1993 Project and the 2001 Project described in the Installment Purchase Agreement.

“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 Bonds 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 Bonds) 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 Bonds.

“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 Indenture.

“Reserve Fund Surety Bond” means any instrument issued in accordance with the 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 Bonds originally issued, (ii) Maximum Annual Debt Service on the Bonds, or (iii) one hundred twenty-five percent (125%) of the Average Annual Debt Service on the Bonds. As of the Delivery Date, the Reserve Requirement is \$735,818.76.

“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, 22<sup>nd</sup> 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 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 Indenture, each Statement of the Authority shall include the statements provided for in the Indenture.

“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 Indenture, each Statement of the City shall include the statements provided for in the Indenture.

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

“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 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.

“1993 Bonds” means the City of Oxnard Financing Authority Water Revenue Bonds (Water System Capital Improvements Project) issued pursuant to the 1993 Trust Indenture.

“1993 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of January 1, 1993, by and between the City and the Authority.

“1993 Project” means the Water System improvements designated in the 1993 Installment Purchase Agreement.

“1993 Trust Indenture” means the Trust Indenture, dated as of January 1, 1993, by and among the Authority, the City, and the 1993 Trustee.

“1993 Trustee” means Wells Fargo Bank, National Association, successor to First Interstate Bank of California, as trustee under the 1993 Trust Indenture.

“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 Agreements” means the 2010 Installment Purchase Agreement, the 2010A Trust Indenture, and the 2010B Trust Indenture.

“2010 Bonds” means the 2010A Bonds and the 2010B Bonds.

“2010 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of February 1, 2010, by and between the City and the Authority, relating to the 2010 Project.

“2010 Project” means the Water System improvements designated in the 2010 Installment Purchase Agreement.

“2010A Bonds” means the City of Oxnard Financing Authority’s Water Revenue Project Bonds, Series 2010A, issued pursuant to the 2010A Trust Indenture.

“2010A Trust Indenture” means the Trust Indenture, dated as of February 1, 2010, by and among the Authority, the City, and Wells Fargo Bank, National Association, as trustee.

“2010B Bonds” means the City of Oxnard Financing Authority’s Water Revenue Project Bonds, Series 2010B (Federally Taxable Build America Bonds), issued pursuant to the 2010B Trust Indenture.

“2010B Trust Indenture” means the Trust Indenture, dated as of February 1, 2010, by and among the Authority, the City, and Wells Fargo Bank, National Association, as trustee.

“2012 Installment Payment Date” means any date on which the 2012 Installment Payments are scheduled to be paid by the City under and pursuant to the Installment Purchase Agreement, being the fifth Business Day prior to each June 1 and December 1.

“2012 Installment Payments” means the Installment Payments scheduled to be paid by the City under and pursuant to the Installment Purchase Agreement.

## **INDENTURE**

### **Investment of Moneys in Special Funds**

Pursuant to the Indenture, any moneys in 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 Indenture and the Tax Certificate. Any such Written Request of the City shall be deemed a representation that such direction complies with the 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 Indenture at least monthly.

In the absence of written investment direction from the City, the Trustee shall invest moneys held by it in the Wells Fargo Advantage Fund or a successor money market fund offered by the Trustee.

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 Indenture. The Trustee may make any investments under the 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 Indenture.

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 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 Indenture and designated the “Rebate Fund” to be held by the Trustee. The Authority shall comply with the requirements contained in the 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 Indenture and the Tax Certificate, unless the Authority obtains an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes if such requirements are not satisfied.

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

## **Authority and City to Perform Installment Purchase Agreement**

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

Pursuant to the 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 Installment Purchase Agreement to be kept, performed, and complied with by it.

Pursuant to the 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 Installment Purchase Agreement.

## **Tax Covenants**

Pursuant to the 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 Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes, each of the Authority and the City covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

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

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

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

***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 Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Authority or the City, as applicable, takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes.

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

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

***Taxable Bonds.*** The covenants set forth above shall not be applicable to, and nothing contained in the 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 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 2012 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 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 Indenture held by it.

### **Compliance with Indenture**

Pursuant to the Indenture, the Trustee will not execute, or permit to be executed, any Bonds in any manner other than in accordance with the provisions of the Indenture, and neither the Authority nor the City will suffer or permit any default by it to occur under the 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 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 Indenture, the City shall comply with the terms, covenants, and provisions, express or implied, of all contracts for the use of the Project by the City, and all other contracts and agreements affecting or involving the Project to the extent that the City is a party thereto.

### **Prosecution and Defense of Suits**

Pursuant to the 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 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 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 Indenture) do whatever else may be necessary or be reasonably required in order to perfect and continue the lien of the Indenture and the Assignment Agreement.

## **Eminent Domain**

Pursuant to the Indenture, if all or any part of the 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 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 Indenture.

## **Notice of Non-Payment**

Pursuant to the Indenture, in the event of delinquency in the payment of any 2012 Installment Payments due by the City pursuant to the Installment Purchase Agreement, the Trustee shall, after one Business Day following the date upon which such delinquent 2012 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 Indenture, upon the occurrence of an Event of Default (as that term is defined in the Installment Purchase Agreement), which event shall constitute a default under the 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 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 Installment Purchase Agreement.

Upon declaration of the entire principal amount of the unpaid 2012 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 Installment Purchase Agreement, the Trustee may apply all moneys received as 2012 Installment Payments and all moneys held in any fund or account under the Indenture (other than the Rebate Fund) to the payment of the entire principal amount of the Bonds and the accrued interest with respect thereto, with interest on the overdue Bonds at the rate or rates of interest applicable to the Bonds if paid in accordance with their terms.

## **Other Remedies of the Trustee**

Pursuant to the 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 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 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 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 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 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 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 2012 Installment Payments when due in accordance with the Installment Purchase Agreement and the performance of the other covenants and agreements of the City contained in said Installment Purchase Agreement and in the Indenture, the City shall have no obligation or liability to the Owners with respect to the Indenture or the execution, delivery, or transfer of the Bonds, or the disbursement of 2012 Installment Payments to the Owners by the Trustee; provided, however, that nothing contained in the 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 Indenture or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the 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 2012 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 Installment Purchase Agreement or in the Indenture. Except as provided in the Indenture, the Trustee shall not have any obligation or liability to the Owners with respect to the payment of the 2012 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 Installment Purchase Agreement or in the Indenture.

### **No Responsibility for Sufficiency**

The Trustee shall not be responsible for the sufficiency of the Indenture, the Installment Purchase Agreement, or of the assignment made to it by the Assignment Agreement of rights to receive 2012 Installment Payments pursuant to the Installment Purchase Agreement, or the value of or title to the 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 Indenture, to the extent permitted by law.

### **Trustee; Duties, Removal, and Resignation**

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

The Authority or, if the City is in default under the Installment Purchase Agreement, the Owners of a majority in aggregate principal amount of all Bonds Outstanding, may by written request to the Trustee, remove the Trustee initially a party to the 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 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 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 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 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 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 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 Bond or to take any action at the request of any such person unless such Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such 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 under the Indenture in good faith in accordance therewith.

Whenever in the administration of its duties under the 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 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 Bonds provided pursuant to the 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 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 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 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 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 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 Indenture or in the 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 Indenture and no implied duties or obligations shall be read into the Indenture against the Trustee.

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

In accepting the trust created by the 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 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 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 Project. In no event shall the Trustee be liable for incidental, indirect, special, or consequential damages in connection with or arising from the Installment Purchase Agreement or the Indenture for the existence, furnishing or use of the Project.

The Trustee shall not be deemed to have knowledge of any Event of Default under the Indenture or under the 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 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 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 Bonds.

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

Before taking any action under the 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 Indenture) in aggregate principal amount of 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 Indenture shall not be construed as a duty.

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

### **Amendments Permitted**

The 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 Bonds then outstanding, exclusive of Bonds disqualified as provided in the Indenture, shall have been filed with the Trustee. No such modification or amendment shall (1) 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 redemption thereof, without the consent of the Owner of each Bond so affected, or (2) reduce the aforesaid percentage of Owners of Bonds whose consent is required for the execution of any amendment or modification of the Indenture, or (3) modify any of the rights or obligations of the Trustee or the Authority without its written consent thereto.

The 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 Indenture other covenants and agreements thereafter to be observed or to surrender any right or power reserved in the 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 Indenture or in regard to questions arising under the 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 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 2012 Installment Payments as therein set forth and the obligation to apply moneys on deposit in the Rebate Fund as provided in the Indenture), then and in that case the obligations created by the 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 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 Bonds as set forth in the Indenture, and subject to application of moneys on deposit in the Rebate Fund as provided in the Indenture, the Trustee shall turn over to the City, after provision for payment of amounts due the Trustee under the Indenture, as an overpayment of 2012 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 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 Bonds, and after such payment, the 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 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 Indenture, setting forth (a) the date fixed for redemption of the 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 Indenture has been released in accordance with the provisions thereof.

### **Deposit of Money or Securities with the Trustee**

Whenever in the Indenture or the 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 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 Indenture and shall be —

(a) lawful money of the United States of America in an amount equal to the principal amount represented by such Bonds and all unpaid interest represented thereby to maturity, except that, in the case of 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 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 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 Bonds to be paid or redeemed, as such amounts become due, provided that, in the case of Bonds that are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the 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 Indenture and the 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 Bonds.

### **Unclaimed Moneys**

Anything contained in the 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 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 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 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 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

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 Bonds**

As a precondition to the defeasance of the Bonds pursuant to the 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 Bonds in full on the maturity or redemption date (the “Verification Report”);
- (b) notice of the defeasance of the Bonds not less than fifteen (15) Business Days prior thereto; and
- (c) an opinion of Bond Counsel to the effect that the Bonds are no longer Outstanding.

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

### **Disqualified Bonds**

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

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

## **INSTALLMENT PURCHASE AGREEMENT**

### **Deposit of Moneys**

The Project consists of the 1993 Project and the 2001 Project. In order to induce the City to purchase the 1993 Project from the Authority and to assure the City that the moneys needed to pay the costs of the 1993 Project were available for that purpose without delay, the Authority issued the 1993 Bonds and the proceeds of the 1993 Bonds were deposited in the Project Fund held by the 1993 Trustee pursuant to the 1993 Trust Indenture. In order to induce the City to purchase the 2001 Project from the Authority and to assure the City that the moneys needed to pay the costs of the 2001 Project were available for that purpose without delay, the Authority issued the 2001 Bonds and the proceeds of the 2001 Bonds were deposited in the Acquisition Fund held by the 2001 Trustee pursuant to the 2001 Trust Indenture.

### **Acquisition of the Project**

Pursuant to the 1993 Installment Purchase Agreement, the Authority caused the 1993 Project to be acquired, constructed, and installed by the City, as its agent. The 1993 Project has been completed and

was acquired by the City. All costs of the 1993 Project have been paid and money in the Project Fund established pursuant to the 1993 Trust Indenture has been expended. Pursuant to the 2001 Installment Purchase Agreement, the Authority caused the 2001 Project to be acquired, constructed, and installed by the City, as its agent. The 2001 Project has been completed and was acquired by the City. All costs of the 2001 Project have been paid and money in the Acquisition Fund established pursuant to the 2001 Trust Indenture has been expended.

## **Title**

All right, title, and interest in each component of the Project vested in the City immediately upon the acquisition, construction, and installation thereof. Such vesting occurred without further action by the Authority or the City, and the Authority has delivered any and all documents required to assure such vesting.

## **Purchase Price**

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

## **2012 Installment Payments**

The City shall, subject to its rights of prepayment provided in Article VII of the 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 2012 Installment Payment Dates as set forth in the Installment Purchase Agreement. Pursuant to the Indenture, the 2012 Installment Payments are to be applied to the payment of the principal of and interest on the Bonds, and the 2012 Installment Payments shall be made in amounts that are sufficient, but no more than sufficient, to pay the scheduled payments of principal of and interest on the Outstanding Bonds. If and to the extent that, on any 2012 Installment Payment Date, there are amounts on deposit in the Payment Fund established under the Indenture, which amounts are not being held for the payment of specific Bonds, said amounts shall be credited against the 2012 Installment Payment due on such date. If all or a portion of the Bonds are no longer Outstanding as a result of redemption, early retirement through purchase by the City or the Authority, or defeasance of such Bonds, the schedule of 2012 Installment Payments set forth in the Installment Purchase Agreement shall be deemed to have been modified so that the 2012 Installment Payments are sufficient, but no more than sufficient, to pay the scheduled payments of principal of and interest on the Outstanding Bonds. Upon any such redemption, purchase, or defeasance, the City shall recalculate 2012 Installment Payments and shall provide the Trustee with a modified schedule of 2012 Installment Payments.

Each 2012 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 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 2012 Installment Payments if paid in accordance with their terms.

Subject to the Installment Purchase Agreement, the obligation of the City to make the 2012 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 Installment Purchase Agreement), the City will not discontinue or suspend any 2012 Installment

Payments required to be made by it under the 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 Project has been completed, and such payments shall not be subject to reduction (except as provided in the 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 2012 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 Project:

(a) all reasonable compensation to the Trustee pursuant to the Indenture for all services rendered under the 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 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 Installment Purchase Agreement or the Indenture; and

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

### **Pledge of Water System Revenues**

Pursuant to the Installment Purchase Agreement, all Water System Revenues and those amounts on deposit in the Revenue Fund are irrevocably pledged to the payment of the 2012 Installment Payments, the Additional Payments, and any and all other amounts payable under the Installment Purchase Agreement as provided therein, and the Water System Revenues shall not be used for any other purpose while any of the 2012 Installment Payments, the Additional Payments, and any and all other amounts payable under the 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 Installment Purchase Agreement. The pledge to the payment of the 2012 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 Installment Purchase Agreement, the Indenture, the 2004 Agreements, the 2006 Agreements, the 2010 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 Installment Purchase Agreement, for the payment of the Installment Payments and all other City Bonds and Contracts in accordance with the terms of the Installment Purchase Agreement, the Indenture, the 2004 Agreements, the 2006 Agreements, the 2010 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 Installment Purchase Agreement and in the 2004 Installment Purchase Agreement, the 2006 Installment Purchase Agreement, and the 2010 Installment Purchase Agreement, the City agrees and covenants in the 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 2012 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 Installment Purchase Agreement, the Indenture, the 2004 Agreements, the 2006 Agreements, the 2010 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 Installment Purchase Agreement, in the amounts and at the times required below, (b) 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, (c) 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, (d) the trustee for the 2010 Bonds, 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 (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, to replenish the Reserve Fund (or any Reserve Fund Surety Bond), in the amounts and at the times required below, (w) 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, (x) 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, (y) the trustee for the 2010 Bonds, to replenish any reserve fund (or reserve fund surety bond) securing the 2010A Bonds or the 2010B Bonds, in the amounts and at the times required by the 2010 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 2012 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 Installment Purchase Agreement:

(a) Payment Fund. 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 Bonds for deposit in the Payment Fund a sum equal to (1) one-sixth of the portion of the next 2012 Installment Payment designated as interest and coming due on the next 2012 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 2012 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 2012 Installment Payment designated as principal and coming due on the next applicable 2012 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 2012 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 Payment Fund of 2012 Installment Payments if the amount in the Payment Fund is at least equal to the amount of the 2012 Installment Payment due and payable during the current Bond Year with respect to the Bonds.

(b) Reserve Fund. 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 for deposit in the Reserve Fund that sum, if any, equal to one-twelfth of the amount necessary, calculated on the date of any transfer described above, to restore the Reserve Fund to an amount equal to the Reserve Requirement; provided however, that the City, upon notice to each rating agency then rating the Bonds, may provide for the Reserve Fund at any time, in whole or in part, by one or more insurance policies, letters of credit, surety bonds, or other form of guaranty from a financial institution, the long-term unsecured obligations of which are rated at the time of purchase in the two highest rating categories (excluding gradations within a rating category) of each rating agency then rating the Bonds; provided further, that to the extent a draw has been made by the Trustee on any Reserve Fund Surety Bond, the Trustee shall withdraw from the Revenue Fund such amounts as are sufficient to reimburse the provider thereof (or multiple providers on a ratable basis) for all draws (including interest on all amounts advanced under any Reserve Fund Surety Bond) thereby reinstating such Reserve Fund Surety Bond.

No transfer of moneys for deposit to the Reserve Fund in connection with the 2012 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 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 2004 Agreements, the 2006 Agreements, the 2010 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 Installment Purchase Agreement and Ancillary Agreements.*** The City will punctually pay the 2012 Installment Payments and the Additional Payments in strict conformity with the terms of the Installment Purchase Agreement, and will faithfully observe and perform all the agreements, conditions, covenants, and terms contained in the Installment Purchase Agreement required to be observed and performed by it, and will not terminate the Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant, or term contained in the Installment Purchase Agreement required to be observed and performed by it, whether express or implied, or any duty, liability, or obligation arising out of or connected 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 Indenture required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to the Installment Purchase Agreement and the Indenture that, subject to the 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 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 Installment Purchase Agreement, the Indenture, the 2004 Agreements, the 2006 Agreements, and the 2010 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 Installment Purchase Agreement or as provided for in the 2004 Agreements, the 2006 Agreements, or the 2010 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 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 Installment Purchase Agreement and in the 2004 Agreements, the 2006 Agreements, and the 2010 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 Installment Purchase Agreement or under the Indenture, the 2004 Agreements, the 2006 Agreements, the 2010 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 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 Installment Purchase Agreement or under the Indenture or on any funds in the hands of the City pledged to pay the 2012 Installment Payments and Additional Payments or to the Owners prior or superior to the lien to secure the 2012 Installment Payments and the Additional Payments or that might impair the security of the 2012 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 Installment Purchase Agreement to be maintained shall provide that the Authority and the Trustee shall be given thirty (30) days written notice of any intended cancellation thereof or reduction of coverage provided thereby.

***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 Installment Purchase Agreement and the rights of the Authority to the 2012 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 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 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 2012 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, 2021, 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 Bonds and as determined by the City, as a result thereof and a premium equal to the premium, if any, payable on the Bonds to be redeemed as a result thereof pursuant to the Indenture; provided that any amounts owing to the provider of any Reserve Fund Surety Bond shall have been paid in full.

Notwithstanding any such prepayment, the City shall not be relieved of its obligations under the 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 2012 Installment Payments, the 2012 Installment Payments shall be modified accordingly, and the schedule of 2012 Installment Payments set forth in Exhibit B to the 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 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 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 2012 Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained in the Installment Purchase Agreement to the contrary notwithstanding. The foregoing provisions, however, are subject to the condition that if at any time after the entire principal amount of the unpaid 2012 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 2012 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 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 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 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 Installment Purchase Agreement the Authority shall have no security interest in or mortgage on the Project or the Water System and default under the Installment Purchase Agreement shall not result in the loss of the Project or the Water System.

### **Non-Waiver**

Nothing in the Installment Purchase Agreement shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the 2012 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 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 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 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 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 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 Installment Purchase Agreement are discharged when:

(a) all or any portion of the 2012 Installment Payments shall have become due and payable in accordance with the Installment Purchase Agreement or a written notice of the City to prepay all or any portion of the 2012 Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the 2012 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

2012 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 2012 Installment Payments to their respective 2012 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 Installment Purchase Agreement shall not adversely affect the tax exempt status of the interest on the Bonds the right, title, and interest of the Authority in the Installment Purchase Agreement and the obligations of the City under the Installment Purchase Agreement shall, with respect to all or such portion of the 2012 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 2012 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 Indenture as an overpayment of 2012 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 2012 Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the 2012 Installment Payments and shall be applied by the Trustee to the payment of the 2012 Installment Payments of the City.

### **Liability of City Limited to Water System Revenues**

Notwithstanding anything contained in the 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 Installment Purchase Agreement and in the Indenture for the payment of the 2012 Installment Payments or for the performance of any agreements or covenants required to be performed by it contained in the Installment Purchase Agreement. The City may, however, 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 2012 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 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 Installment Purchase Agreement and the rights and obligations of the Authority and the City and of the Owners of the 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 Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, 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 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 Installment Purchase Agreement and the rights and obligations of the Authority and the City and of the Owners of the Bonds 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 Installment Purchase Agreement other covenants and agreements thereafter to be observed or to surrender any right or power reserved in the 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 Installment Purchase Agreement or in regard to questions arising under the 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.

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## 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 largest city in the County, with a population estimated at 199,722 in 2011, accounting for approximately 24% of the County’s population. The City has a diversified economic base composed of agriculture and related business, retail, various services, and governmental agencies.

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 199,722 in 2011. 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 2011.

**Population of  
City, County, State, and U.S.  
2000 through 2011 <sup>(1)</sup>**

<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	--	756,902	--	34,001	--	282,172	--
2001	177,700	10.85%	768,991	1.60%	34,513	1.51%	285,082	1.03
2002	182,027	2.44	779,894	1.42	34,938	1.23	287,804	0.95
2003	181,800	(0.12)	789,367	1.21	35,389	1.29	290,326	0.88
2004	186,122	2.38	795,046	0.72	35,753	1.03	293,046	0.94
2005	188,941	1.51	796,867	0.23	35,986	0.65	295,753	0.92
2006	189,990	0.56	801,225	0.55	36,247	0.73	298,593	0.96
2007	192,997	1.58	805,911	0.58	36,553	0.84	301,580	1.00
2008	194,905	0.99	812,028	0.76	36,856	0.83	304,375	0.92
2009	197,067	1.10	818,546	0.80	37,077	0.60	307,007	0.86
2010	200,004	1.50	825,378	0.83	37,318	0.65	309,330	0.76
2011	199,722	(0.14)	830,215	0.60	37,579	0.70	311,591	0.73

(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, 2011; for State and County: California Department of Finance (Report E-2: Table 2 (California County Population Estimates and Percent Change Revised July 1, 2010 through Preliminary July 1, 2011) and Table 12 (California County Population Estimates and Percent Change Revised June 1, 2000 through Provisional July 1, 2010); 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 2002 through 2011

<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>
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
2010	1.00	0.20384	0.11470	0.01290	1.33144
2011	1.00	0.22054	0.11990	0.01110	1.35154

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011.

## Property Tax Levies, Collections, and Delinquencies

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

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

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

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

**City of Oxnard**  
**Property Tax Levies, Collections and Delinquencies**  
**Fiscal Years 2002 through 2011**

<b><u>Year Ended June 30</u></b>	<b><u>Total Tax Levy</u></b>	<b><u>Current Tax Collections</u></b>	<b><u>Percent of Levy Collected</u></b>	<b><u>Delinquent Tax Collections</u></b>	<b><u>Total Tax Collections</u></b>	<b><u>Total Collections as a Percentage of Tax Levy</u></b>
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
2010	75,929,128	71,755,189	94.50	136,565	71,891,754	94.68
2011	72,434,536	71,118,203	98.18	105,158	71,223,361	98.33

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011.

**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 Values and Estimated Value of Taxable Property**  
**Fiscal Years 2002 through 2011**

<b><u>Year Ended June 30</u></b>	<b><u>Assessed Value of Land</u></b>	<b><u>Assessed Value of Improvements</u></b>	<b><u>Assessed Value of Personal Property</u></b>	<b><u>Less: Tax Exempt Real Property</u></b>	<b><u>Estimated Total Assessed Value of Taxable Property</u></b>
2002	\$2,900,656,137	\$5,131,100,929	\$431,425,298	\$ 905,863,935	\$ 7,557,318,429
2003	3,189,299,331	5,584,524,376	444,095,624	1,110,078,014	8,107,841,317
2004	3,613,674,889	6,152,956,699	580,195,155	1,346,099,223	9,000,727,520
2005	4,320,681,588	6,818,196,522	484,878,479	1,537,114,090	10,086,642,499
2006	5,266,423,145	7,510,814,807	564,046,351	1,835,609,239	11,505,675,064
2007	6,122,287,297	8,427,981,083	598,530,800	2,126,175,049	13,022,624,131
2008	7,043,458,754	8,801,081,711	608,929,391	2,299,830,016	14,153,639,840
2009	7,364,501,802	8,753,745,455	637,023,113	2,692,759,267	14,062,511,103
2010	6,699,090,916	8,441,834,476	648,608,797	654,220,264	15,135,313,925
2011	6,524,818,244	8,540,793,743	618,870,116	654,216,502	15,090,265,601

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011.

## Principal Taxable Property Owners

The following table lists the principal taxable property owners in the City as of June 30, 2011.

City of Oxnard Principal Property Taxpayers		
<u>Property Owner</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Procter & Gamble Paper Products	\$ 266,561,813	1.76%
SOCMI LLC	88,715,141	0.58
Haas Automation Inc.	78,230,500	0.52
Essex Arbors LP	77,354,636	0.51
RRI Energy Mandalay Inc.	74,418,584	0.49
Essex Tierra Vista LP	72,312,800	0.48
GS Paz Mar LP	68,962,228	0.44
MEF Realty LLC	67,257,103	0.44
Capri of KW Serenade LLC	66,869,817	0.44
Duesenberg Investment Company	66,402,857	0.44
Other Taxpayers	<u>14,247,795,565</u>	<u>93.90</u>
Totals	\$15,174,881,044	100.00%

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011.

## 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 2002 through 2011							
<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>	
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
2010	38,877,717	33,600,000	46,475,000	1,436,151	370,257,293	3,632,411	494,278,572
2011	37,359,198	32,820,000	45,155,000	2,552,594	383,230,810	3,623,668	504,741,270

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011.

## Measure O Sales Tax

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 (the "Measure O Sales Tax"). Sales tax revenues currently comprise approximately 23% of the City's annual General Fund revenues, 33% of which is comprised of Measure O Sales Taxes. The City began collecting the Measure O Sales Tax in April 2009. In Fiscal Year 2010-11, approximately \$11,161,453 in Measure O Sales Taxes were collected, and approximately \$4,794,492 of such Measure O Sales Taxes were expended for various authorized City purposes, including parks and open spaces, traffic and road improvements, public safety and gang prevention/intervention, and recreation and youth programs.

## Taxable Retail Sales

Consumer spending in calendar year 2009 resulted in \$1,856,434,000 in taxable sales in the City, which is approximately 14.3% below calendar year 2008. The following table provides a summary of taxable sales in the City for calendar years 2005 through 2009.

<b>City of Oxnard</b> <b>Taxable Retail Sales by Type of Business</b> <b>2005 – 2009</b> <b>(000s)</b>					
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Retail Outlets	1,893,914	1,893,276	1,809,324	1,648,461	\$1,856,434
All Other Outlets	<u>405,811</u>	<u>496,311</u>	<u>507,784</u>	<u>517,015</u>	<u>419,475</u>
<b>Total All Outlets</b>	<b>\$2,299,725</b>	<b>\$2,389,587</b>	<b>\$2,317,108</b>	<b>\$2,165,477</b>	<b>\$1,856,434</b>

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.

<b>City and County</b> <b>Labor Force and Unemployment Figures</b> <b>(2006 through 2010)</b>				
	<b>City</b>		<b>County</b>	
<u>Year</u>	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Labor Force</u>	<u>Unemployment Rate</u>
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
2009	90,400	13.4	430,300	9.9
2010	90,900	14.6	430,900	10.8

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. Union Pacific Railroad provides freight rail service through 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 Union 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. 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. 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, a California community college. 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.

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.

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**APPENDIX C**

**CITY OF OXNARD  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2011**



## Comprehensive Annual Financial Report

FY 2010-2011

Fiscal Year Ending June 30, 2011







**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
Fiscal Year Ended June 30, 2011**

Prepared by  
Finance Department  
James Cameron  
Chief Financial Officer

*Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2011  
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# **INTRODUCTORY SECTION**





300 West Third Street, Oxnard, CA 93030

December 01, 2011

To the Honorable Mayor, Members of the City Council,  
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, 2011. 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 controls 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, 2011. 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 199,722 in 2011, representing 24 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.

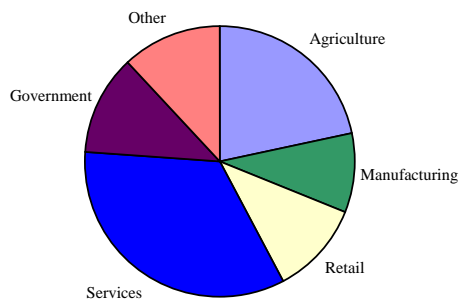
The City provides a full range of municipal services from a variety of funding sources. Services funded from general fund sources include police and fire protection, parks and recreational activities, library services, and cultural events. In addition, the city funds the construction and maintenance of streets, parks, and other public buildings. 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.

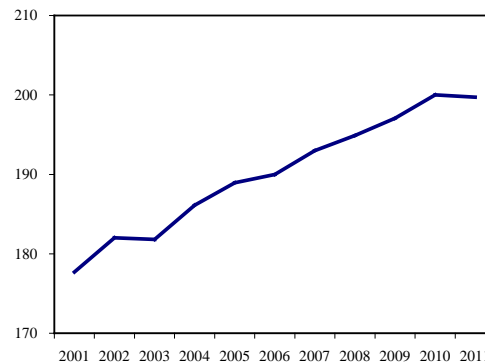
## **Local Economy**

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 with agriculture providing an important source of employment in the City of Oxnard. While population growth in Oxnard has flattened over the last two years, growth has averaged just over 1% over the last ten years as a result of employment opportunities and low housing costs relative to other regions of the State. Unemployment continues to be a concern with only moderate improvement in the last fiscal year, averaging 14.25% compared to 14.4% in the previous fiscal year. Declining employment in construction and government has been largely offset by improvements in various service industries.

**Oxnard Metro Area Employment**

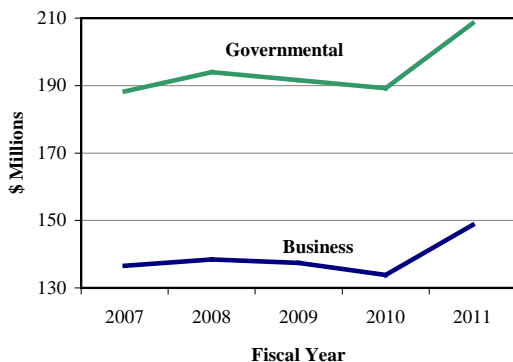


**Oxnard Population**

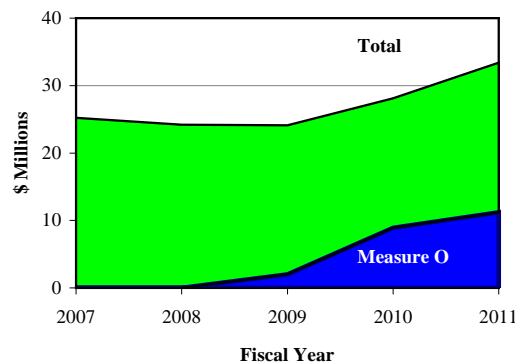


Both City governmental and business activities experienced increased revenues in 2011 as the economy began to stabilize. Sales tax growth in 2011 as well as the prior year was largely driven by the Measure O ½ cent sales tax; however, base sales taxes grew moderately. Property taxes continued to decrease based on valuation while other taxes were generally flat overall. The City was able to take advantage of federal and state grant opportunities resulting in an increase of \$21 million. Developer related fees continued to decline as did other miscellaneous charges for services. Business activity revenues increased based on the second year of the Council approved utility rate adjustment as well as pass through costs for water purchases.

**Revenues**



**Sales Tax**



## 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 Council recently adopted the update to the 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 have developed 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 unassigned fund balance goal of 18% of the general fund's operating expenditures. The City ended the fiscal year at 14% or \$15.6 million.

## Major Initiatives

In November of 2008, the voters of Oxnard approved a ½ cent sales tax increase. Fiscal year 2011 was the second full year of collecting the sales tax, which began in April of 2009. The following summarizes the financial status of these funds:

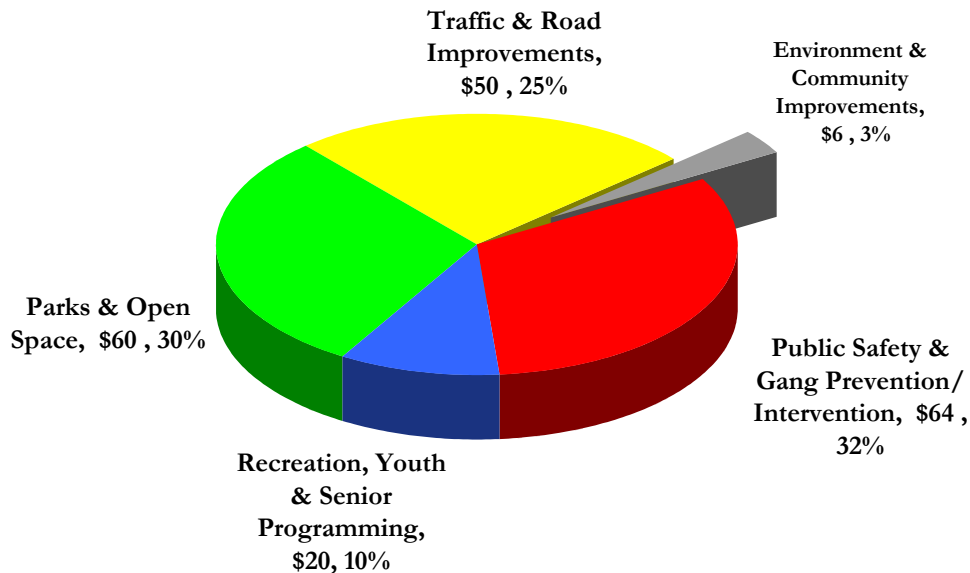
### Measure O 1/2 Cent Sales Tax June 30, 2011

<b>Balance Sheet</b>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 15,871,016
Due from other government	2,133,000
Total assets	<b>\$ 18,004,016</b>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	531,264
Total liabilities	531,264
Fund balances	17,472,752
Total liabilities and fund balances	<b>\$ 18,004,016</b>
<b>Income Statement</b>	
<b>REVENUES</b>	
Taxes	\$ 11,161,453
Interest Earnings	167,320
Total revenues	11,328,773
<b>EXPENDITURES</b>	
Parks & Open Space	3,314,685
Traffic & Road Improvements	637,450
Public Safety & Gang Prevention/Intervention	439,470
Recreation & Youth Programming	402,887
Total expenditures	4,794,492
Net change in fund balances	<b>\$ 6,534,281</b>

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 2028.

The City Council has approved the following long-term allocation of Measure O funds. The City has begun implementing several key projects and programs including street repairs and a new traffic management system, expanded community policing and a new CAD/RMS system, a new Fire Station, gang prevention and intervention programs such as the City Corp Townkeepers program, and expansion of Parks and other recreational opportunities.

**Measure O Long-term Allocation  
in \$ Millions and Percent of \$200 Million**



### 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

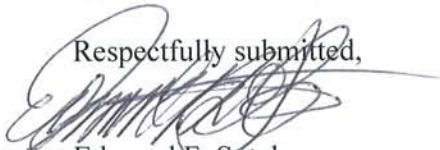
the single audit performed by Mayer Hoffman McCann PC are available under separate cover.

### **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, 2010. This was the 22nd 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 the Certificate of Achievement Program's requirements 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,



Edmund F. Sotelo  
City Manager



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, 2010

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.



A stylized, handwritten signature in black ink, likely belonging to the President of the GFOA.

President

A handwritten signature in black ink that reads 'Jeffrey R. Emer'.

Executive Director

# City of Oxnard, California

## CITY COUNCIL



DR. IRENE G. PINKARD  
Mayor Pro Tem



BRYAN A. MACDONALD  
Councilman



DR. THOMAS E. HOLDEN  
Mayor



TIM FLYNN  
Councilman

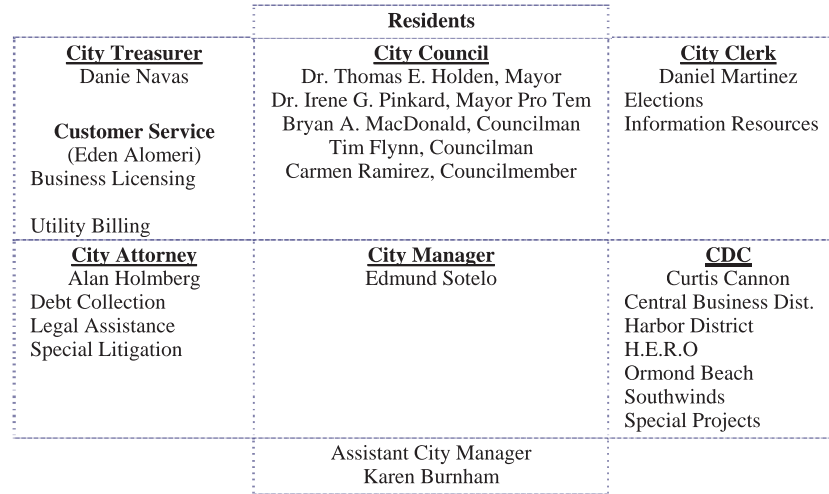


CARMEN RAMIREZ  
Councilmember



**EDMUND F. SOTELO**  
City Manager

## City of Oxnard Organizational Chart



**KAREN BURNHAM**  
Assistant City Manager

<u>Police</u>	<u>Fire</u>	<u>Housing</u>	<u>Finance</u>	<u>Recreation and Community Services</u>	<u>Development Services</u>	<u>Public Works</u>	<u>City Manager</u>	<u>Human Resources</u>	<u>Library</u>	
Jeri Williams	Joe Milligan	Bill Wilkins	Jim Cameron	VACANT	Matt Winegar	Rob Roshanian (Acting)	Edmund Sotelo	Michelle Tellez	Barbara Murray	
<b>Administrative Services</b> (Jason Benites)	<b>Disaster Preparedness</b> (Deborah Shane)	<b>Administrative Services</b> (Carrie Sabatini)	<b>Budget and Capital Improvement</b> (Beth Vo)	<b>Community Facilities</b> (Bob Holden)	Development Support	<b>Administration</b>	<b>Operations</b>	<b>Information Systems</b>	Employee Benefits	Circulation Services
Emergency Communications	<b>Emergency Services</b> (Darwin Base)	<b>Affordable Housing</b> (Karl Lawson)	Budget	Performing Arts and Convention Center	Transportation Planning & Services	<b>Construction and Design Services</b> (Lou Balderrama)	Cable Television	Citywide Network Support	Employee Training	Branch Services
Professional Standards	(Michael O'Malia)	<b>Housing Assistance</b> (Will Reed)	Capital Improvement Projects			Construction Services	Community Relations	Document Publishing Services	Human Resources	Community Outreach
Support Services	<b>Fire Prevention</b> (Gary Sugich)	<b>Capital Fund Asset Management</b> (Rick Shear)	<b>Financial Resources</b> (Mike More)	<b>Recreation &amp; Community Services</b> (Vacant)	<b>Building and Engineering</b> (Rob Roshanian)	Design	Neighborhood Services	Geographic Information Systems	Labor Negotiations	Public Services
<b>Field Operations</b> (Scott Whitney)	<b>CUPA</b> (Miguel Trujillo)		Debt & Property Management	Recreation Services	Building and Engineering	Street Maintenance & Repair	Public Information	Workers' Compensation	Safety & Wellness	Support Services
Code Compliance		<b>Grants Management</b> (Norma Owens)	Liability Management	Senior/Special Population Services	<b>Planning</b> (Sue Martin)	Traffic Signs & Markings	Special Projects	Help Desk		
Community Patrol		Grants Assistance	<b>General Accounting</b> (Marichu Maramba)	South Oxnard Center	Planning & Environmental Services	<b>Utilities Services</b> (Vacant)	<b>Legislative Affairs</b> (Martin Erickson)	Municipal Software Support		
<b>Investigative Services</b> (Vacant)			Accounting	Special Events		Water		Telecommunications Support		
Investigative Services			Payroll & Benefits	Youth Development		Wastewater		<b>General Services</b> (Michael Henderson)		
Special Services			<b>Purchasing</b> (Bruce Dandy)			Environmental Resources		Facilities Maintenance		
			Mail Service					Landscape Assessment & Graffiti Removal		
			Purchasing					Park/Facility Development		
								Parks Maintenance		
								River Ridge Golf Course		
								Street Lighting		
								Fleet Services		

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# **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 City of Oxnard, California, as of and for the year ended June 30, 2011, 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, 2011, 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.

During the year ended June 30, 2011, the City changed the manner in which it classifies fund balances as a result of the implementation of GASB Statement No. 54, as discussed further in the notes to the financial statements.

As explained further in Note V, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011, 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 internal control over financial reporting or on compliance. That report is an

### **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

integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and schedule of funding progress on pages 3 through 15 and 83 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 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 financial statements as a whole. The introductory section, budgetary comparison information 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 financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison information have been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "Mayer Hoffman Mc Cann P.C.".

Bakersfield, California  
December 1, 2011

# **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, 2011. 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 \$1.85 billion (net assets) at the close of the fiscal year. In the previous year, net assets were \$1.81 billion.
- The City's total net assets increased by \$46.0 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 \$1.53 billion, an increase of \$25.9 million from the prior year. The unrestricted net assets of \$79.6 million reflect an increase of \$27.5 million from the prior year.
- At the end of the fiscal year, the unassigned fund balance of the General Fund was \$15.6 million, which is 14% of the general fund's operating expenditures.
- The City's total debt (excluding compensated absences) increased by \$10.2 million during the current fiscal year. Golf Course Revenue Refunding Bonds, Series 2011 in the amount of \$21.6 million were issued. Repayment of other outstanding debt partially 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 Statement 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 \$1.85 billion at the close of the fiscal year, an increase of \$46.0 million.

**Summary of Net Assets**  
(\$thousands)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Current assets	\$ 201,026	\$ 209,971	\$ 116,055	\$ 191,072	\$ 317,081	\$ 401,043
Capital assets (net of accumulated depreciation)	1,504,940	1,470,859	607,160	541,279	2,112,100	2,012,138
Properties held for resale	7,068	6,076	-	-	7,068	6,076
Other assets	6,277	7,606	5,009	6,069	11,286	13,675
<b>Total assets</b>	<b>1,719,311</b>	<b>1,694,512</b>	<b>728,224</b>	<b>738,420</b>	<b>2,447,535</b>	<b>2,432,932</b>
Current liabilities	39,423	41,405	10,847	13,484	50,270	54,889
Non-current liabilities	154,073	153,146	390,103	417,785	544,176	570,931
<b>Total liabilities</b>	<b>193,496</b>	<b>194,551</b>	<b>400,950</b>	<b>431,269</b>	<b>594,446</b>	<b>625,820</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	1,411,738	1,377,785	265,618	250,720	1,677,356	1,628,505
Restricted	34,500	38,646	18,417	17,706	52,917	56,352
Unrestricted	79,577	83,530	43,239	38,725	122,816	122,255
<b>Total net assets</b>	<b>\$ 1,525,815</b>	<b>\$ 1,499,961</b>	<b>\$ 327,274</b>	<b>\$ 307,151</b>	<b>\$ 1,853,089</b>	<b>\$ 1,807,112</b>

Note: FY 2010 restricted and unrestricted net assets revised to reflect tax increment as restricted.

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 \$48.8 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. Both restricted net assets that are subject to external limitations on how they may be used and unrestricted net assets each make up 7% of the total.

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 \$25.9 million, while business activities increased \$20.1 million.

The following table presents a summary of the changes in the City's net assets for the year ended June 30, 2011.

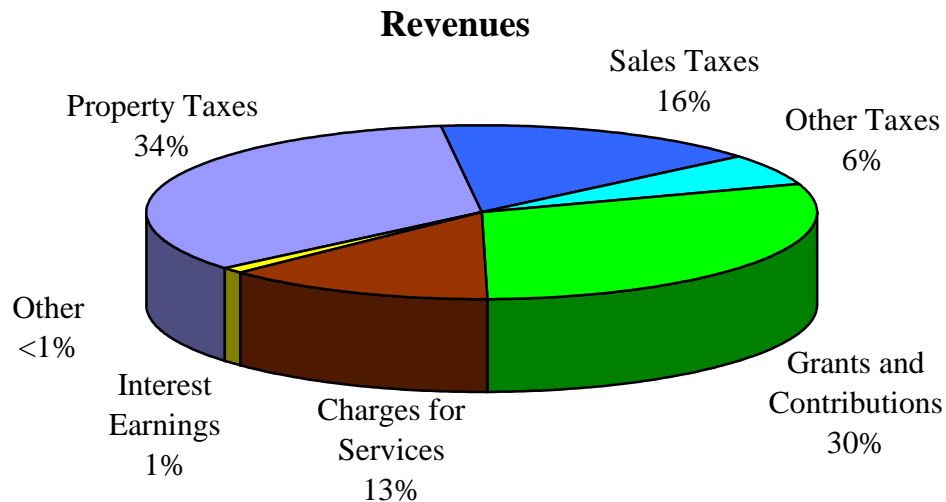
**Summary of Changes in Net Assets**  
**(\$thousands)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Program revenues:						
Charges for services	\$ 27,436	\$ 31,508	\$ 122,506	\$ 110,953	\$ 149,942	\$ 142,461
Operating grants and contributions	27,294	24,380	20,524	20,781	47,818	45,161
Capital grants and contributions	35,331	17,106	2,308	192	37,639	17,298
General revenues:						
Taxes	116,359	112,760	-	-	116,359	112,760
Interest on investments	1,934	2,770	3,362	1,912	5,296	4,682
Sale of capital assets	141	694	-	-	141	694
<b>Total revenues</b>	<b>208,495</b>	<b>189,218</b>	<b>148,700</b>	<b>133,838</b>	<b>357,195</b>	<b>323,056</b>
Expenses:						
General government	20,846	18,695	-	-	20,846	18,695
Public safety	92,703	92,555	-	-	92,703	92,555
Transportation	10,521	10,321	-	-	10,521	10,321
Community development	26,226	32,863	-	-	26,226	32,863
Culture and leisure	19,047	19,017	-	-	19,047	19,017
Libraries	5,230	5,177	-	-	5,230	5,177
Interest on long-term debt	5,503	5,584	-	-	5,503	5,584
Water	-	-	34,063	36,798	34,063	36,798
Wastewater	-	-	23,052	24,206	23,052	24,206
Environmental Resource	-	-	41,406	39,296	41,406	39,296
Performing Arts and Convention Center	-	-	1,606	1,652	1,606	1,652
Oxnard Housing Authority	-	-	24,911	25,260	24,911	25,260
Municipal Golf Course	-	-	6,105	4,507	6,105	4,507
<b>Total expenses</b>	<b>180,076</b>	<b>184,212</b>	<b>131,143</b>	<b>131,719</b>	<b>311,219</b>	<b>315,931</b>
Change in Net Assets before Transfers	28,419	5,006	17,557	2,119	45,976	7,125
Transfers	(2,565)	(886)	2,565	886	-	-
<b>Changes in net assets</b>	<b>25,854</b>	<b>4,120</b>	<b>20,122</b>	<b>3,005</b>	<b>45,976</b>	<b>7,125</b>
Net Assets - July 1	1,499,961	1,495,841	307,151	304,146	1,807,112	1,799,987
<b>Net Assets - June 30</b>	<b>\$ 1,525,815</b>	<b>\$ 1,499,961</b>	<b>\$ 327,273</b>	<b>\$ 307,151</b>	<b>\$ 1,853,088</b>	<b>\$ 1,807,112</b>

Total revenues increased \$34.1 million including \$23 million in Grants. Total expenses decreased \$4.7 million, primarily in governmental activities' community development.

**Governmental Activities.** The net assets of governmental activities increased by \$25.9 million during the fiscal year as follows:

- Taxes, which make up the largest source of governmental revenues at 56%, increased \$3.6 million. This increase was primarily due to a \$5.3 million increase in sales taxes, including \$2.3 million from the Measure O ½ cent sales tax. Property taxes decreased an additional \$1.7 million as a result of falling valuations, including decreases of \$0.3 million in the Public Safety retirement tax and \$0.2 million in Community Development.
- Charges for services, which include various building permits and other development related fees as well as various user fees, make up 13% of governmental revenues. Decreases of \$4.1 million were primarily in development and growth fees, resulting from the ongoing slow down in development projects as a result of the housing and financial.
- Grants and contributions for both capital and operating purposes make up 30% of revenues with the remaining 1% from interest on investments and sale of assets. Grants increased as a result of successful efforts for American Recovery and Reinvestment Act funding and use of other transportation as well as community development related grants.



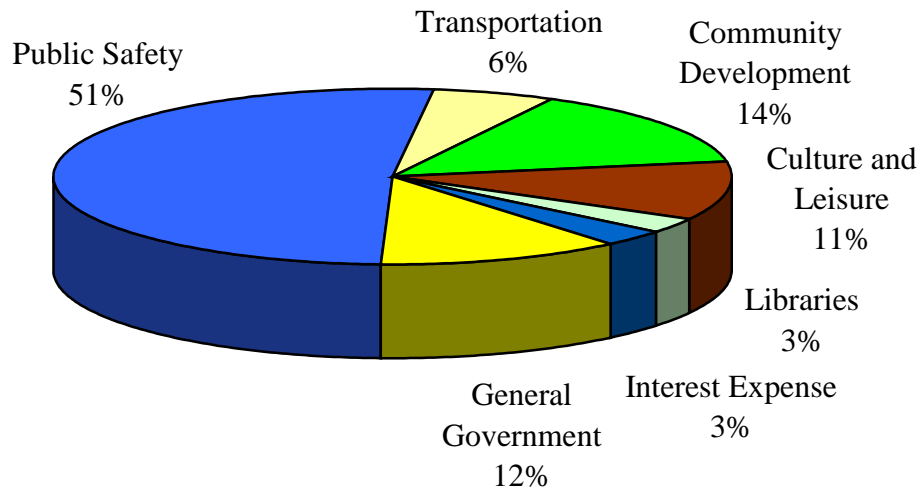
Of the \$180.1 million in total governmental expenses, 85% supports programs that provide direct services to the community.

- At 51%, Public Safety, which includes Police and Fire, receives the largest share of governmental revenues and was relatively unchanged.
- Other service programs include Community Development at 14%, Culture and Leisure at 11%, Transportation at 6%, and Library at 3%. Community Development decreased \$6.65 million primarily from reduced transfers of redevelopment agency tax increments to the State, as well as one time redevelopment pass-through payments made in fiscal year 2011. The other service areas increased a combined \$0.3 million as a result of grant activity.
- The remaining 15% includes General Government, which increased \$2.2 million and Interest Expenses, which decreased \$0.1 million. The increase in General Government accounts for a portion of the early retirement incentive (ERIP) not allocated to specific governmental programs.



Total expenses decreased \$4.1 million.

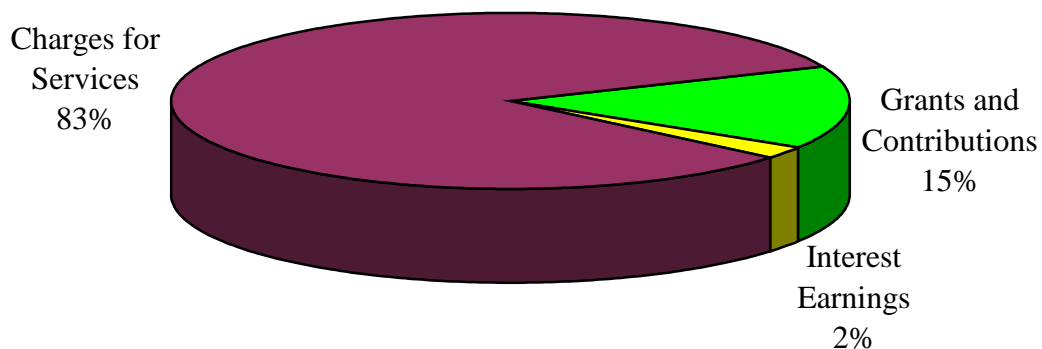
### Expenses



**Business-type Activities.** Business-type activities increased the City's net assets by \$20.1 million.

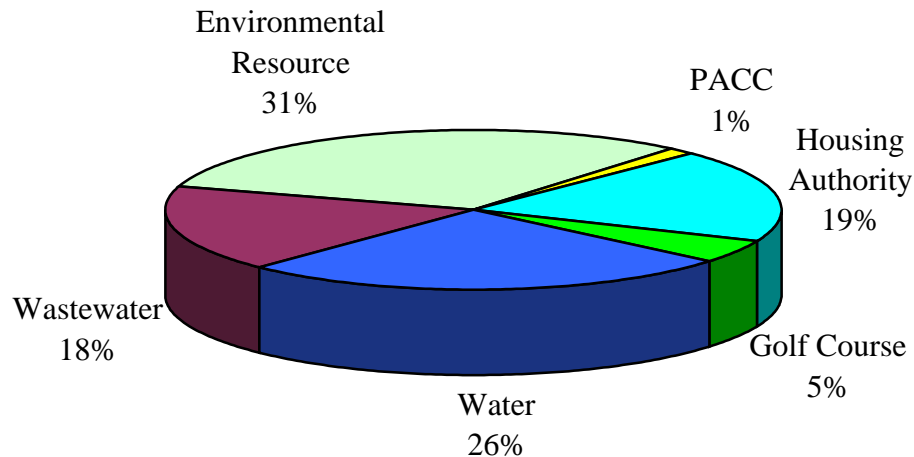
- Charges for services, which make up 83% of business-type revenues, increased \$11.6 million due to increased utility rates and collections.
- Grants added \$1.9 million and interest earnings increased \$1.4 million.
- Net Transfers increased \$1.7 million, primarily due to a one-time transfer into the golf course fund.

### Revenues



- Business-type activity expenses decreased \$0.6 million. While various operating expenses increased \$2.6 million, including water purchases and supplies (\$1.8 million) as well as depreciation (\$1.2 million), interest charges decreased \$3.2 million.

### Expenses



### 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 \$158.9 million, a decrease of \$5.9 million from the prior year. This year-end total is made up of the following:

- \$13.2 million is non-spendable consisting of \$7.1 million of property held for resale and \$6.1 million in notes receivable under tax increment funds
- \$34.5 million is restricted primarily for repayment of debt (\$25.1 million) and public safety retiree medical funds (\$9.4 million)
- \$98.3 million is assigned for Measure O programming (\$17.5 million), capital projects (\$10.6 million), and the remainder for special revenue funds.
- \$12.9 million is unassigned consisting of \$15.6 million in the general fund and negative \$2.7 million in grants and community development commission funds.

The major governmental funds are the General Fund, State and Federal Grant Fund, Community Development Commission, and Tax Increment Fund.

**Governmental Funds Balance Sheet Summary**  
**(\$thousands)**

	<b>General Fund</b>		<b>Other Governmental</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Assets	<u>\$ 41,413</u>	<u>\$ 38,598</u>	<u>\$ 166,419</u>	<u>\$ 162,134</u>	<u>\$ 207,832</u>	<u>\$ 200,732</u>
<b>Liabilities and Fund Balance</b>						
Liabilities	<u>8,292</u>	<u>8,871</u>	<u>40,630</u>	<u>27,030</u>	<u>48,922</u>	<u>35,901</u>
Fund Balances						
Nonspendable	-	-	13,230	11,364	13,230	11,364
Restricted	-	-	34,500	38,379	34,500	38,379
Assigned	17,473	11,269	80,824	85,361	98,297	96,630
Unassigned	<u>15,648</u>	<u>18,458</u>	<u>(2,765)</u>	<u>-</u>	<u>12,883</u>	<u>18,458</u>
Total fund balances	<u>33,121</u>	<u>29,727</u>	<u>125,789</u>	<u>135,104</u>	<u>158,910</u>	<u>164,831</u>
<b>Total Liabilities and Fund Balance</b>	<u><b>\$ 41,413</b></u>	<u><b>\$ 38,598</b></u>	<u><b>\$ 166,419</b></u>	<u><b>\$ 162,134</b></u>	<u><b>\$ 207,832</b></u>	<u><b>\$ 200,732</b></u>

The General Fund is the primary operating fund of the City. At the end of the fiscal year, the fund balance of the General Fund was \$33.1 million. The unassigned fund balance of the General Fund was \$15.6 million, which is 14% of general fund operating expenditures.

General fund operating revenues exceeded expenditures by \$2.4 million. Total operating revenues increased \$3.8 million, including \$2.3 million from the ½ cent sales tax. General fund expenditures reflected a net increase of \$4.7 million, primarily for the use of the ½ cent sales tax for approved projects.

- Taxes increased \$4.1 million, including the \$2.3 million increase in the ½ cent sales tax. These increases reflected a stabilizing local economy and a revised sales tax accrual basis. A \$1.7 million decrease in property taxes was offset by a \$3 million increase in sales tax while other general revenues experienced smaller variances.
- Expenditures were generally flat consistent with revenues apart from the investment of \$4.8 million from ½ cent sales tax revenues in expanding services. The exception was public safety which increased \$2 million, primarily Police, offset by savings in various departments
- Net transfers decreased \$1.6 million due to an adjustment for Public Safety Retirement medical charges against the Public Safety Retirement fund.

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**(\$thousands)**

	<b>General Fund</b>		<b>Other Governmental</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Revenues</b>						
Taxes	\$ 84,343	\$ 80,279	\$ 32,016	\$ 32,481	\$ 116,359	\$ 112,760
Other Revenues	28,712	28,986	61,449	49,444	90,161	78,430
<b>Total revenues</b>	<b>113,055</b>	<b>109,265</b>	<b>93,465</b>	<b>81,925</b>	<b>206,520</b>	<b>191,190</b>
<b>Expenditures</b>						
Current	106,835	105,797	46,258	54,763	153,093	160,560
Capital outlay	3,845	158	50,941	34,581	54,786	34,739
Debt service	-	-	9,078	8,974	9,078	8,974
<b>Total expenditures</b>	<b>110,680</b>	<b>105,955</b>	<b>106,277</b>	<b>98,318</b>	<b>216,957</b>	<b>204,273</b>
Excess of revenues over (under) expenditures	<b>2,375</b>	<b>3,310</b>	<b>(12,812)</b>	<b>(16,393)</b>	<b>(10,437)</b>	<b>(13,083)</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of bonds	-	-	1,296	1,396	1,296	1,396
Net Transfers	1,020	2,622	2,201	2,618	3,221	5,240
<b>Total other financing sources (uses)</b>	<b>1,020</b>	<b>2,622</b>	<b>3,497</b>	<b>4,014</b>	<b>4,517</b>	<b>6,636</b>
<b>Net change in fund balances</b>	<b>3,395</b>	<b>5,932</b>	<b>(9,315)</b>	<b>(12,379)</b>	<b>(5,920)</b>	<b>(6,447)</b>
Fund balances, July 1	29,727	23,795	135,103	147,482	164,830	171,277
<b>Fund balances, June 30</b>	<b>\$ 33,122</b>	<b>\$ 29,727</b>	<b>\$ 125,788</b>	<b>\$ 135,103</b>	<b>\$ 158,910</b>	<b>\$ 164,830</b>

For other major funds, the CDC fund balance decreased \$60.8 million as the result of City Council and CDC action to transfer CDC assets to City accounts, now reflected in Tax Increment Funds. State and Federal Grants decreased \$14.8 million primarily due to the reclassification of Public Safety Retirement Funds to Non-Major Funds. The total fund balance for non-major funds increased \$5.9 million, primarily due to the reclassification of Public Safety Retirement Funds of \$9.4 million partially offset by the use of fund balance in development and capital outlay funds for capital projects as programmed.

**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 \$38.2 million, a increase of \$3.6 million. Total net assets increased \$19.3 million due to improved revenues combined with limited growth in the cost of providing services. Internal service fund balances decreased \$3 million as charges were adjusted consistent with actual costs and reserve requirements.

- Enterprise operating revenues increased \$11.6 million as rate adjustments, including pass through increases, improved revenue performance in water, wastewater, and environmental resources. Interest earnings increased by \$1.4 million.
- Enterprise operating expenses increased \$2.6 million to \$125.5 million primarily due to water purchases and supplies (\$1.8 million) as well as depreciation (\$1.2 million). Various operating increases were offset by lower salary and benefit costs.
- Internal service charges were refunded to operating funds in FY 2011 based on unrestricted fund balances.

### General Fund Budgetary Highlights

Budgeted revenues were increased \$10.1 million and actual revenues were \$2.8 million higher than the final budget. The increase to the budget was primarily to recognize Measure O ½ Cent Sales Tax revenues based on City Council appropriations. In addition, the variance in actual revenues from final budgets included \$2.3 million in higher ½ cent sales tax revenues than budgeted. The remaining increase was the result of higher general property and sales tax revenues of \$1.9 million offset by lower franchise revenues of \$1.2 million and a net shortfall of \$0.2 million in various other revenues.

### General Fund Budgetary Summary (\$thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 72,126	\$ 81,499	\$ 84,343	\$ 2,844
Other Revenues	28,008	28,755	28,712	(43)
<b>Total revenues</b>	<b>100,134</b>	<b>110,254</b>	<b>113,055</b>	<b>2,801</b>
<b>Expenditures</b>				
Current	104,126	105,578	106,835	(1,257)
Capital outlay	136	19,488	3,845	15,643
<b>Total expenditures</b>	<b>104,262</b>	<b>125,066</b>	<b>110,680</b>	<b>14,386</b>
Excess of revenues over (under) expenditures	(4,128)	(14,812)	2,375	17,187
<b>Other Financing Sources (Uses)</b>				
Net Transfers	4,034	2,870	1,020	(1,850)
<b>Total other financing sources (uses)</b>	<b>4,034</b>	<b>2,870</b>	<b>1,020</b>	<b>(1,850)</b>
<b>Net change in fund balances</b>	<b>\$ (94)</b>	<b>\$ (11,942)</b>	<b>\$ 3,395</b>	<b>\$ 15,337</b>

General Fund appropriations were increased \$20.8 million from the original budget of \$104.3 million (excluding transfers) and actual expenditures were \$14.4 million lower than the final budget. Most of this variance was from the appropriation of Measure O ½ Cent Sales Tax funds for multi-year projects.

- Changes to the budget included \$21 million for Measure O projects and programs. Miscellaneous adjustments resulted in a net decrease of approximately \$0.2 million.
- The \$14.4 million difference between the final budget for expenditures and actual amounts included \$16.2 million of Measure O funds anticipated for expenditure in FY 2012. Several departments experienced unbudgeted expenditures that required the use of fund balance in the amount of \$1.6 million. These included higher overtime primarily in public safety, fuel and vehicle maintenance costs, and electricity charges for street lights.

The transfer budgets were reduced \$1.2 million primarily to reflect ERIP savings as they were recognized. The \$1.8 million net variance included a \$1.5 million adjustment for Public Safety Retirement medical charges against the Public Safety Retirement fund previously discussed and a \$0.3 million shortfall in ERIP savings.

## 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, 2011, were \$1.5 billion and \$0.61 billion respectively. Governmental capital assets increased \$34.1 million or 2.3% including roadway construction, such as the Rice Avenue/Highway 101 Interchange project. Business-type activities increased \$65.9 million or 12.2% primarily related to the GREAT program projects such as the Advanced Water Purification Facility and Recycled Water Backbone. More detailed information about the City's capital assets activity is presented in Note II-E to the financial statements, beginning on page 52.

### Capital Assets Net of Accumulated Depreciation (\$thousands)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 989,442	\$ 988,044	\$ 47,730	\$ 47,688	\$ 1,037,172	\$ 1,035,732
Buildings	32,216	22,467	36,721	27,401	68,937	49,868
Other improvements	70,273	64,413	23,351	24,908	93,624	89,321
Machinery and equipment	7,951	7,568	3,435	3,677	11,386	11,245
Infrastructure	228,212	230,933	190,754	168,478	418,966	399,411
Construction in progress	176,846	157,435	305,169	269,128	482,015	426,563
<b>Total</b>	<b>\$ 1,504,940</b>	<b>\$ 1,470,860</b>	<b>\$ 607,160</b>	<b>\$ 541,280</b>	<b>\$ 2,112,100</b>	<b>\$ 2,012,140</b>

**Long-term debt.** The City uses a variety of tax increment, revenue and lease indebtedness to finance various capital acquisitions. As of June 30, 2011, the City's long-term debt outstanding was \$503.3 million. Of this total, \$117.2 million was in governmental activities and \$386.1 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 54. The following provides a breakdown of the City's outstanding indebtedness adjusted for unamortized premiums, discounts and gains or losses on refundings (excludes compensated absences):

**Outstanding Debt  
(\$thousands)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Tax Allocation Bonds	\$ 44,814	\$ 46,066	\$ -	\$ -	\$ 44,814	\$ 46,066
Revenue Bonds	37,359	38,878	382,525	369,890	419,884	408,768
Capital Leases	2,552	1,436	3,624	3,632	6,176	5,068
Certificates of Participation	32,464	33,194	-	-	32,464	33,194
<b>Total</b>	<b>\$ 117,189</b>	<b>\$ 119,574</b>	<b>\$ 386,149</b>	<b>\$ 373,522</b>	<b>\$ 503,338</b>	<b>\$ 493,096</b>

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 Lease Revenue Refunding Bonds, Series 2011 in the amount of \$21.6 million for the repurchase of land under the Golf Course Fund. The rating on this issue was "A+", while the Cities underlying general obligation rating was upgraded to "AA-".

The total outstanding debt is limited by statute to 15% of assessed valuation, or \$2.33 billion.

**Economic Factors and Next Year's Budgets and Rates**

Oxnard's diverse economy resulted in a stable environment for City revenues even though the average unemployment rate was just over to 14%. Falling residential property values continued to decline resulting in moderately lower property tax collections.

The fiscal year 2012 budget was developed based on relatively flat economic growth. Taxes were budgeted consistent with FY 2011 receipts. No increases were programmed for user charges; however, a rate study update has been initiated for the City's utilities.

## **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, 2011**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 138,769,650	\$ 28,858,955	\$ 167,628,605
Investments with fiscal agents	22,735,280	68,239,668	90,974,948
Accounts and other receivables (net of allowance for uncollectibles)	26,670,779	16,752,336	43,423,115
Notes receivable	6,162,281	1,371,139	7,533,420
Internal balances	(832,855)	832,855	-
Due from other government	7,521,005	-	7,521,005
Properties held for resale	7,067,786	-	7,067,786
Other assets	1,444,473	1,225,576	2,670,049
Deferred outflow	4,832,326	3,508,932	8,341,258
Restricted assets:			
Investments with fiscal agents	-	274,035	274,035
Capital assets not being depreciated:			
Land	989,441,664	47,730,214	1,037,171,878
Construction in progress	176,845,876	305,169,620	482,015,496
Capital assets, net of accumulated depreciation:			
Buildings	32,215,771	36,720,751	68,936,522
Other Improvements	70,273,163	23,351,183	93,624,346
Machinery and equipment	7,951,173	3,434,673	11,385,846
Infrastructure	228,212,594	190,753,635	418,966,229
<b>Total assets</b>	<b>\$ 1,719,310,966</b>	<b>\$ 728,223,572</b>	<b>\$ 2,447,534,538</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	12,799,420	3,135,428	15,934,848
Other liabilities	13,092,332	4,202,701	17,295,033
Unearned revenues	8,091,572	-	8,091,572
Due to other agencies	607,642	-	607,642
Self insurance claims - due within one year	6,019,000	-	6,019,000
Compensated absences payable - current	8,894,300	1,461,268	10,355,568
Bonds and capital leases	4,085,820	11,116,056	15,201,876
Interest rate swap	4,832,326	3,508,932	8,341,258
Early retirement incentive payable	741,976	-	741,976
<b>Noncurrent liabilities:</b>			
Notes Payable	-	252,852	252,852
Self insurance claims	6,016,400	-	6,016,400
Compensated absences payable	7,957,550	1,183,823	9,141,373
Post employment retirement payable	5,027,449	1,056,465	6,083,914
Early retirement incentive payable	2,225,929	-	2,225,929
Bonds & capital leases	113,104,313	375,032,264	488,136,577
<b>Total liabilities</b>	<b>193,496,029</b>	<b>400,949,789</b>	<b>594,445,818</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,411,737,702	265,617,506	1,677,355,208
Restricted for:			
Debt service	25,066,815	16,132,674	41,199,489
Housing	2,288	2,284,436	2,286,724
Public safety retirement	9,431,477	-	9,431,477
Unrestricted	79,576,655	43,239,167	122,815,822
<b>Total net assets</b>	<b>1,525,814,937</b>	<b>327,273,783</b>	<b>1,853,088,720</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,719,310,966</b>	<b>\$ 728,223,572</b>	<b>\$ 2,447,534,538</b>

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, 2011

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 20,845,702	\$ 8,422,050	\$ 14,850,415	\$ -	\$ 2,426,763	\$ -	\$ 2,426,763
Public safety	92,702,882	4,246,985	2,976,234	-	(85,479,663)	-	(85,479,663)
Transportation	10,521,098	2,131,535	6,115,129	23,578,578	21,304,144	-	21,304,144
Community development	26,225,688	7,198,058	2,791,499	10,778,446	(5,457,685)	-	(5,457,685)
Culture and leisure	19,047,037	5,037,380	439,486	974,544	(12,595,627)	-	(12,595,627)
Libraries	5,230,252	399,582	120,954	-	(4,709,716)	-	(4,709,716)
Interest on long-term debt	5,503,330	-	-	-	(5,503,330)	-	(5,503,330)
Total governmental activities	180,075,989	27,435,590	27,293,717	35,331,568	(90,015,114)	-	(90,015,114)
Business-type activities:							
Water	34,062,940	43,170,566	-	-	-	9,107,626	9,107,626
Wastewater	23,052,505	25,157,094	-	-	-	2,104,589	2,104,589
Environmental Resource	41,405,568	45,047,154	24,191	-	-	3,665,777	3,665,777
Performing arts and convention center	1,606,129	439,653	-	-	-	(1,166,476)	(1,166,476)
Oxnard housing authority	24,911,450	4,786,715	20,500,044	2,308,206	-	2,683,515	2,683,515
Municipal golf course	6,104,614	3,905,224	-	-	-	(2,199,390)	(2,199,390)
Total business-type activities	131,143,206	122,506,406	20,524,235	2,308,206	-	14,195,641	14,195,641
Total primary government	311,219,195	149,941,996	47,817,952	37,639,774	(90,015,114)	14,195,641	(75,819,473)
General revenues:							
Taxes:							
Property tax					71,118,203	-	71,118,203
Sales tax					33,396,737	-	33,396,737
Transient occupancy tax					3,301,864	-	3,301,864
Franchise tax					3,495,532	-	3,495,532
Deed transfer tax					528,563	-	528,563
Business license tax					4,412,881	-	4,412,881
Penalties and interest					105,158	-	105,158
Interest on investments					1,934,083	3,361,632	5,295,715
Sale of capital assets					141,123	-	141,123
Transfers					(2,564,795)	2,564,795	-
Total general revenues and transfers					115,869,349	5,926,427	121,795,776
Change in net assets					25,854,235	20,122,068	45,976,303
Net assets - July 1					1,499,960,702	307,151,715	1,807,112,417
Net assets - June 30					\$ 1,525,814,937	\$ 327,273,783	\$ 1,853,088,720

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

City of Oxnard, California  
Balance Sheet  
Governmental Funds  
June 30, 2011

	General	State & Federal Grants	Community Development Commission	Tax Increments	Non Major	Total Governmental
<b>ASSETS</b>						
Cash and cash equivalents	\$ 22,005,593	\$ -	\$ 7,083,971	\$ 33,597,236	\$ 56,946,804	\$ 119,633,604
Investments with fiscal agents	-	-	-	13,149,023	9,586,257	22,735,280
Accounts and other receivables	2,119,208	18,461,454	-	400,648	5,592,424	26,573,734
Notes receivable	-	-	-	6,162,281	-	6,162,281
Due from other funds	10,319,096	-	-	-	7,618,767	17,937,863
Due from other government	6,958,448	-	-	-	562,557	7,521,005
Properties held for resale	-	-	-	7,067,786	-	7,067,786
Other assets	10,700	-	-	-	189,642	200,342
<b>Total assets</b>	<b>\$ 41,413,045</b>	<b>\$ 18,461,454</b>	<b>\$ 7,083,971</b>	<b>\$ 60,376,974</b>	<b>\$ 80,496,451</b>	<b>\$ 207,831,895</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	3,051,309	3,497,188	4,915,975	-	843,472	12,307,944
Other liabilities	4,558,250	209,059	10,591	-	1,297,132	6,075,032
Due to other funds	-	11,111,532	2,000,000	-	5,659,186	18,770,718
Due to other agencies	-	-	607,642	-	-	607,642
Deferred/unearned revenues	682,651	3,769,174	-	-	6,708,976	11,160,801
<b>Total liabilities</b>	<b>8,292,210</b>	<b>18,586,953</b>	<b>7,534,208</b>	<b>-</b>	<b>14,508,766</b>	<b>48,922,137</b>
Fund balances						
<b>Nonspendable:</b>						
Property held for resale	-	-	-	7,067,786	-	7,067,786
Notes receivable	-	-	-	6,162,281	-	6,162,281
<b>Restricted for:</b>						
Debt service	-	-	2,189,231	13,149,023	9,728,561	25,066,815
Housing	-	-	-	-	2,288	2,288
Public safety retirement	-	-	-	-	9,431,477	9,431,477
<b>Assigned to:</b>						
Capital projects	-	-	-	-	10,576,085	10,576,085
Measure "O" service enhancement	17,472,751	-	-	-	-	17,472,751
Other purposes	-	-	-	33,997,884	36,249,274	70,247,158
<b>Unassigned:</b>	<b>15,648,084</b>	<b>(125,499)</b>	<b>(2,639,468)</b>	<b>-</b>	<b>-</b>	<b>12,883,117</b>
<b>Total fund balances</b>	<b>33,120,835</b>	<b>(125,499)</b>	<b>(450,237)</b>	<b>60,376,974</b>	<b>65,987,685</b>	<b>158,909,758</b>
<b>Total liabilities and fund balances</b>	<b>\$ 41,413,045</b>	<b>\$ 18,461,454</b>	<b>\$ 7,083,971</b>	<b>\$ 60,376,974</b>	<b>\$ 80,496,451</b>	<b>\$ 207,831,895</b>

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, 2011**

Fund balances of governmental funds	\$ 158,909,758
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$1,838,872,938 net of accumulated depreciation of (\$336,598,789) are not financial resources and, therefore, are not reported in the funds.	1,502,274,149
Long term liabilities, claims and compensated absences have not been included in the governmental fund activity:	
Long-term liabilities of \$117,758,006 net of unamortized discount (\$696,659)	(117,061,347)
Self insurance claims	(12,035,400)
Compensated absences	(15,926,452)
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds	(1,231,801)
Unamortized issuance cost, Other assets, not available to pay current-period expenditures	1,244,131
Other post employment liability, other long term liability, not due and payable in the current period	(4,688,396)
Early retirement incentive payable	(2,967,905)
Grants receivable that were not received within the availability period were recorded as deferred revenue in the governmental funds	3,069,229
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, facilities and equipment maintenance. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets	14,228,971
<b>Net assets of governmental activities</b>	<b><u>\$ 1,525,814,937</u></b>

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

**City of Oxnard**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	<b>General</b>	<b>State &amp; Federal Grants</b>	<b>Community Development Commission</b>	<b>Tax Increments</b>	<b>Non Major</b>	<b>Total Governmental</b>
<b>REVENUES</b>						
Taxes	\$ 84,342,934	\$ -	\$ 15,360,734	\$ -	\$ 16,655,270	\$ 116,358,938
Licenses and permits	1,298,939	-	-	-	703,477	2,002,416
Intergovernmental	12,451,920	37,792,620	-	-	8,726,914	58,971,454
Growth and development fees	-	-	256,390	-	2,407,389	2,663,779
Charges for services	10,512,219	-	66,951	-	89,491	10,668,661
Fines and forfeitures	657,538	140,127	-	-	436,068	1,233,733
Interest on investments	501,703	80,910	602,649	-	748,821	1,934,083
Special assessments	-	-	-	-	9,013,480	9,013,480
Miscellaneous	3,289,632	(669,703)	458,857	-	594,266	3,673,052
<b>Total revenues</b>	<b>113,054,885</b>	<b>37,343,954</b>	<b>16,745,581</b>	<b>-</b>	<b>39,375,176</b>	<b>206,519,596</b>
<b>EXPENDITURES</b>						
Current:						
General government	10,561,644	-	-	-	479,406	11,041,050
Public safety	65,136,544	2,389,707	-	-	16,912,757	84,439,008
Transportation	4,577,506	1,823,110	-	-	3,937,595	10,338,211
Community Development	9,692,678	1,630,002	11,229,750	-	2,250,695	24,803,125
Culture and leisure	12,250,438	528,483	-	-	5,010,366	17,789,287
Library Services	4,616,656	65,377	-	-	-	4,682,033
Capital outlay	3,845,114	37,528,910	5,847,564	-	7,564,000	54,785,588
Debt service:						
Principal	-	-	-	-	3,926,631	3,926,631
Interest and fiscal charges	-	-	-	-	5,151,761	5,151,761
<b>Total expenditures</b>	<b>110,680,580</b>	<b>43,965,589</b>	<b>17,077,314</b>	<b>-</b>	<b>45,233,211</b>	<b>216,956,694</b>
Excess of revenues over (under) expenditures	2,374,305	(6,621,635)	(331,733)	-	(5,858,035)	(10,437,098)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from capital lease	-	-	-	-	1,295,771	1,295,771
Transfers in	5,939,476	-	-	-	5,778,869	11,718,345
Transfers out	(4,919,740)	-	(117,000)	-	(3,460,674)	(8,497,414)
<b>Total other financing sources (uses)</b>	<b>1,019,736</b>	<b>-</b>	<b>(117,000)</b>	<b>-</b>	<b>3,613,966</b>	<b>4,516,702</b>
<b>SPECIAL ITEMS:</b>						
Contributions from other funds	-	-	-	60,376,974	-	60,376,974
Contributions to other funds	-	-	(60,376,974)	-	-	(60,376,974)
Net change in fund balances	3,394,041	(6,621,635)	(60,825,707)	60,376,974	(2,244,069)	(5,920,396)
Fund balances, July 1	29,726,794	6,496,136	60,375,470	-	68,231,754	164,830,154
<b>Fund balances, June 30</b>	<b>\$ 33,120,835</b>	<b>\$ (125,499)</b>	<b>\$ (450,237)</b>	<b>\$ 60,376,974</b>	<b>\$ 65,987,685</b>	<b>\$ 158,909,758</b>

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

**City of Oxnard, California**  
**Reconciliation of the Change in Fund Balances of the Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2011**

Amounts reported for governmental activities in the statement of activities are different because:

<b>Net change in fund balances - total governmental funds</b>	\$ (5,920,396)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$53,014,104 (net of reclass of \$1,771,484) exceeded depreciation expense (\$19,073,358) in the current period.	33,940,746
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In the statement of activities, the loss 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 \$860,367 net of accumulated depreciation (\$829,091)	(31,276)
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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 the decrease in accrued interest \$15,135 net decrease in compensated absences \$147,361, increase in other post employment benefits (\$749,590), and early retirement incentive (\$2,967,905).	(3,554,999)
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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 (\$1,295,771) add cost of issuance (\$248,440) and bond discount (\$118,262) exceeded repayments of \$3,926,631.	2,264,158
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Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	2,977,298
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Net expenditures of internal service funds of \$2,962,828 is reported with governmental activities, plus \$858,468 allocated to business-type activities.	(3,821,296)
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<b>Change in net assets of governmental activities (page 18)</b>	<b>\$ 25,854,235</b>
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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, 2011**

	<u>Water</u>	<u>Wastewater</u>	<u>Environmental Resource</u>	<u>Performing Arts and Convention Center</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 17,730,976	\$ 7,031,994	\$ 3,111,369	\$ -
Cash with fiscal agent	59,041,420	8,745	2,304,891	35,000
Accounts and other receivable (net of allow for uncollectibles)	6,802,109	3,664,795	6,015,528	3,129
Notes Receivable	-	-	-	-
Due from other funds	2,426,950	-	64,797	-
Deferred outflow	-	3,508,932	-	-
Other assets	-	839,716	199,324	-
<b>Total current assets</b>	<b>86,001,455</b>	<b>15,054,182</b>	<b>11,695,909</b>	<b>38,129</b>
Noncurrent assets:				
Investments with fiscal agent	-	-	-	-
Notes Receivable	-	1,339,400	-	-
Advances to other funds	12,546,581	-	-	-
Capital assets:				
Land	3,883,110	3,145,160	3,851,164	-
Buildings	14,517,008	6,380,938	22,859,740	-
Improvements	-	-	-	-
Machinery and equipment	2,937,126	17,839,123	21,628,411	15,370
Construction in progress	129,946,709	170,893,077	3,041,235	-
Infrastructure	141,173,678	170,596,693	3,586,781	42,615
Less accumulated depreciation	(53,111,693)	(99,506,973)	(27,010,067)	(16,922)
Total capital assets (net of accum depr)	239,345,938	269,348,018	27,957,264	41,063
<b>Total noncurrent assets</b>	<b>251,892,519</b>	<b>270,687,418</b>	<b>27,957,264</b>	<b>41,063</b>
<b>Total assets</b>	<b>337,893,974</b>	<b>285,741,600</b>	<b>39,653,173</b>	<b>79,192</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	5,056,939	412,974	2,385,792	46,248
Other liabilities	1,791,783	985,596	660,846	26,388
Advances from other funds	-	776,021	-	1,422,360
Interest swap	-	3,508,932	-	-
Compensated absences payable - current	300,000	516,000	560,000	51,000
Self insurance claims - due within one year	-	-	-	-
Revenue bonds and capital leases payable-current	3,520,568	3,532,559	2,645,323	-
<b>Total current liabilities</b>	<b>10,669,290</b>	<b>9,732,082</b>	<b>6,251,961</b>	<b>1,545,996</b>
Noncurrent liabilities:				
Revenue bonds, net of current portion and discount	199,113,754	135,213,652	8,691,569	-
Compensated absences payable	268,879	88,502	230,556	43,122
Advances from other funds	-	2,470,561	9,300,000	-
Notes Payable	-	-	-	-
Self insurance claims	-	-	-	-
Capital leases payable	154,799	127,171	2,688,248	-
Post employment retirement payable	193,244	296,694	309,196	12,786
<b>Total noncurrent liabilities</b>	<b>199,730,676</b>	<b>138,196,580</b>	<b>21,219,569</b>	<b>55,908</b>
<b>Total liabilities</b>	<b>210,399,966</b>	<b>147,928,662</b>	<b>27,471,530</b>	<b>1,601,904</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	81,439,329	130,094,500	14,828,612	41,063
Restricted for Housing	-	-	-	-
Restricted for debt service	14,002,074	-	2,130,600	-
Unrestricted	32,052,605	7,718,438	(4,777,569)	(1,563,775)
<b>Total net assets</b>	<b>\$ 127,494,008</b>	<b>\$ 137,812,938</b>	<b>\$ 12,181,643</b>	<b>\$ (1,522,712)</b>

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

Oxnard Housing Authority	Municipal Golf Course	Totals Current Year	Governmental Activities- Internal Service Funds	
<b>ASSETS</b>				
Current assets:				
\$ 984,616	\$ -	\$ 28,858,955	\$ 19,136,046	Cash and cash equivalents
6,845,392	4,220	68,239,668	-	Cash with fiscal agent
266,775	-	16,752,336	97,045	Accounts and other receivable (net of allow for uncollectibles)
31,739	-	31,739	-	Notes Receivable
-	-	2,491,747	-	Due from other funds
-	-	3,508,932	-	Deferred outflow
186,536	-	1,225,576	-	Other assets
<b>8,315,058</b>	<b>4,220</b>	<b>121,108,953</b>	<b>19,233,091</b>	<b>Total current assets</b>
Noncurrent assets:				
274,035	-	274,035	-	Investments with fiscal agent
-	-	1,339,400	-	Notes Receivable
-	-	12,546,581	-	Advances to other funds
Capital assets:				
8,920,208	27,930,572	47,730,214	595,500	Land
40,918,226	3,870,433	88,546,345	-	Buildings
-	25,328,578	25,328,578	-	Improvements
1,633,839	13,950	44,067,819	3,301,256	Machinery and equipment
519,405	769,194	305,169,620	1,300,276	Construction in progress
-	-	315,399,767	-	Infrastructure
(35,907,500)	(3,529,112)	(219,082,267)	(2,530,940)	Less accumulated depreciation
16,084,178	54,383,615	607,160,076	2,666,092	Total capital assets (net of accum depr)
<b>16,358,213</b>	<b>54,383,615</b>	<b>621,320,092</b>	<b>2,666,092</b>	<b>Total noncurrent assets</b>
<b>24,673,271</b>	<b>54,387,835</b>	<b>742,429,045</b>	<b>21,899,183</b>	<b>Total assets</b>
<b>LIABILITIES</b>				
Current liabilities:				
236,116	7,160	8,145,229	491,476	Accounts payable
636,977	101,111	4,202,701	453,262	Other liabilities
-	236,531	2,434,912	-	Advances from other funds
-	-	3,508,932	-	Interest swap
34,268	-	1,461,268	594,300	Compensated absences payable - current
-	-	-	6,019,000	Self insurance claims - due within one year
250,000	1,167,606	11,116,056	27,183	Revenue bonds and capital leases payable-current
1,157,361	1,512,408	30,869,098	7,585,221	<b>Total current liabilities</b>
Noncurrent liabilities:				
4,025,000	25,018,071	372,062,046	-	Revenue bonds, net of current portion and discount
552,764	-	1,183,823	331,098	Compensated absences payable
-	-	11,770,561	-	Advances from other funds
252,852	-	252,852	-	Notes Payable
-	-	-	6,016,400	Self insurance claims
-	-	2,970,218	101,603	Capital leases payable
244,545	-	1,056,465	339,053	Post employment retirement payable
<b>5,075,161</b>	<b>25,018,071</b>	<b>389,295,965</b>	<b>6,788,154</b>	<b>Total noncurrent liabilities</b>
<b>6,232,522</b>	<b>26,530,479</b>	<b>420,165,063</b>	<b>14,373,375</b>	<b>Total liabilities</b>
<b>NET ASSETS</b>				
11,556,326	27,657,676	265,617,506	2,537,306	Invested in capital assets, net of related debt
2,284,436	-	2,284,436	-	Restricted for Housing
-	-	16,132,674	-	Restricted for debt service
4,599,987	199,680	38,229,366	4,988,502	Unrestricted
<b>\$ 18,440,749</b>	<b>\$ 27,857,356</b>	<b>\$ 322,263,982</b>	<b>\$ 7,525,808</b>	<b>Total net assets</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		5,009,801		
Net assets of business-type activities		<b>\$ 327,273,783</b>		

**City of Oxnard, California**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For Fiscal Year Ended June 30, 2011**

	<u>Water</u>	<u>WasteWater</u>	<u>Environmental Resource</u>	<u>Performing Arts &amp; Convention Center</u>
Operating revenues:				
Charges for services	\$ 42,671,452	\$ 23,889,173	\$ 44,722,839	\$ 419,396
Connection Fees	492,987	432,211	32,206	-
Miscellaneous and reimbursements	6,127	835,710	292,109	20,257
<b>Total operating revenues</b>	<b><u>43,170,566</u></b>	<b><u>25,157,094</u></b>	<b><u>45,047,154</u></b>	<b><u>439,653</u></b>
Operating expenses:				
Salaries and wages	4,420,902	5,894,283	7,025,113	1,129,023
Contractual services	1,101,235	884,766	16,271,141	101,685
Operating supplies	19,252,446	1,810,371	281,645	119
Utilities	700,446	4,279,776	6,804,431	146,181
Depreciation & amortization	3,557,371	4,036,690	1,653,712	2,275
General and administrative	4,040,008	3,474,241	4,033,889	224,346
Repairs and maintenance	395,389	141,292	4,642,337	2,500
Claims expenses	-	-	-	-
<b>Total operating expenses</b>	<b><u>33,467,797</u></b>	<b><u>20,521,419</u></b>	<b><u>40,712,268</u></b>	<b><u>1,606,129</u></b>
Operating income (loss)	<u>9,702,769</u>	<u>4,635,675</u>	<u>4,334,886</u>	<u>(1,166,476)</u>
Nonoperating revenues (expenses):				
Loss on sale of capital assets	-	-	(3,413)	-
Intergovernmental	-	-	24,191	-
Interest on investments	2,947,699	216,268	171,687	-
Interest expense	(761,297)	(2,775,388)	(1,137,520)	-
<b>Total nonoperating revenues (expenses)</b>	<b><u>2,186,402</u></b>	<b><u>(2,559,120)</u></b>	<b><u>(945,055)</u></b>	<b><u>-</u></b>
Income (loss) before contributions and transfers	<u>11,889,171</u>	<u>2,076,555</u>	<u>3,389,831</u>	<u>(1,166,476)</u>
Capital contributions	-	-	-	-
Transfers in	-	-	-	947,811
Transfers out	-	-	(62,129)	-
Changes in net assets	11,889,171	2,076,555	3,327,702	(218,665)
<b>Total net assets- July 1</b>	<b><u>115,604,837</u></b>	<b><u>135,736,383</u></b>	<b><u>8,853,941</u></b>	<b><u>(1,304,047)</u></b>
<b>Total net assets- June 30</b>	<b><u>\$ 127,494,008</u></b>	<b><u>\$ 137,812,938</u></b>	<b><u>\$ 12,181,643</u></b>	<b><u>\$ (1,522,712)</u></b>

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

**City of Oxnard, California**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For Fiscal Year Ended June 30, 2011**

<b>Oxnard Housing Authority</b>	<b>Municipal Golf Course</b>	<b>Totals Current Year</b>	<b>Governmental Activities- Internal Service Fund</b>	
\$ 4,287,517	\$ 3,905,176	\$ 119,895,553	\$ 29,013,154	Operating revenues:
-	-	957,404	-	Charges for services
499,198	48	1,653,449	290,173	Connection Fees
<b>4,786,715</b>	<b>3,905,224</b>	<b>122,506,406</b>	<b>29,303,327</b>	Miscellaneous and reimbursements
				<b>Total operating revenues</b>
4,485,443	47,318	23,002,082	8,534,722	Operating expenses:
43,028	3,440,357	21,842,212	938,957	Salaries and wages
15,861,066	-	37,205,647	4,927,750	Contractual services
827,448	194,466	12,952,748	1,717,877	Operating supplies
1,185,139	586,005	11,021,192	267,750	Utilities
1,573,335	175,582	13,521,401	2,505,161	Depreciation & amortization
740,757	28,151	5,950,426	1,526,282	General and administrative
-	-	-	5,322,454	Repairs and maintenance
<b>24,716,216</b>	<b>4,471,879</b>	<b>125,495,708</b>	<b>25,740,953</b>	Claims expenses
(19,929,501)	(566,655)	(2,989,302)	3,562,374	<b>Total operating expenses</b>
				Operating income (loss)
-	-	(3,413)	(901)	Nonoperating revenues (expenses):
20,500,044	-	20,524,235	-	Loss on sale of capital assets
25,974	4	3,361,632	232,024	Intergovernmental
(195,234)	(1,633,114)	(6,502,553)	-	Interest on investments
<b>20,330,784</b>	<b>(1,633,110)</b>	<b>17,379,901</b>	<b>231,123</b>	Interest expense
401,283	(2,199,765)	14,390,599	3,793,497	<b>Total nonoperating revenues (expenses)</b>
2,308,206	-	2,308,206	(970,599)	Income (loss) before contributions and transfers
-	1,679,113	2,626,924	-	Capital contributions
-	-	(62,129)	(5,785,726)	Transfers in
2,709,489	(520,652)	19,263,600	(2,962,828)	Transfers out
<b>15,731,260</b>	<b>28,378,008</b>		<b>10,488,636</b>	Changes in net assets
<b>\$ 18,440,749</b>	<b>\$ 27,857,356</b>		<b>\$ 7,525,808</b>	<b>Total net assets- July 1</b>
				<b>Total net assets- June 30</b>
Adjustment to reflect the consolidation of				
internal service fund activities related to				
enterprise funds		858,468		
Change in net assets of business-type activities		<b>\$ 20,122,068</b>		

**City of Oxnard, California**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For Fiscal Year Ended 2011**

	<u>Water</u>	<u>Wastewater</u>	<u>Environmental Resource</u>	<u>Performing Arts and Convention Center</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 41,471,404	\$ 24,914,381	\$ 43,599,461	\$ 439,648
Payments to suppliers	(26,481,868)	(10,975,584)	(31,291,008)	(502,912)
Payments to employees	(4,387,279)	(5,934,943)	(7,056,711)	(1,123,400)
Cash paid to claimants	-	-	-	-
<b>Net cash provided(used) by operating activities</b>	<b><u>10,602,257</u></b>	<b><u>8,003,854</u></b>	<b><u>5,251,742</u></b>	<b><u>(1,186,664)</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Due to other funds	-	-	-	238,853
Due from other funds	(2,340,113)	-	(108)	-
Advances to other funds	753,419	-	-	-
Advances from other funds	-	(753,419)	-	-
Received from grants	-	-	24,191	-
Transfer from other funds	-	-	-	947,811
Transfer to other funds	-	-	(62,129)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b><u>(1,586,694)</u></b>	<b><u>(753,419)</u></b>	<b><u>(38,046)</u></b>	<b><u>1,186,664</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(51,508,923)	(6,015,230)	(353,685)	-
Capital contributions	-	-	-	-
Principal paid on long-term debt	(2,209,809)	(3,367,079)	(2,534,094)	-
Interest and issuance cost paid on long-term debt	(11,621,908)	(7,359,648)	(1,178,081)	-
Proceeds from issuance of long-term debt	-	-	-	-
<b>Net cash used in capital and related financing activities</b>	<b><u>(65,340,640)</u></b>	<b><u>(16,741,957)</u></b>	<b><u>(4,065,860)</u></b>	<b><u>-</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	2,947,699	216,268	171,687	-
<b>Net cash provided by investing activities</b>	<b><u>2,947,699</u></b>	<b><u>216,268</u></b>	<b><u>171,687</u></b>	<b><u>-</u></b>
Net increase (decrease) in cash and cash equivalents	(53,377,378)	(9,275,254)	1,319,523	-
<b>Cash and cash equivalents, July 1</b>	<b><u>130,149,774</u></b>	<b><u>16,315,993</u></b>	<b><u>4,096,737</u></b>	<b><u>35,000</u></b>
<b>Cash and cash equivalents, June 30</b>	<b><u>\$ 76,772,396</u></b>	<b><u>\$ 7,040,739</u></b>	<b><u>\$ 5,416,260</u></b>	<b><u>\$ 35,000</u></b>
 <b>NON CASH CAPITAL LEASE</b>	 <b>\$ 116,522</b>	 <b>\$ 171,809</b>	 <b>\$ 313,905</b>	 <b>\$ -</b>

Note: Purchases of capital assets is net of non-cash capital lease transactions.

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

**City of Oxnard, California**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For Fiscal Year Ended 2011**

<b>Oxnard Housing Authority</b>	<b>Municipal Golf Course</b>	<b>Total</b>	<b>Governmental Activities-Internal Service Funds</b>	
				<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>
\$ 5,128,597	\$ 4,221,076	\$ 119,774,567	\$ 29,297,655	Receipts from customers and users
(19,305,465)	(3,777,694)	(92,334,531)	(11,611,694)	Payments to suppliers
(4,460,322)	(47,318)	(23,009,973)	(8,487,062)	Payments to employees
-	-	-	(5,630,217)	Cash paid to claimants
<b>(18,637,190)</b>	<b>396,064</b>	<b>4,430,063</b>	<b>3,568,682</b>	<b>Net cash provided(used) by operating activities</b>
				<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>
-	(563,671)	(324,818)	-	Due to other funds
-	-	(2,340,221)	-	Due from other funds
-	-	753,419	-	Advances to other funds
-	-	(753,419)	-	Advances from other funds
20,500,044	-	20,524,235	-	Received from grants
-	1,679,113	2,626,924	-	Transfer from other funds
-	-	(62,129)	(5,785,726)	Transfer to other funds
<b>20,500,044</b>	<b>1,115,442</b>	<b>20,423,991</b>	<b>(5,785,726)</b>	<b>Net cash provided (used) by capital and related financing activities</b>
				<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>
(2,600,768)	(347,433)	(60,826,039)	(298,773)	Purchases of capital assets
2,308,206	-	2,308,206	-	Capital contributions
(240,000)	(41,391,482)	(49,742,464)	(13,299)	Principal paid on long-term debt
(198,220)	(1,645,791)	(22,003,648)	-	Interest and issuance cost paid on long-term debt
-	21,322,544	21,322,544	-	Proceeds from issuance of long-term debt
<b>(730,782)</b>	<b>(22,062,162)</b>	<b>(108,941,401)</b>	<b>(312,072)</b>	<b>Net cash used in capital and related financing activities</b>
				<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>
25,974	4	3,361,632	232,024	Interest on investments
25,974	4	3,361,632	232,024	Net cash provided by investing activities
1,158,046	(20,550,652)	(80,725,715)	(2,297,092)	Net increase (decrease) in cash and cash equivalents
<b>6,945,997</b>	<b>20,554,872</b>	<b>178,098,373</b>	<b>21,433,138</b>	<b>Cash and cash equivalents, July 1</b>
<b>\$ 8,104,043</b>	<b>\$ 4,220</b>	<b>\$ 97,372,658</b>	<b>\$ 19,136,046</b>	<b>Cash and cash equivalents, June 30</b>
\$ -	\$ -	\$ 602,236	\$ 142,085	<b>NON CASH CAPITAL LEASE</b>

**City of Oxnard, California**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For Fiscal Year Ended 2011**

	<u>Water</u>	<u>Wastewater</u>	<u>Environmental Resource</u>	<u>Performing Arts and Convention Center</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
<b>Operating income (loss)</b>	<b>\$ 9,702,769</b>	<b>\$ 4,635,675</b>	<b>\$ 4,334,886</b>	<b>\$ (1,166,476)</b>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	3,557,371	4,036,690	1,653,712	2,275
Changes in assets and liabilities:				
(Increase) decrease in accts receivable & notes receivable	(2,052,459)	(242,713)	(1,447,693)	(5)
(Increase) decrease in other assets	353,297	-	-	-
Increase (decrease) in accounts payable	(1,034,612)	(386,964)	614,462	(21,760)
Increase (decrease) in other liabilities	42,268	1,826	127,973	(6,321)
Increase (decrease) in compensated absences & OPEB	33,623	(40,660)	(31,598)	5,623
Increase (decrease) in self-insurance liabilities	-	-	-	-
<b>Net cash provided by (used) in operating activities</b>	<b><u>\$ 10,602,257</u></b>	<b><u>\$ 8,003,854</u></b>	<b><u>\$ 5,251,742</u></b>	<b><u>\$ (1,186,664)</u></b>

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



**City of Oxnard, California**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For Fiscal Year Ended 2011**

<b>Oxnard Housing Authority</b>	<b>Municipal Golf Course</b>	<b>Total</b>	<b>Governmental Activities-Internal Service Funds</b>	
<b>\$ (19,929,501)</b>	<b>\$ (566,655)</b>	<b>\$ (2,989,302)</b>	<b>\$ 3,562,374</b>	<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>
				<b>Operating income (loss)</b>
				Adjustments to reconcile operating income (loss) to net cash provided by operating activities:
1,185,139	586,005	11,021,192	267,750	Depreciation and amortization
				Changes in assets and liabilities:
				(Increase) decrease in accts receivable & notes receivable
334,939	315,852	(3,092,079)	(5,672)	Decrease (increase) in other assets
6,943	-	360,240	-	Increase (decrease) in accounts payable
(248,390)	(13,898)	(1,091,162)	7,535	Increase (decrease) in other liabilities
(11,441)	74,760	229,065	(3,202)	Increase (decrease) in compensated absences & OPEB
25,121	-	(7,891)	47,660	Increase (decrease) in self-insurance liabilities
-	-	-	(307,763)	
<b>\$ (18,637,190)</b>	<b>\$ 396,064</b>	<b>\$ 4,430,063</b>	<b>\$ 3,568,682</b>	<b>Net cash provided by (used) in operating activities</b>

**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2011**

	<u><b>Total</b></u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 5,599,220
Investments with Fiscal Agents	<u>15,598,722</u>
<b>Total Assets</b>	<u><b>\$ 21,197,942</b></u>
<b>Liabilities:</b>	
Trust and Agency Payables	\$ 21,197,942
<b>Total Liabilities</b>	<u><b>\$ 21,197,942</b></u>

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

**City of Oxnard**  
**Notes to the Financial Statements**  
**June 30, 2011**

**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 the 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.

In January 2011, the City Council adopted a resolution approving the transfer of all real property and Other Assets of the CDC to the City to meet existing obligations set forth in the Cooperation Agreement and implement the provisions thereof. Please see Notes page 80 in Section V. Other Information, regarding the CDC.

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. The 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 February 2009, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective for periods beginning after June 15, 2010. This statement establishes new categories for reporting fund balances and revises the definitions for governmental fund types. The City implemented this statement for its fiscal year 2010-2011 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.

Government-wide financial 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.

The statement of activities demonstrates the degree to which expenses, both direct and indirect, of a given function or segment is 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.

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). Financial Accounting Standards Board

(FASB) and Accounting Standard Codification (ASC) pronouncements issued on or before November 30, 1989, are applied to business type activities, unless those pronouncements conflict with or contradict GASB pronouncements. The City applies all applicable FASB and ASC pronouncements 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 legally required 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.
- Tax Increments Fund: This fund accounts for the Cooperation Agreement between the City and the CDC.

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 presents 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 with the exception of sales tax which is based on the California Board of Equalization reporting period through June of the fiscal year for which payment is received in September. 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 one 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 proprietary 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 housing assistance, such as the 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 present 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 City's policy to use the restricted resources first, then unrestricted resources as they are needed.

### ***Internal Service Funds***

Internal service funds account for services to other departments on a cost-recovery basis. Internal service funds include workers' compensation, public liability and property damage, utility customer services, information systems, facilities maintenance, and fleet services. Internal service funds are reported in total on the proprietary funds statements.

### ***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 parties 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.

## **Investment Income**

Investment 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 average month-end cash balances. Investment income from cash and investments with fiscal agents is credited directly to the related fund. Income from non-pooled investments is recorded in the appropriate fund based on the specific investments held by the trustee of the fund. Changes in the fair value of investments are recognized in Investment income at the end of each year.

## **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 in the Tax Increment Fund. At June 30, 2011, properties held for resale which amounted to \$7,067,786, 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:

<b>Buildings</b>	45 years
<b>Improvements:</b>	
Paving, curbs, lighting	40 years
Parks Improvements	25 years
Sports Courts	40 years
Landscaping	50 years
<b>Equipment and Machinery</b>	5-20 years
<b>Infrastructure Assets:</b>	
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 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 advanced 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, 2011:

	<b>Governmental</b>		
	<b>Activities</b>	<b>Business Type</b>	<b>Total</b>
Beginning Balance	\$ 17,009,403	\$ 2,792,727	\$ 19,802,130
Additions	8,776,452	1,586,469	10,362,921
Payments	(8,934,005)	(1,734,105)	(10,668,110)
Ending Balance	16,851,850	2,645,091	19,496,941
<b>Current Portions</b>	<b>\$ 8,894,300</b>	<b>\$ 1,461,268</b>	<b>\$ 10,355,568</b>

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
Property Tax Year	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 July 1 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, 2011, the City has recorded property taxes receivable of \$694,354, which is included in due from other governments in the accompanying balance sheet.

## **Tax Lien Dates**

All lien dates attach annually on January 1 preceding the fiscal year for which the taxes are levied. 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 of June 30, 2011, the following outstanding significant governmental fund encumbrances are not reflected in the committed or assigned fund balances nor require the use of existing fund resources. Proprietary funds include all significant outstanding encumbrances.

### Governmental Funds

General fund	\$ 145,434
State and federal grants	19,227,954
<b>Total governmental funds</b>	<u><u>\$ 19,373,388</u></u>

### Proprietary Funds

Water funds	\$ 8,330,801
Wastewater funds	1,297,451
Environmental resources funds	636,243
Golf course funds	57,948
Internal service funds	407,626
<b>Total proprietary funds</b>	<u><u>\$ 10,730,069</u></u>

## N. Fund Equity

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Due to the implementation of GASB No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. Prior year amounts have been restated to reflect the component designations required by GASB No. 54.

Fund balances are reported in the fund statements in the following classifications:

*Nonspendable fund balance* – this includes amounts that cannot be spent because they are either not spendable in form (such as prepaid items) or legally or contractually required to be maintained intact (such as endowments).

*Restricted fund balance* – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

*Committed fund balance* – this includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

*Assigned fund balance* – this includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned fund balance* – this includes all amounts not included in other classifications.

In the government-wide financial statements, net assets are classified in the following categories:

*Invested in capital assets, net of related debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

*Restricted net assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* – This resulting category presents the remaining City net assets and this measure of equity is unrestricted, legally or otherwise.

## 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, 2011:

Deposits	\$ 37,923,289
Investments	135,304,536
Cash and cash equivalents	173,227,825
Investments with Fiscal Agents	106,847,705
<b>Total</b>	<b>\$ 280,075,530</b>

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Internal Service Funds</b>	<b>Fiduciary Funds</b>	<b>Grand Total</b>
Cash and cash equivalents	\$ 119,633,604	\$ 28,858,955	\$ 19,136,046	\$ 5,599,220	\$ 173,227,825
Cash with fiscal agents	22,735,280	68,513,703	—	15,598,722	106,847,705
<b>Total</b>	<b>\$ 142,368,884</b>	<b>\$ 97,372,658</b>	<b>\$ 19,136,046</b>	<b>\$ 21,197,942</b>	<b>\$ 280,075,530</b>

### 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, 2011, the City has a bank balance of \$42,182,620 (carrying amount of \$39,165,710); 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	\$ 135,304,536
Fiscal Agents (Bond trustees for the City and its component units)	99,728,278
Housing Authority (includes fiscal agents)	7,119,427
<b>Total Investments</b>	<b>\$ 242,152,241</b>

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.

<b>Investment Types Authorized by Section 53601</b>	<b>Authorized by Investment Policy</b>	<b>Maximum Maturity (Years)</b>	<b>Maximum Percentage of Portfolio</b>	<b>Maximum Investment in One Issuer</b>	<b>Minimum Ratings</b>
U.S. Treasury and Agencies	Yes	5	None	None	None
Local Agency bonds, notes	Yes	N/A	15%	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, 2011, is more fully disclosed in the financial statements for the Housing Authority, which 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. Several of the major differences are as follows:

- Allowance of investments in guaranteed investment contracts
- Allowance of investment maturities in excess of five years

### ***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of short-term and longer-term investments with maturities that 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 investments (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:

	<b>Investment Maturities (in Years)</b>			<b>Total</b>
	<b>Less than 1</b>	<b>1-5</b>	<b>More than 5</b>	
Federal Agency Securities	\$ 5,994,897	\$ 81,302,564	\$ -	\$ 87,297,461
Corporate Bonds	4,028,073	3,999,100	-	8,027,173
LAIF	44,875,017	-	-	44,875,017
Municipal Bonds	-	1,000,000	-	1,000,000
Held by trustee:				
Investment Agreement	-	-	5,158,750	5,158,750
LAIF	22,610,387	-	-	22,610,387
Money Market Fund	73,203,550	-	-	73,203,550
<b>Total Investments</b>	<b>\$ 150,711,924</b>	<b>\$ 86,301,664</b>	<b>\$ 5,158,750</b>	242,172,338
Accrued discount				(20,097)
Total investments (net of accrued discount)				242,152,241
Cash in banks and on hand				37,923,289
<b>Total Cash and Investments</b>				<b>\$ 280,075,530</b>

The investment agreements listed above are GICs held by fiscal agents (bond trustees) and are restricted for construction projects and debt service requirements. The maturities of a GIC are normally pegged to the maturities of the related debt; in the event the City refunds or prepay its debt before the maturity, GICs are redeemed at par.

### ***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investments that are not rated include LAIF and GICs. Although GICs are not rated, the City has only entered into GICs with institutions that carry a high credit rating. In addition, in the event of a downgrade of the GIC provide below certain thresholds, the GIC provider is required to collateralize the GIC obligation with U.S. debt obligations.

Presented below are the actual ratings for each investment type as of June 30, 2011:

<b>Investment Type</b>	<b>AAA</b>	<b>AA+</b>	<b>AA</b>	<b>A+</b>	<b>Total</b>
Federal agency securities	\$ -	\$ 87,297,461	\$ -	\$ -	\$ 87,297,461
Los Angeles Municipal Bonds	-	-	-	1,000,000	1,000,000
Corporate bonds (GECC)	-	4,016,389	-	-	4,016,389
Corporate bonds (BHFC)	-	2,011,684	-	-	2,011,684
Corporate bonds (Walmart)	-	-	1,999,100	-	1,999,100
Money Market Fund	73,203,550	-	-	-	73,203,550
<b>Totals</b>	<b>\$ 73,203,550</b>	<b>\$ 93,325,534</b>	<b>\$ 1,999,100</b>	<b>\$ 1,000,000</b>	169,528,184
Not rated:					
LAIF					67,485,404
GIC					5,158,750
<b>Total Investments</b>					<b>242,172,338</b>
Less accrued discount					(20,097)
Total investments (net of accrued discount)					242,152,241
Cash in banks and on hand					37,923,289
<b>Total cash and investments</b>					<b>\$ 280,075,530</b>

### ***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, 2011:

<b>Issuer</b>	<b>Type of Investments</b>	<b>Amounts</b>
Federal National Mortgage Association	Federal Agency Securities	\$ 38,000,000
Federal Home Loan Bank	Federal Agency Securities	\$ 23,302,564
Federal Farm Credit Bank	Federal Agency Securities	\$ 19,994,897
Wells Fargo Advantage Government	Money Market Fund	\$ 72,583,264

### ***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 institutions 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.

### ***Interest rate swap***

The City has entered into 3 floating-to-fixed interest rate swaps with a notional amount of \$55,385,000. The City pays the counterparty a fixed amount of 3.53 percent and 4.037 percent and receives variable payments computed as 68 percent of the 1-month London Interbank Offered Rate (LIBOR). At June 30, 2011, this interest rate swap had a fair value of a negative \$8,341,258. Other applicable risks (credit risk, basis risk and termination risk) associated with these derivative instruments are described in note F.

## **B. Receivables and Payables**

Accounts receivables and other receivables as of June 30, 2011 included in the accompanying Statement of Net Assets primarily consist of the following:

<b>Accounts Receivables</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Accrued Interest Receivable	\$ 175,051	\$ -
Utilities Receivable	9,836	12,261,227
Grants Receivable	18,427,403	-
Accounts Receivable Billed and Accrued	2,121,026	4,690,102
Other Receivables	6,502,525	146,059
Sub-Total	27,235,841	17,097,388
Allowance for Uncollectible Receivables	(565,062)	(345,052)
Total	<u>\$ 26,670,779</u>	<u>\$ 16,752,336</u>

Accounts payable and other liabilities as of June 30, 2011 reported on the Statement of Net Assets primarily consist of the following:

<b>Accounts Payable and Other Liabilities</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Accounts Payable (due to vendors)	\$ 12,799,420	\$ 3,135,428
Other liabilities:		
Accrued Payroll	6,034,006	957,046
Other Accrued Expenses	227,232	97,501
Other Payables	6,831,094	3,148,154
Total Other liabilities	13,092,332	4,202,701
Total	<u>\$ 25,891,752</u>	<u>\$ 7,338,129</u>

Governmental funds record deferred revenue for revenues that are not yet earned as of year end and grant drawdowns prior to meeting eligibility requirements. At June 30, 2011, deferred/unearned revenues are comprised of the following:

Governmental funds:

Community development charges for services	\$	682,651
Federal grants		2,483,461
HUD & CDBG		5,468,684
State grants		1,285,713
Transportation development act		1,240,292
<b>Total</b>	<b>\$</b>	<b>11,160,801</b>

Of this total, \$3,069,229 consists of deferred revenue not received within the availability period and unearned revenues recorded in the amount of \$8,091,572.

### C. Interfund Receivables and Payables

Total interfund receivables and payables at June 30, 2011, 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:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>	<b>Interfund Balance</b>
<b>Governmental Activities:</b>			
General Fund	\$ 10,319,096	-	\$ 10,319,096
Capital Outlay Fund	-	151,779	(151,779)
Grants	-	11,111,532	(11,111,532)
HUD & CDBG	-	187,964	(187,964)
Development Fees	7,618,767	4,626,099	2,992,668
Non-Major Governmental Funds	-	693,344	(693,344)
Community Development Commission Fund	-	2,000,000	(2,000,000)
<b>Total governmental activities</b>	<b>\$ 17,937,863</b>	<b>\$ 18,770,718</b>	<b>\$ (832,855)</b>
<b>Business type Activities:</b>			
Water	14,973,531	-	14,973,531
Wastewater	-	3,246,582	(3,246,582)
Environmental Resource	64,797	9,300,000	(9,235,203)
PACC	-	1,422,360	(1,422,360)
Municipal Golf Course	-	236,531	(236,531)
<b>Total business type activities</b>	<b>15,038,328</b>	<b>14,205,473</b>	<b>832,855</b>
<b>Total</b>	<b>\$ 32,976,191</b>	<b>\$ 32,976,191</b>	<b>\$ -</b>

The interfund balances at June 30, 2011 are loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2011 are expected to be repaid within one year except Environmental Resources and Wastewater loans from Water.

### D. Interfund Transfers

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.

The net transfers of \$2,564,795 from governmental activities and internal services to business-type activities in the Statement of Activities primarily relates to a transfer from internal services to general fund and an operational subsidy from the General Fund to the Performing Arts and Convention Center Fund and from Capital Outlay Fund to Municipal Golf Course Fund. There were no transfers during Fiscal Year 2010-2011 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer except for transfer from internal services to general fund, which were made to refund excess charges based on required balances and reserves.

The following transfers in and out are reflected in the Fund Financial Statements for the year ended June 30, 2011:

	Description	Transfers In	Transfers Out	Net Transfers
<b>Governmental Activities:</b>				
General Fund	Program support	\$ 5,939,476	\$ 2,874,369	\$ 3,065,107
General Fund	Debt service	-	2,045,371	(2,045,371)
Community Development Commission	Program support	-	117,000	(117,000)
Non-Major Governmental Funds	Debt service	3,852,311	1,781,561	2,070,750
Non-Major Governmental Funds	Program support	1,926,558	1,679,113	247,445
Internal Service Fund	Program support	-	5,785,726	(5,785,726)
<b>Total governmental activities</b>		<b>11,718,345</b>	<b>14,283,140</b>	<b>(2,564,795)</b>
<b>Business type Activities:</b>				
Environmental Resource	Program support	-	36,750	(36,750)
Environmental Resource	Debt service	-	25,379	(25,379)
Performing Arts and Convention Center	Program support	947,811	-	947,811
Golf Course	Program support	1,679,113	-	1,679,113
<b>Total business type activities</b>		<b>2,626,924</b>	<b>62,129</b>	<b>2,564,795</b>
<b>Total government-wide statements</b>		<b>\$ 14,345,269</b>	<b>\$ 14,345,269</b>	<b>\$ -</b>

## E. Capital Assets

Changes in the City's capital assets for the year ended June 30, 2011 consisted of the following:

	BALANCE JULY 1, 2010	INCREASES	DECREASES	BALANCE JUNE 30, 2011
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 988,043,659	\$ 1,398,005	\$ -	\$ 989,441,664
Construction in progress	157,435,247	53,454,962	(34,044,333)	176,845,876
<b>Total capital assets, not being depreciated</b>	<b>1,145,478,906</b>	<b>54,852,967</b>	<b>(34,044,333)</b>	<b>1,166,287,540</b>
Capital assets, being depreciated:				
Buildings	43,690,090	10,892,549	-	54,582,639
Improvements other than buildings	81,220,002	8,067,135	-	89,287,137
Equipment and machinery	40,040,627	3,089,301	(888,190)	42,241,738
Infrastructure	481,073,574	10,597,342	-	491,670,916
<b>Total capital assets, being depreciated</b>	<b>646,024,293</b>	<b>32,646,327</b>	<b>(888,190)</b>	<b>677,782,430</b>
Less: Accumulated depreciation				
Buildings	(21,223,494)	(1,143,374)	-	(22,366,868)
Improvements other than buildings	(16,806,989)	(2,206,985)	-	(19,013,974)
Equipment and machinery	(32,473,101)	(2,673,478)	856,014	(34,290,565)
Infrastructure	(250,141,051)	(13,317,271)	-	(263,458,322)
<b>Total accumulated depreciation</b>	<b>(320,644,635)</b>	<b>(19,341,108)</b>	<b>856,014</b>	<b>(339,129,729)</b>
<b>Total capital assets, being depreciated, net</b>	<b>325,379,658</b>	<b>13,305,219</b>	<b>(32,176)</b>	<b>338,652,701</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 1,470,858,564</b>	<b>\$ 68,158,186</b>	<b>\$ (34,076,509)</b>	<b>\$ 1,504,940,241</b>

	BALANCE JULY 1, 2010	INCREASES	DECREASES	BALANCE JUNE 30, 2011
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 47,687,538	\$ 42,676	\$ -	\$ 47,730,214
Construction in progress	269,128,010	74,763,272	(38,721,662)	305,169,620
<b>Total capital assets, not being depreciated</b>	<b>316,815,548</b>	<b>74,805,948</b>	<b>(38,721,662)</b>	<b>352,899,834</b>
Capital assets, being depreciated:				
Buildings	77,035,956	11,510,389	-	88,546,345
Municipal Golf Course improvements	26,387,689	-	(1,059,111)	25,328,578
Equipment and machinery	43,593,717	1,112,707	(638,605)	44,067,819
Infrastructure	286,152,833	29,246,934	-	315,399,767
<b>Total capital assets, being depreciated</b>	<b>433,170,195</b>	<b>41,870,030</b>	<b>(1,697,716)</b>	<b>473,342,509</b>
Less: Accumulated depreciation				
Buildings	(49,635,408)	(2,103,305)	(86,881)	(51,825,594)
Golf improvements	(1,479,392)	(498,003)	-	(1,977,395)
Equipment and machinery	(39,916,715)	(1,448,435)	732,004	(40,633,146)
Infrastructure	(117,674,683)	(6,971,449)	-	(124,646,132)
<b>Total accumulated depreciation</b>	<b>(208,706,198)</b>	<b>(11,021,192)</b>	<b>645,123</b>	<b>(219,082,267)</b>
<b>Total capital assets, being depreciated, net</b>	<b>224,463,997</b>	<b>30,848,838</b>	<b>(1,052,593)</b>	<b>254,260,242</b>
<b>Business-type activities capital assets, net</b>	<b>541,279,545</b>	<b>105,654,786</b>	<b>(39,774,255)</b>	<b>607,160,076</b>
<b>Total</b>	<b>\$ 2,012,138,109</b>	<b>\$ 173,812,972</b>	<b>\$ (73,850,764)</b>	<b>\$ 2,112,100,317</b>

For the year ended June 30, 2011 depreciation expense on capital assets was charged as follows:

**Governmental Activities:**

Legislative	\$ 57,926
Administration and support	5,401,622
Public safety	8,903,291
Transportation (Highways and streets)	384,080
Community development	680,595
Culture and leisure	1,273,204
Libraries	497,871
Capital improvement projects, including depreciation of general infrastructure assets	1,874,769
Capital assets held by the City's internal service fund	267,750
<b>Total governmental activities depreciation expense</b>	<b>\$ 19,341,108</b>

**Business-type Activities:**

Water	\$ 3,557,371
Wastewater	4,036,690
Environmental Resources	1,653,712
Performing Arts and Convention Center	2,275
Oxnard Housing Authority	1,185,139
Municipal Golf Course	586,005
<b>Total business-type activities depreciation expense</b>	<b>\$ 11,021,192</b>

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

	BALANCE JULY 1, 2010	INCREASES	DECREASES	BALANCE JUNE 30, 2011
<b>Internal Service Funds</b>				
Capital assets, not being depreciated:				
Land	\$ 595,500	\$ -	\$ -	\$ 595,500
Construction in progress	2,202,690	440,857	(1,343,271)	1,300,276
<b>Total capital assets, not being depreciated</b>	<b>2,798,190</b>	<b>440,857</b>	<b>(1,343,271)</b>	<b>1,895,776</b>
Capital assets, being depreciated:				
Equipment and machinery	2,956,407	372,672	(27,823)	3,301,256
Total capital assets, being depreciated	2,956,407	372,672	(27,823)	3,301,256
Less: Accumulated depreciation				
Equipment and machinery	(2,290,113)	(267,750)	26,923	(2,530,940)
Total accumulated depreciation	(2,290,113)	(267,750)	26,923	(2,530,940)
Total capital assets, being depreciated, net	666,294	104,922	(900)	770,316
<b>Total</b>	<b>\$ 3,464,484</b>	<b>\$ 545,779</b>	<b>\$ (1,344,171)</b>	<b>\$ 2,666,092</b>

Decreases in construction in progress included \$970,599 that were transferred to governmental activities.

## 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, 2011.

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due within one year
<b>Governmental Activities:</b>					
Revenue Bonds:					
Lease revenue refunding bonds, series 2003 A	\$ 4,032,717	\$ -	\$ 608,519	\$ 3,424,198	\$ 637,397
Variable rate demand lease revenue, series 2003 B	12,330,000	-	385,000	11,945,000	395,000
Variable rate demand lease revenue bonds, series 2006	22,515,000	-	525,000	21,990,000	545,000
1999 Certificate of participation	6,660,000	-	265,000	6,395,000	275,000
Tax Allocation refunding bonds, series 2004 A	15,415,000	-	710,000	14,705,000	730,000
2006 tax allocation bond financing	19,440,000	-	435,000	19,005,000	450,000
2008 tax allocation bond	11,620,000	-	175,000	11,445,000	185,000
Capital Leases:					
Lasalle national leasing	87,804	-	87,804	-	-
2009 CIP lease purchase, draw #1	914,575	-	78,857	835,718	82,500
2009 CIP lease purchase, draw #2	29,118	-	6,084	23,034	6,298
2009 CIP lease purchase, draw #3	61,216	-	12,780	48,436	13,237
2009 CIP lease purchase, draw #6	343,438	-	63,876	279,562	66,196
2009 CIP lease purchase, draw #7	-	145,118	13,470	131,648	27,609
2009 CIP lease purchase, draw #8	-	38,883	3,627	35,256	7,423
2009 CIP lease purchase, draw #10	-	1,028,201	41,614	986,587	87,335
2009 CIP lease purchase, draw #11	-	142,085	13,299	128,786	27,183
2009 CIP lease purchase, draw #12	-	83,569	-	83,569	15,642
Gas tax revenue certificate of participation	26,940,000	-	515,000	26,425,000	535,000
Compensated absences	17,009,403	8,776,452	8,934,005	16,851,850	8,894,300
Unamortized discounts	(814,923)	-	(118,262)	(696,661)	-
<b>Total Governmental Activities</b>	<b>136,583,348</b>	<b>10,214,308</b>	<b>12,755,673</b>	<b>134,041,983</b>	<b>12,980,120</b>



	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due within one year
<b>Business-Type Activities:</b>					
<b>Water fund</b>					
Revenue refunding bonds, series 2001	\$ 10,035,000	\$ -	\$ 310,000	\$ 9,725,000	\$ 325,000
Water revenue refunding bonds, series 2004	42,180,000	-	1,030,000	41,150,000	1,065,000
Water revenue project bonds, series 2006	53,025,000	-	840,000	52,185,000	875,000
Water revenue project bonds, series 2010A	16,455,000	-	-	16,455,000	1,215,000
Water revenue project bonds, series 2010B	83,670,000	-	-	83,670,000	-
2009 CIP lease purchase, draw #4	40,671	-	7,567	33,104	7,841
2009 CIP lease purchase, draw #5	67,983	-	12,669	55,314	13,117
2009 CIP lease purchase, draw #8	-	72,552	6,768	65,784	13,850
2009 CIP lease purchase, draw #9	-	43,970	2,805	41,165	5,760
Add: Unamortized bond premium	3,042,403	-	212,638	2,829,765	-
Less: Unamortized loss on refunding	(2,619,819)	-	(130,991)	(2,488,828)	-
Unamortized discounts	(967,106)	-	(34,923)	(932,183)	-
Sub Total	204,929,132	116,522	2,256,533	202,789,121	3,520,568
Compensated absences	561,098	306,522	298,741	568,879	300,000
<b>Total Water fund</b>	<b>\$ 205,490,230</b>	<b>\$ 423,044</b>	<b>\$ 2,555,274</b>	<b>\$ 203,358,000</b>	<b>\$ 3,820,568</b>
<b>Wastewater fund</b>					
Wastewater revenue refunding bonds, series 2003	\$ 28,270,000	\$ -	\$ 2,240,000	\$ 26,030,000	\$ 2,355,000
Wastewater revenue bonds, series 2004A	80,000,000	-	-	80,000,000	-
Wastewater revenue bonds, series 2004B	22,315,000	-	865,000	21,450,000	885,000
Wastewater revenue bonds, series 2006	11,690,000	-	250,000	11,440,000	260,000
2009 CIP lease purchase, draw #7	-	130,128	12,079	118,049	24,757
2009 CIP lease purchase, draw #12	-	41,681	-	41,681	7,802
Less: Unamortized discounts	(275,131)	-	(68,783)	(206,348)	-
Sub Total	141,999,869	171,809	3,298,296	138,873,382	3,532,559
Compensated absences	679,814	440,915	516,227	604,502	516,000
<b>Total Wastewater fund</b>	<b>\$ 142,679,683</b>	<b>\$ 612,724</b>	<b>\$ 3,814,523</b>	<b>\$ 139,477,884</b>	<b>\$ 4,048,559</b>
<b>Environmental resources fund</b>					
Solid waste revenue refunding bonds, series 2005	\$ 12,360,000	\$ -	\$ 1,965,000	\$ 10,395,000	\$ 2,065,000
Capital Lease					
Del Norte Blvd. improvement	205,196	-	80,630	124,566	81,538
Fifth and Del Norte improvement	387,567	-	126,192	261,375	123,587
Lasalle national leasing	31,690	-	31,690	-	-
Lease purchase trash containers	2,856,572	-	308,116	2,548,456	320,973
2009 CIP lease purchase, draw #5	42,732	-	7,964	34,768	8,245
2009 CIP lease purchase, draw #9	-	227,430	14,502	212,928	29,793
2009 CIP lease purchase, draw #12	-	86,478	-	86,478	16,187
Add: Unamortized bond premium	520,066	-	104,014	416,052	-
Less: Unamortized discounts	(68,104)	-	(13,621)	(54,483)	-
Sub Total	16,335,719	313,908	2,624,487	14,025,140	2,645,323
Compensated absences	863,854	486,137	559,435	790,556	560,000
<b>Total Environmental resources fund</b>	<b>\$ 17,199,573</b>	<b>\$ 800,045</b>	<b>\$ 3,183,922</b>	<b>\$ 14,815,696</b>	<b>\$ 3,205,323</b>
<b>Performing arts and convention center fund (PACC)</b>					
Compensated absences	\$ 88,499	\$ 56,638	\$ 51,015	\$ 94,122	\$ 51,000
<b>Total PACC</b>	<b>\$ 88,499</b>	<b>\$ 56,638</b>	<b>\$ 51,015</b>	<b>\$ 94,122</b>	<b>\$ 51,000</b>
<b>Oxnard housing authority fund</b>					
2004 Capital Fund Revenue Bonds	\$ 4,515,000	\$ -	\$ 240,000	\$ 4,275,000	\$ 250,000
Compensated Absences	599,462	296,256	308,686	587,032	34,268
<b>Total Oxnard housing authority fund</b>	<b>\$ 5,114,462</b>	<b>\$ 296,256</b>	<b>\$ 548,686</b>	<b>\$ 4,862,032</b>	<b>\$ 284,268</b>
<b>Municipal golf course fund</b>					
Revenue Refunding Bonds Series 2003	\$ 5,742,293	\$ -	\$ 866,483	\$ 4,875,810	\$ 907,606
Lease Revenue Refunding Bonds Series 2011	\$ -	\$ 21,580,000	\$ -	\$ 21,580,000	\$ 260,000
Less: Unamortized discounts	\$ -	\$ (270,133)	\$ -	\$ (270,133)	\$ -
<b>Total Municipal golf course fund</b>	<b>\$ 5,742,293</b>	<b>\$ 21,309,867</b>	<b>\$ 866,483</b>	<b>\$ 26,185,677</b>	<b>\$ 1,167,606</b>
<b>Total Business-Type Activities</b>	<b>\$ 376,314,740</b>	<b>\$ 23,498,574</b>	<b>\$ 11,019,903</b>	<b>\$ 388,793,411</b>	<b>\$ 12,577,324</b>
<b>Total</b>	<b>\$ 512,898,088</b>	<b>\$ 33,712,882</b>	<b>\$ 23,775,576</b>	<b>\$ 522,835,394</b>	<b>\$ 25,557,444</b>

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, 2011 are as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due within one year
<b>Internal service funds:</b>					
Compensated absences	\$ 935,590	\$ 638,775	\$ 648,967	\$ 925,398	\$ 594,300
2009 CIP lease purchase, draw #11	-	142,085	13,299	128,786	27,183
<b>Total</b>	<b>\$ 935,590</b>	<b>\$ 780,860</b>	<b>\$ 662,266</b>	<b>\$ 1,054,184</b>	<b>\$ 621,483</b>

## 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 thirteen-year bonds 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, 2011 is \$8,300,008, of which \$3,424,198 is recorded within governmental activities and \$4,875,810 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, maturing in various amounts through June 1, 2033. The bond's variable rate coupons track The Securities Industry Financial Markets Association (SIFMA) Municipal Swap Index. These bonds were issued to finance the Downtown Parking Structure and a new Library. The City entered into an interest rate exchange agreement with respect to the bonds with Royal Bank of Canada. The swap agreement terminates by its term on June 1, 2033. On August 26, 2008, the bonds were remarketed with the issuance of an irrevocable, direct-pay letter of credit by Union Bank of California, N.A. The balance outstanding as of June 30, 2011 is \$11,945,000.

### *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 bond's variable rate coupons track The Securities Industry Financial Markets Association (SIFMA) Municipal Swap Index. 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. On August 26, 2008, the bonds were remarketed with the issuance of an irrevocable, direct-pay letter of credit by Union Bank of California, N.A. The outstanding balance as of June 30, 2011 is \$21,990,000.

### ***1999 Certificates of Participation***

The 1999 Certificates of Participation (COPs) were issued on January 26, 1999 in the amount of \$8,980,000. These are thirty-year COPs with a net interest cost of 5.04 percent, maturing in various amounts through June 1, 2033. The COPs were issued to fund improvements to various facilities including the Civic Center, parks, and streets and the purchase of Fire apparatus. The balance outstanding and recorded in governmental activities as of June 30, 2011 is \$6,395,000.

### ***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, 2011 is \$14,705,000.

### ***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, 2011 is \$19,005,000.

### ***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, 2011 is \$11,445,000.

***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, 2011 is \$26,425,000.

***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, 2011 is \$9,725,000.

***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, 2011 is \$41,150,000.

***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, 2011 is \$52,185,000.

***Water Revenue Project Bonds, Series 2010A***

Water Revenue Project Bonds, Series 2010A were issued on February 11, 2010 in the amount of \$16,455,000. These bonds carry a net interest cost of 3.3729 percent and mature on June 1, 2022. The proceeds from the sale of the bonds will be used to finance a portion of the cost of certain capital improvements related to the GREAT program. The balance outstanding as of June 30, 2011 is \$16,455,000.

***Water Revenue Project Bonds, Series 2010B***

Water Revenue Project Bonds, Series 2010B were issued on February 11, 2010 in the amount of \$83,670,000. These bonds, issued as Federally Taxable Build America Bonds under the American Recovery and Reinvestment Act of 2008, carry a net interest cost of 4.5287 percent and mature on June 1, 2040. The City receives an interest subsidy directly from the United States Treasury equal to 35 percent of each interest payment. The proceeds from the sale of the bonds will be used to finance a portion of the cost of certain capital improvements related to the GREAT program. The balance outstanding as of June 30, 2011 is \$83,670,000.

***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 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, 2011 is \$26,030,000.

***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, 2011 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 and mature on June 1, 2034. The bond's variable rate coupons track The Securities Industry Financial Markets Association (SIFMA) Municipal Swap Index. 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 City entered into an interest rate exchange agreement with respect to the bonds with Royal Bank of Canada. The swap agreement terminates by its term on June 1, 2034. On August 26, 2008, the bonds were remarketed with the issuance of an irrevocable, direct-pay letter of credit by Union Bank of California, N.A. The balance outstanding as of June 30, 2011 is \$21,450,000.

### ***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, 2011 is \$11,440,000.

### ***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, 2011 is \$10,395,000.

### ***Golf Course Lease Revenue Refunding Bonds, Series 2011***

Golf Course Lease Revenue Refunding Bonds, Series 2011 were issued on June 9, 2011 in the amount of \$21,580,000. These bonds carry a net interest cost of 5.47 percent and mature on June 1, 2036. The proceeds of the bonds were used to pay the principal of and interest on the Bond Anticipation Notes, Series 2010. The outstanding balance as of June 30, 2011 is \$21,580,000.

### ***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, 2011 is \$4,275,000.

### ***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, 2011 is \$124,566.

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, 2011 is \$261,375.

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, 2011 is \$2,548,456.

On September 1, 2009, the City entered into a Master Equipment Lease Purchase Line of Credit Agreement with Bank of America in an amount not to exceed \$10 million for the purpose of acquiring vehicles and other capital assets. As of June 30, 2011, the total outstanding balance on this line of credit was \$3,241,867.

### ***Compensated Absences***

The long-term portion of the liability was \$7,957,550 for governmental activities and \$1,183,823 for business-type activities at June 30, 2011, which is expected to be paid in future years from future resources.

### ***Interest Rate Swaps***

The City of Oxnard has entered into interest rate swaps to hedge its variable rate bond exposure. All three interest rate swaps qualify for treatment as 'Hedging Derivative Instruments' pursuant to the requirements of GASB Statement No. 53. Gains or losses on Hedging Derivative Instruments are reported as deferrals in the Statement of Net Assets.

**1. City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds, (Civic Center Phase 2 Project), Series 2006.** As a result of a decline in interest rates since execution of the swap, the swap has a negative fair value of \$2,798,800 as of June 30, 2011. 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. The coupons on the City's variable-rate bonds adjust to changing interest rates, and therefore the bonds do not have a corresponding fair value increase. The fair value of the swap 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.

- a. Objectives. As a means to lower borrowing costs, when compared against fixed-rated bonds at the time of issuance in December 2006, the City entered into a floating-to-fixed 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 an expected synthetic fixed rate of 3.53 percent. The contract provides that the City of Oxnard pay a fixed interest rate of 3.53 percent to the swap counterparty, the Royal Bank of Canada, in exchange for receiving a variable interest rate based upon 68 percent of the 1-month London Interbank Offered Rate (LIBOR). The swap is consistent with the guidelines contained within the City of Oxnard Master Swap Policy adopted on November 21, 2006.
- b. Terms. The bonds and the related swap agreement mature on June 1, 2036, and as of June 30, 2011 the swap's notional amount of \$21,990,000 matches the \$21,990,000 in variable-rate bonds. The swap was entered at the same time the bonds were issued (December 2006) and terminates at the same time that the bonds mature (June 2036). The notional value of the swap declines annually at the same rate and amount as the associated principal balance of the bonds. Pursuant to the swap agreement, the City pays the counterparty a fixed payment of 3.53 percent and receives a variable payment computed as 68 percent of 1-month LIBOR. The bond's variable rate coupons track The Securities Industry Financial Markets Association (SIFMA) Municipal Swap Index.
- c. Risks. The following represent the applicable risks that could give rise to financial loss:



- i. *Credit Risk.* The swap counterparty carries a senior debt rating of 'Aa1' by Moody's and 'AA-' by Standard & Poor's as of June 30, 2011. 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 swap counterparty with U.S. government securities. Collateral would be posted with a third-party custodian. As of June 30, 2011, the City is not exposed to credit risk due to the negative fair value of the swap.
- ii. *Basis Risk.* The swap exposes the City to basis risk should the relationship between LIBOR and the SIFMA Municipal Swap Index converge, potentially affecting the synthetic rate on the bonds. If a change occurs in which 68 percent of 1-month LIBOR is greater than the SIFMA swap index, the expected cost savings may be reduced. As of June 30, 2011, the SIFMA Municipal Swap Index rate was 0.09 percent, whereas 68 percent of 1-month LIBOR was 0.13 percent.
- iii. *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 City would be exposed to interest rate risk. 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.

**2. City of Oxnard Financing Authority Variable Rate Demand Wastewater Revenue Bonds (Headworks and Septic System Conversion Program), 2004 Series B.** As a result of a decline in interest rates since execution of the swap, the swap has a negative fair value of \$3,508,932 as of June 30, 2011. 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. The coupons on the City's variable-rate bonds adjust to changing interest rates, and therefore the bonds do not have a corresponding fair value increase. The fair value of the swap 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.

- a. *Objectives.* As a means to fix its borrowing costs, in June 2007 the City entered into a floating-to-fixed 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

an expected synthetic fixed rate of 4.017 percent. The contract provides that the City of Oxnard pay a fixed interest rate of 4.017 percent to the swap counterparty, the Royal Bank of Canada, in exchange for receiving a variable interest rate based upon 68 percent of the 1-month London Interbank Offered Rate (LIBOR). The swap is consistent with the guidelines contained within the City of Oxnard Master Swap Policy adopted on November 21, 2006.

- b. Terms. The bonds and the related swap agreement mature on June 1, 2034, and as of June 30, 2011 the swap's notional amount of \$21,450,000 matches the \$21,450,000 in variable-rate bonds. The swap was entered into in June 2007 and terminates at the same time that the bonds mature (June 2034). The notional value of the swap declines annually at the same rate and amount as the associated principal balance of the bonds. Pursuant to the swap agreement, the City pays the counterparty a fixed payment of 4.017 percent and receives a variable payment computed as 68 percent of 1-month LIBOR. The bond's variable rate coupons track The Securities Industry Financial Markets Association (SIFMA) Municipal Swap Index.
- c. Risks. The following represent the applicable risks that could give rise to financial loss:
  - i. *Credit Risk.* The swap counterparty carries a senior debt rating of 'Aa1' by Moody's and 'AA-' by Standard & Poor's as of June 30, 2011. 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 swap counterparty with U.S. government securities. Collateral would be posted with a third-party custodian. As of June 30, 2011, the City is not exposed to credit risk due to the negative fair value of the swap.
  - ii. *Basis Risk.* The swap exposes the City to basis risk should the relationship between LIBOR and the SIFMA Municipal Swap Index converge, potentially affecting the synthetic rate on the bonds. If a change occurs in which 68 percent of 1-month LIBOR is greater than the SIFMA swap index, the expected cost savings may be reduced. As of June 30, 2011, the SIFMA Municipal Swap Index rate was 0.09 percent, whereas 68 percent of 1-month LIBOR was 0.13 percent.
  - iii. *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 City would be exposed to interest rate risk. 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.

### **3. City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds**

**2003 Series B.** As a result of a decline in interest rates since execution of the swap, the swap has a negative fair value of \$2,033,526 as of June 30, 2011. 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. The coupons on the City's variable-rate bonds adjust to changing interest rates, and therefore the bonds do not have a corresponding fair value increase. The fair value of the swap 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.

- a. *Objectives.* As a means to fix its borrowing costs, in June 2007 the City entered into a floating-to-fixed interest rate swap in connection with its \$14,750,000 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 an expected synthetic fixed rate of 4.037 percent. The contract provides that the City of Oxnard pay a fixed interest rate of 4.037 percent to the swap counterparty, the Royal Bank of Canada, in exchange for receiving a variable interest rate based upon 68 percent of the 1-month London Interbank Offered Rate (LIBOR). The swap is consistent with the guidelines contained within the City of Oxnard Master Swap Policy adopted on November 21, 2006.
- b. *Terms.* The bonds and the related swap agreement mature on June 1, 2033, and as of June 30, 2011 the swap's notional amount of \$11,945,000 matches the \$11,945,000 in variable-rate bonds. The swap was entered into in June 2007 and terminates at the same time that the bonds mature (June 2033). The notional value of the swap declines annually at the same rate and amount as the associated principal balance of the bonds. Pursuant to the swap agreement, the City pays the counterparty a fixed payment of 4.037 percent and receives a variable payment computed as 68 percent of 1-month LIBOR. The bond's variable rate coupons track The Securities Industry Financial Markets Association (SIFMA) Municipal Swap Index.
- c. *Risks.* The following represent the applicable risks that could give rise to financial loss:
  - i. *Credit Risk.* The swap counterparty carries a senior debt rating of 'Aa1' by Moody's and 'AA-' by Standard & Poor's as of June 30, 2011. 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 swap counterparty with U.S. government securities. Collateral would be posted with a third-party custodian. As of June 30, 2011, the City is not exposed to credit risk due to the negative fair value of the swap.

- ii. *Basis Risk.* The swap exposes the City to basis risk should the relationship between LIBOR and the SIFMA Municipal Swap Index converge, potentially affecting the synthetic rate on the bonds. If a change occurs in which 68 percent of 1-month LIBOR is greater than the SIFMA swap index, the expected cost savings may be reduced. As of June 30, 2011, the SIFMA Municipal Swap Index rate was 0.09 percent, whereas 68 percent of 1-month LIBOR was 0.13 percent.
- iii. *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 City would be exposed to interest rate risk. 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.

#### **Hedging derivatives instrument payments and hedged debt**

As of June 30, 2011, debt service requirements of the City's variable-rate debt and net receipts/payments on associated hedging derivatives are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rate of hedging derivative instruments will remain the same for their term. As interest rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

Fiscal Year Ending 30-Jun		Principal	Interest	Hedging Derivatives, Net
2012	\$	1,825,000	\$ 138,463	\$ 1,981,651
2013		1,890,000	133,900	1,915,478
2014		1,950,000	129,175	1,846,977
2015		2,005,000	124,300	1,776,309
2016		2,070,000	119,288	1,703,666
2017		2,135,000	114,113	1,628,693
2018		2,200,000	108,775	1,551,367
2019		2,275,000	103,275	1,471,710
2020		2,340,000	97,588	1,389,347
2021		2,005,000	91,738	1,304,680
2022		2,075,000	86,725	1,232,751
2023		2,140,000	81,538	1,158,328
2024		2,215,000	76,188	1,081,600
2025		2,280,000	70,650	1,002,188
2026		2,355,000	64,950	920,471
2027		2,430,000	59,063	836,096
2028		2,510,000	52,988	749,063
2029		2,590,000	46,713	659,183
2030		2,675,000	40,238	566,456
2031		2,765,000	33,550	470,718
2032		2,845,000	26,638	371,780
2033		2,935,000	19,525	270,021
2034		2,285,000	12,188	165,062
2035		1,270,000	6,475	84,952
2036		1,320,000	3,300	43,296
<b>Total</b>	<b>\$</b>	<b>55,385,000</b>	<b>\$ 1,841,344</b>	<b>\$ 26,181,843</b>

## 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
2012	\$ 4,085,820	\$ 4,994,219	\$ 11,116,056	\$ 20,215,691
2013	4,236,392	4,743,414	11,501,750	19,821,151
2014	4,392,475	4,582,813	11,846,644	19,489,305
2015	4,545,206	4,410,057	12,376,022	18,972,601
2016	4,595,224	4,229,057	11,906,366	18,407,953
2017-2021	20,936,677	18,500,814	52,032,640	84,773,243
2022-2026	23,590,000	13,911,610	64,385,000	70,862,699
2027-2031	22,130,000	8,795,910	80,630,000	52,202,173
2032-2036	22,105,000	4,250,244	84,505,000	29,190,695
2037-2041	7,270,000	334,161	46,555,000	8,327,897
<b>Totals</b>	<b>\$ 117,886,794</b>	<b>\$ 68,752,299</b>	<b>\$ 386,854,478</b>	<b>\$ 342,263,408</b>

Gas Tax Revenue Cert. of Participation Issued 2008			Tax Allocation Bonds Series 2006	
Fiscal Year	Principal	Interest	Principal	Interest
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	600,000	1,107,050	495,000	719,479
2016	630,000	1,079,450	515,000	700,516
2017-2021	3,585,000	4,958,075	2,895,000	3,190,079
2022-2026	4,405,000	4,126,263	3,495,000	2,559,845
2027-2031	5,470,000	2,986,785	4,290,000	1,747,112
2032-2036	6,850,000	1,648,885	5,290,000	730,070
2037-2041	3,215,000	39,069	630,000	13,775
<b>Totals</b>	<b>\$ 26,425,000</b>	<b>\$ 19,413,727</b>	<b>\$ 19,005,000</b>	<b>\$ 12,016,796</b>

Water Revenue Project Bonds Series 2006			Water Revenue Project Bonds Series 2004	
Fiscal Year	Principal	Interest	Principal	Interest
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	1,015,000	2,413,385	1,190,000	1,833,904
2016	1,060,000	2,370,248	1,235,000	1,789,874
2017-2021	6,065,000	11,076,278	6,990,000	8,144,094
2022-2026	7,625,000	9,524,613	8,865,000	6,262,750
2027-2031	10,460,000	7,496,999	11,320,000	3,813,000
2032-2036	23,200,000	4,031,750	8,240,000	837,249
2037-2041	-	-	-	-
<b>Totals</b>	<b>\$ 52,185,000</b>	<b>\$ 44,433,928</b>	<b>\$ 41,150,000</b>	<b>\$ 28,446,913</b>

Fiscal Year	Water Revenue Refunding Bonds		1999 Certificate of Participation	
	Series 2001			
	Principal	Interest	Principal	Interest
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	370,000	437,118	315,000	262,675
2016	385,000	419,542	330,000	247,712
2017-2021	2,240,000	1,792,562	1,800,000	990,136
2022-2026	2,860,000	1,173,562	2,100,000	542,690
2027-2031	2,850,000	374,126	985,000	70,775
2032-2036	-	-	-	-
2037-2041	-	-	-	-
Totals	\$ 9,725,000	\$ 5,603,137	\$ 6,395,000	\$ 2,982,491

Fiscal Year	Wastewater Revenue Bonds		Wastewater Revenue Refunding Bonds - Series 2003	
	Series 2004 A			
	Principal	Interest	Principal	Interest
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	-	4,087,725	2,730,000	937,325
2016	-	4,087,725	2,875,000	794,000
2017-2021	4,075,000	20,438,625	13,005,000	1,665,501
2022-2026	23,630,000	17,172,375	-	-
2027-2031	30,175,000	10,627,575	-	-
2032-2036	22,120,000	2,362,418	-	-
2037-2041	-	-	-	-
Totals	\$ 80,000,000	\$ 71,039,618	\$ 26,030,000	\$ 6,982,264

Fiscal Year	Wastewater Revenue Bonds		Tax Allocation Bonds	
	Series 2006		Series 2008	
	Principal	Interest	Principal	Interest
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	295,000	504,330	215,000	501,738
2016	305,000	492,530	215,000	493,138
2017-2021	1,725,000	2,259,674	1,220,000	2,311,088
2022-2026	2,145,000	1,841,592	1,505,000	2,020,666
2027-2031	2,705,000	1,282,500	1,880,000	1,639,299
2032-2036	3,455,000	535,250	2,410,000	1,119,318
2037-2041	-	-	3,425,000	281,317
Totals	\$ 11,440,000	\$ 8,494,466	\$ 11,445,000	\$ 9,919,778

Fiscal Year	Tax Allocation Refunding Bonds		Adjustable Lease Revenue Bonds		
	Series 2004 A		Series 2003 B		
	Principal	Interest	Principal	Interest	Swap Interest
2012	\$ 730,000	\$ 637,996	\$ 395,000	\$ 482,220	\$ 467,014
2013	755,000	612,921	405,000	466,274	451,571
2014	780,000	585,278	420,000	449,924	435,736
2015	810,000	555,458	430,000	432,968	419,315
2016	840,000	523,268	440,000	415,609	402,503
2017-2021	4,590,000	2,043,181	2,415,000	1,799,695	1,742,946
2022-2026	5,040,000	931,814	2,790,000	1,283,159	1,242,700
2027-2031	1,160,000	28,710	3,230,000	685,484	663,869
2032-2036	-	-	1,420,000	86,391	83,666
2037-2041	-	-	-	-	-
Totals	\$ 14,705,000	\$ 5,918,626	\$ 11,945,000	\$ 6,101,724	\$ 5,909,320

Fiscal Year	Lease Revenue Refunding Bonds Series 2003 A		Variable Rate Demand Lease Revenue Bonds Series 2006		
	Principal	Interest	Principal	Interest	Swap Interest
	\$	\$	\$	\$	\$
2012	1,545,003	306,335	545,000	776,247	748,254
2013	1,600,000	253,805	570,000	757,009	729,709
2014	1,655,000	197,805	590,000	736,888	710,314
2015	1,715,000	136,570	610,000	716,061	690,238
2016	1,785,007	71,400	635,000	694,528	669,481
2017-2021	-	-	3,535,000	3,120,343	3,007,816
2022-2026	-	-	4,255,000	2,447,173	2,358,921
2027-2031	-	-	5,115,000	1,637,745	1,578,682
2032-2036	-	-	6,135,000	665,580	641,580
2037-2041	-	-	-	-	-
Totals	\$ 8,300,010	\$ 965,915	\$ 21,990,000	\$ 11,551,574	\$ 11,134,995

Fiscal Year	Solid Waste Revenue Refunding Bonds Series 2005		Wastewater Revenue Bonds Series 2004 B		
	Principal	Interest	Principal	Interest	Swap Interest
	\$	\$	\$	\$	\$
2012	2,065,000	519,750	885,000	861,647	834,341
2013	2,165,000	416,500	915,000	826,096	799,917
2014	2,275,000	308,250	940,000	789,341	764,326
2015	2,390,000	194,500	965,000	751,581	727,763
2016	1,500,000	75,000	995,000	712,817	690,227
2017-2021	-	-	5,005,000	2,941,247	2,848,038
2022-2026	-	-	4,020,000	2,045,055	1,980,247
2027-2031	-	-	4,625,000	1,190,839	1,153,102
2032-2036	-	-	3,100,000	251,261	243,301
2037-2041	-	-	-	-	-
Totals	\$ 10,395,000	\$ 1,514,000	\$ 21,450,000	\$ 10,369,884	\$ 10,041,262

Fiscal Year	Water Revenue Refunding Bonds Series 2010A		Water Revenue Refunding Bonds Series 2010B	
	Principal	Interest	Principal	Interest
	\$	\$	\$	\$
2012	1,215,000	752,475	-	5,786,173
2013	1,255,000	716,025	-	5,786,173
2014	1,300,000	670,325	-	5,786,173
2015	1,340,000	631,325	-	5,786,173
2016	1,410,000	564,325	-	5,786,173
2017-2021	8,070,000	1,778,625	-	28,930,865
2022-2026	1,865,000	102,575	8,420,000	28,100,309
2027-2031	-	-	12,800,000	24,389,750
2032-2036	-	-	15,895,000	19,630,330
2037-2041	-	-	46,555,000	8,327,897
Totals	\$ 16,455,000	\$ 5,215,675	\$ 83,670,000	\$ 138,310,016

Fiscal Year	2004 Capital Fund Revenue Bonds Housing Authority		Golf Course Lease Revenue Bonds Series 2011	
	Principal	Interest	Principal	Interest
	\$	\$	\$	\$
2012	250,000	189,205	260,000	1,038,547
2013	260,000	180,455	225,000	1,098,345
2014	270,000	170,835	260,000	1,093,845
2015	280,000	160,170	290,000	1,086,045
2016	295,000	148,690	330,000	1,075,895
2017-2021	1,690,000	539,460	2,300,000	5,162,200
2022-2026	1,230,000	122,755	3,725,000	4,517,113
2027-2031	-	-	5,695,000	3,401,510
2032-2036	-	-	8,495,000	1,542,437
2037-2041	-	-	-	-
Totals	\$ 4,275,000	\$ 1,511,570	\$ 21,580,000	\$ 20,015,937



<b>Fiscal Year</b>	<b>2009 Master Equipment Lease Purchase</b>		<b>Purchase Agreement Issue 2008</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2012	\$ 460,774	\$ 120,863	\$ 320,972	\$ 101,971
2013	477,962	103,644	334,365	88,578
2014	495,802	85,024	348,317	74,626
2015	503,377	66,986	362,851	60,092
2016	343,593	49,618	377,992	44,952
2017-2021	960,359	90,400	803,959	41,929
Totals	<u>\$ 3,241,867</u>	<u>\$ 516,535</u>	<u>\$ 2,548,456</u>	<u>\$ 412,148</u>

	<b>Fifth/Del Norte Land Purchase Solid Waste</b>		<b>Del Norte Blvd. Improve. Solid Waste</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2012	\$ 123,587	\$ 11,011	\$ 81,537	\$ 5,151
2013	137,788	4,785	43,029	1,043
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016-2020	-	-	-	-
Totals	<u>\$ 261,375</u>	<u>\$ 15,796</u>	<u>\$ 124,566</u>	<u>\$ 6,194</u>

Management believes the City complies with all significant covenants related to its debt issues as of June 30, 2011.

### **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, 2011 is as follows:

<b>Rice Avenue/Highway 101 Assessment District:</b>	\$ 13,195,000
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	
<b>Rose Avenue/Highway 101 Assessment District:</b>	3,580,000
1915 Act Improvement Bonds issued November 1, 1996; original amount \$8,560,000; average rate of 5.50%; maturing in 2016	
<b>City of Oxnard Community Facilities District I (Westport):</b>	9,220,000
<b>City of Oxnard Community Facilities District 88-1:</b>	660,000
<b>Oxnard Boulevard Interchange Community Facilities District 2000-03:</b>	8,820,000
<b>Oxnard Boulevard/Highway 101 Interchange Assessment District 2000-01:</b>	2,060,000
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	
<b>Community Facilities District No. 3 - Seabridge/Mandalay Bay</b>	31,465,000
<b>Total</b>	<b><u>\$ 69,000,000</u></b>

### 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, 2011, was \$82,635,227; the City's total payroll was \$99,226,570. 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 as follows:

Miscellaneous Employees	2% at age 55
(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)	
Police Employees	3% at age 50
Fire employees	3% 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 2010-2011, the City's annual pension cost (APC) of \$22,331,816 for PERS was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2010 actuarial assumptions, using the entry age normal 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 3.55% to 14.45% for miscellaneous and fire employees and from 3.55% to 13.15% for police employees and that vary based on the duration of service and type of employment, (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 are 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**

	Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Police	2009	\$ 9,285,787	100%	\$ -
Police	2010	9,263,703	100%	-
Police	2011	9,547,444	100%	-
Fire	2009	\$ 3,546,603	100%	\$ -
Fire	2010	3,549,349	100%	-
Fire	2011	3,713,081	100%	-
Miscellaneous	2009	\$ 9,923,543	100%	\$ -
Miscellaneous	2010	9,640,108	100%	-
Miscellaneous	2011	9,071,291	100%	-

Contributions to PERS for the Fiscal Year ended June 30, 2011, are shown below:

	<b>City Contributions</b>	<b>Employee Contributions</b>	<b>Total</b>
Safety employees:			
Police	\$ 7,402,754	\$ 2,144,690	\$ 9,547,444
Fire	2,827,468	885,613	3,713,081
Total safety employees	10,230,222	3,030,303	13,260,525
Miscellaneous employees	5,643,728	3,427,563	9,071,291
<b>Total</b>	<b>\$ 15,873,950</b>	<b>\$ 6,457,866</b>	<b>\$ 22,331,816</b>

### Funded Status and Funding Progress

The funded status of each plan as of June 30, 2010, the most recent actuarial valuation is as follows (dollar amounts in thousands):

	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)-Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a percentage of Covered Payroll</b>
Police	\$ 186,836	\$ 230,263	\$ 43,427	81.1%	\$ 23,898	181.7%
Fire *	\$ 8,470,235	\$ 10,165,475	\$ 1,695,240	83.3%	\$ 955,981	177.3%
Miscellaneous	\$ 272,189	\$ 313,317	\$ 41,128	86.9%	\$ 52,770	77.9%

\* 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:

	<b><u>City Contributions</u></b>	<b><u>Employee Contributions</u></b>
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, 2011, was 3.44 percent of eligible employee gross wages. The City's payroll for employees covered by PARS for the year ended June 30, 2011, was \$38,602,942. 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 2010-2011, the City's annual pension cost (APC) of \$4,194,952, 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, 2011 are shown below:

	<b>City Contributions</b>	<b>Employee Contributions</b>	<b>Total</b>
Miscellaneous employees	\$ 1,107,904	\$ 3,087,048	\$ 4,194,952

### **Trend Information**

The three year trend for fiscal years ending June 30 is as follows:

<b>Fiscal Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2009	\$ 4,539,412	100%	\$ -
2010	\$ 4,490,429	100%	-
2011	\$ 4,194,952	100%	-

### **Funded Status and Funding Progress**

As of July 1, 2007, the most recent actuarial valuation date (due to unavoidable circumstances, the report has not been updated), the plan was 39.6% 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%.

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. Early Retirement Incentive Plan**

The City adopted through resolution number 13,893 a supplemental retirement plan to forty eight (48) eligible employees, this plan is administered by Phase II Systems, PARS Trust Administrator. The level of benefit is seven percent (7%) of the employee's final base pay, payable through the employee's lifetime, with an option of payment for five (5) to ten (10) years, at the employee's election.

### **D. Post-employment Health Care Benefits**

#### **Plan Description**

The City participates in the CALPERS medical program, which is a cost-sharing multiple

employer defined benefit health care 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.).

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 2011 was \$108.00. 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 2010-2011 the City's annual OPEB cost of \$1,599,856 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 and prior fiscal year were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Actual Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2009	\$ 2,254,674	\$ 270,735	12.0%	\$ 1,983,939
6/30/2010	\$ 1,359,054	\$ 248,179	18.3%	\$ 1,110,875
6/30/2011	\$ 1,599,856	\$ 322,671	20.2%	\$ 1,277,185

### **Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial accrued liability (AAL)	\$ 11,081,083
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 11,081,083</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 82,635,227
UAAL as a percentage of covered payroll	13.410%

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 \$12,035,400 recorded at June 30, 2011, 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 2010-2011 was \$700,322 which included a pure premium adjustment of \$430,599. During the past five-year period, the average claims filed each year for general liability amounted to 205 claims totaling \$1,491,888 per year (an average of \$7,278 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, 2011 was \$3,871,295. The following schedule presents the changes in self-insurance claims liabilities for the past two years:



	Public Liability and Property Damage	
	FY 10-11	FY 09-10
Unpaid claims and claims adjustment expenses-July 1	\$ 3,992,930	\$ 4,544,718
Incurring claims and claims adjustment expenses:		
Increase/decrease in provision for insured events	(121,635)	(426,217)
Increase/decrease in actuarially incurred but not reported claims (IBNR)	-	(125,571)
Total incurred claims and claims adjustment expenses	(121,635)	(551,788)
Unpaid claims and claims adjustment expenses-June 30	3,871,295	3,992,930
Claims and judgements due within one year	\$ 2,117,000	\$ 1,992,000

## 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 221 claims filed per year for the past five years, with an average of approximately \$2,552,306 per year in total reported losses (an average of \$11,559 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, 2011 was \$8,164,105.

The following schedule presents the changes in self-insurance claims liabilities for the past two years:

	Worker's Compensation	
	FY 10-11	FY 09-10
Unpaid claims and claims adjustment expenses-July 1	\$ 8,350,233	\$ 9,458,261
Incurring claims and claims adjustment expenses:		
Increase/decrease in provision for insured events	(186,128)	(879,312)
Increase/decrease in actuarially incurred but not reported claims (IBNR)	-	(228,716)
Total incurred claims and claims adjustment expenses	(186,128)	(1,108,028)
Unpaid claims and claims adjustment expenses-June 30	8,164,105	8,350,233
Claims and judgements due within one year	\$ 3,902,000	\$ 3,957,000

## **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, 2011 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. Other**

In July of 2010, the Ventura County District Attorney initiated an investigation into the use of public funds and conflicts of interest regarding various contracts. As of the issuance of this document, the investigation was ongoing.

#### California State Budget Impacts

The State fiscal year 2012 budget included two major items that impact the City. As part of the realignment of certain public safety responsibilities, primarily the shift of inmates from State prisons to County jails, budget trailer bill SB 89, which eliminated vehicle license fees allocated to Cities, was approved by the legislature and governor. The impact on future City general fund revenues is approximately \$700,000 based on projected revenues. The budget for FY 2012 adopted by the City Council excludes these revenues.

On June 29, 2011, California Governor Brown signed Assembly Bills (AB) X1 26 and 27. AB X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. AB X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. AB X1 26 indicates that the city “may use any available funds not otherwise obligated for other uses” to make this payment. The City of Oxnard intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

AB X1 26 directs the California State Controller to review the propriety of any transfers of

assets between the redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by AB X1 26.

In the event that AB X1 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

On July 18, 2011, the California Redevelopment Association (CRA) and the League of California Cities filed a lawsuit on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn AB X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all AB X1 27 and most of AB X1 26. The California Supreme Court stated in its order that “the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012. A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of AB X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (“EOPS”) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (“ROPS”) by September 30, 2011.

Because the stay provided by AB X1 26 only affects enforcement, each agency must adopt an EOPS and draft ROPS prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB X1 26.

On August 2, 2011, City Ordinance No. 2849 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event AB X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be \$6.9 million with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$1.6 million will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any “new debt” is incurred. AB X1 27 allows a one-year reprieve on the agency’s obligation to contribute 20% of tax increment to the low-and-moderate-income housing

fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of AB X1 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that AB X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

# **REQUIRED SUPPLEMENTARY INFORMATION**



**Required Supplementary Information**  
**Schedule of Funding Progress**  
**For the Year Ended June 30, 2011**  
**(Dollars in Thousands)**

**California Public Employees' Retirement System Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)-Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a percentage of Covered Payroll</b>
<b>Police</b>						
6/30/08	\$ 165,344	\$ 197,254	\$ 31,910	83.8%	\$ 21,964	145.3%
6/30/09	\$ 175,938	\$ 218,213	\$ 42,275	80.6%	\$ 23,030	183.6%
6/30/10	\$ 186,836	\$ 230,263	\$ 43,427	81.1%	\$ 23,898	181.7%
<b>Fire *</b>						
6/30/08	\$ 7,464,928	\$ 8,700,468	\$ 1,235,540	85.8%	\$ 914,841	135.1%
6/30/09	\$ 8,027,159	\$ 9,721,675	\$ 1,694,516	82.6%	\$ 973,814	174.0%
6/30/10	\$ 8,470,235	\$ 10,165,475	\$ 1,695,240	83.3%	\$ 955,981	177.3%
<b>Miscellaneous</b>						
6/30/08	\$ 245,132	\$ 277,076	\$ 31,944	88.5%	\$ 55,412	57.6%
6/30/09	\$ 258,028	\$ 300,084	\$ 42,056	86.0%	\$ 53,822	78.1%
6/30/10	\$ 272,189	\$ 313,317	\$ 41,128	86.9%	\$ 52,770	77.9%

\* Fire amounts reflect total risk pool valuations and liabilities.

**Public Agency Retirement System Retirement Enhancement Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)- Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a percentage of Covered Payroll</b>
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%

Due to unavoidable circumstance, the valuation report is not available at the time of the issuance of the CAFR.

**Required Supplementary Information**  
**Schedule of Funding Progress**  
**For the Year Ended June 30, 2011**  
**(Dollars in Thousands)**

**Other Post Employment Benefit – CalPERS Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)- Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a percentage of Covered Payroll</b>
7/1/07	\$ -	\$ 21,811	\$ 21,811	0%	\$ 84,863	25.7%
7/1/07	\$ -	\$ 23,751	\$ 23,751	0%	\$ 86,730	27.4%
7/1/09	\$ -	\$ 11,081	\$ 11,081	0%	\$ 85,873	12.9%

**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 38,710,000	\$ 38,710,000	\$ 39,104,079	\$ 394,079
Sales	20,250,000	29,622,975	33,396,737	3,773,762
Transient occupancy	3,089,000	3,089,000	3,301,864	212,864
Business license (net of refund)	4,772,000	4,772,000	4,412,881	(359,119)
Franchise	4,646,000	4,646,000	3,495,532	(1,150,468)
Other taxes	659,000	659,000	631,841	(27,159)
Licenses and permits	1,562,000	1,562,000	1,298,939	(263,061)
Intergovernmental	11,109,000	11,874,275	12,451,920	577,645
Charges for services	10,940,000	10,936,000	10,512,219	(423,781)
Fines and forfeitures	656,000	656,000	657,538	1,538
Investment earnings	609,000	609,000	501,703	(107,297)
Miscellaneous	3,132,000	3,118,000	3,289,632	171,632
<b>Total revenues</b>	<b>100,134,000</b>	<b>110,254,250</b>	<b>113,054,885</b>	<b>2,800,635</b>
<b>EXPENDITURES</b>				
General government:				
Legislative				
City council	377,032	389,432	393,308	(3,876)
City treasurer	1,170,674	1,056,052	1,041,235	14,817
City clerk	518,724	425,089	393,875	31,214
City manager	1,591,238	1,569,623	1,558,867	10,756
City attorney	1,341,833	1,343,783	1,336,575	7,208
Financial services	3,515,278	3,113,456	3,102,410	11,046
Human resources	1,244,938	1,070,359	1,224,117	(153,758)
Non-departmental	(2,181,908)	1,629,513	1,511,257	118,256
Public safety:				
Police	50,185,182	49,619,007	50,537,882	(918,875)
Fire	14,443,593	14,338,931	14,598,662	(259,731)
Transportation	4,411,878	4,323,387	4,577,506	(254,119)
Community development:				
Development services	6,334,262	5,672,881	5,670,696	2,185
Economic development and tourism service	864,948	864,948	864,948	-
Housing services	391,109	391,109	372,197	18,912
Community services	2,856,250	3,013,851	2,784,837	229,014
Culture and leisure:				
Recreation services	3,413,755	3,873,867	3,920,404	(46,537)
Carnegie art museum	426,987	-	-	
Park and public grounds	8,442,611	8,226,211	8,330,034	(103,823)
Library services	4,777,907	4,657,059	4,616,656	40,403
Capital outlay	136,069	19,487,713	3,845,114	15,642,599
<b>Total expenditures</b>	<b>104,262,360</b>	<b>125,066,271</b>	<b>110,680,580</b>	<b>14,385,691</b>
Excess (deficiency) of revenues over expenditures	(4,128,360)	(14,812,021)	2,374,305	17,186,326
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	7,326,726	6,307,009	5,939,476	(367,533)
Transfers out	(3,293,182)	(3,436,966)	(4,919,740)	(1,482,774)
<b>Total other financing sources (uses)</b>	<b>4,033,544</b>	<b>2,870,043</b>	<b>1,019,736</b>	<b>(1,850,307)</b>
Net change in fund balances	(94,816)	(11,941,978)	3,394,041	15,336,019
<b>Fund balances, July 1</b>	<b>29,726,794</b>	<b>29,726,794</b>	<b>29,726,794</b>	<b>-</b>
<b>Fund balances, budgetary basis, June 30</b>	<b>\$ 29,631,978</b>	<b>\$ 17,784,816</b>	<b>\$ 33,120,835</b>	<b>\$ 15,336,019</b>

**Notes to Budgetary Comparison Schedule:**

Budgets are prepared on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP).



**Federal & State Grants Special Revenue Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**For Fiscal Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ 1,058,424	\$ 5,387,718	\$ 37,792,620	\$ 32,404,902
Fines and forfeitures	-	-	140,127	140,127
Interest	-	-	80,910	80,910
Miscellaneous	-	133,798	(669,703)	(803,501)
<b>Total revenues</b>	<b>1,058,424</b>	<b>5,521,516</b>	<b>37,343,954</b>	<b>31,822,438</b>
<b>EXPENDITURES</b>				
Public safety	31,622	3,980,010	2,389,707	1,590,303
Transportation	-	12,324	1,823,110	(1,810,786)
Community Development	286,954	6,727,688	1,630,002	5,097,686
Culture and leisure	-	772,499	528,483	244,016
Library Services	-	184,706	65,377	119,329
Capital Outlay	738,000	68,951,745	37,528,910	31,422,835
<b>Total expenditures</b>	<b>1,056,576</b>	<b>80,628,972</b>	<b>43,965,589</b>	<b>36,663,383</b>
Excess (deficiency) of revenues over expenditures	1,848	(75,107,456)	(6,621,635)	68,485,821
Net changes in fund balances	1,848	(75,107,456)	(6,621,635)	68,485,821
<b>Fund balances-July 1</b>	<b>6,496,136</b>	<b>6,496,136</b>	<b>6,496,136</b>	<b>-</b>
<b>Fund balances,budgetary basis, June 30</b>	<b>\$ 6,497,984</b>	<b>\$ (68,611,320)</b>	<b>\$ (125,499)</b>	<b>\$ 68,485,821</b>

**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 Fiscal Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ 19,125,414	\$ 19,125,414	\$ 15,360,734	\$ (3,764,680)
Interest	822,482	822,482	602,649	(219,833)
Rental Income	249,000	249,000	256,390	7,390
Miscellaneous	186,000	186,000	525,808	339,808
<b>Total revenues</b>	<b>20,382,896</b>	<b>20,382,896</b>	<b>16,745,581</b>	<b>(3,637,315)</b>
<b>EXPENDITURES</b>				
Communiy development	9,278,617	11,951,682	11,229,750	721,932
Capital outlay	158,000	23,211,694	5,847,564	17,364,130
<b>Total expenditures</b>	<b>9,436,617</b>	<b>35,163,376</b>	<b>17,077,314</b>	<b>18,086,062</b>
Excess (deficiency) of revenues over expenditures	10,946,279	(14,780,480)	(331,733)	14,448,747
<b>OTHER FINANCING SOURCES (USES)</b>				
Contributions to other funds	-	-	(60,376,974)	(60,376,974)
Transfer Out	(117,000)	(117,000)	(117,000)	-
<b>Total other financing sources (uses)</b>	<b>(117,000)</b>	<b>(117,000)</b>	<b>(60,493,974)</b>	<b>(60,376,974)</b>
Net change in fund balance	10,829,279	(14,897,480)	(60,825,707)	(45,928,227)
<b>Fund balance, July 1</b>	<b>60,375,470</b>	<b>60,375,470</b>	<b>60,375,470</b>	<b>-</b>
<b>Fund balance,budgetary basis, June 30</b>	<b>\$ 71,204,749</b>	<b>\$ 45,477,990</b>	<b>\$ (450,237)</b>	<b>\$ (45,928,227)</b>

**Notes to Budgetary Comparison Schedule:**

Budgets are prepared based on the modified accrual basis of accounting consistent with generall accepted accounting principles (GAAP).

**Tax Increments**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For Fiscal Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Communiy development	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Contributions from other funds	-	-	60,376,974	60,376,974
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>60,376,974</u>	<u>60,376,974</u>
Net change in fund balance	-	-	60,376,974	60,376,974
<b>Fund balance, July 1</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance,budgetary basis, June 30</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 60,376,974</u></u>	<u><u>\$ 60,376,974</u></u>

**Notes to Budgetary Comparison Schedule:**

Budgets are prepared based on the modified accrual basis of accounting consistent with generall 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 grants to develop viable urban communities.

**Public Safety Retirement Fund** – This fund is used to account for voter-approved property tax for public safety uniformed employees' retirement.

**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, California  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2011

	Development Fees Fund	HUD and CDBG Grants Fund	Public Safety Retirement Fund	Debt Service Fund	Capital Outlay Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 25,113,677	\$ -	\$ 10,191,447	\$ 142,300	\$ 3,246,467
Investments with fiscal agents	-	-	-	4	7,491,032
Accounts and other receivables	123,374	5,466,509	-	-	-
Due from other funds	7,618,767	-	-	-	-
Due from other government	-	449,421	-	-	-
Other assets	-	189,642	-	-	-
<b>Total assets</b>	<b>\$ 32,855,818</b>	<b>\$ 6,105,572</b>	<b>\$ 10,191,447</b>	<b>\$ 142,304</b>	<b>\$ 10,737,499</b>
<b>LIABILITIES</b>					
Accounts payable	272,643	318,635	-	-	9,300
Other liabilities	220,274	128,001	759,970	-	335
Due to other funds	4,626,099	187,964	-	-	151,779
Deferred revenues	-	5,468,684	-	-	-
<b>Total liabilities</b>	<b>5,119,016</b>	<b>6,103,284</b>	<b>759,970</b>	<b>-</b>	<b>161,414</b>
<b>FUND BALANCES</b>					
<b>Restricted for:</b>					
Debt service	-	-	-	142,304	-
Housing	-	2,288	-	-	-
Public safety retirement	-	-	9,431,477	-	-
<b>Assigned to:</b>					
Capital projects	-	-	-	-	10,576,085
Other purposes	27,736,802	-	-	-	-
<b>Total fund balances</b>	<b>27,736,802</b>	<b>2,288</b>	<b>9,431,477</b>	<b>142,304</b>	<b>10,576,085</b>
<b>Total liabilities and fund balances</b>	<b>\$ 32,855,818</b>	<b>\$ 6,105,572</b>	<b>\$ 10,191,447</b>	<b>\$ 142,304</b>	<b>\$ 10,737,499</b>

City of Oxnard, California  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2011

State Gas Tax Fund	Traffic Safety Fund	Transportation Development Fund	Maintenance Assessment Districts Fund	Total Non-major Governmental Funds	
\$ 1,554,221	\$ -	\$ 2,206,178	\$ 14,492,514	\$ 56,946,804	<b>ASSETS</b>
2,095,221	-	-	-	9,586,257	Cash and cash equivalents
520	-	221	1,800	5,592,424	Investments with fiscal agents
-	-	-	-	7,618,767	Accounts and other receivables
-	113,136	-	-	562,557	Due from other funds
-	-	-	-	189,642	Due from other government
<b>\$ 3,649,962</b>	<b>\$ 113,136</b>	<b>\$ 2,206,399</b>	<b>\$ 14,494,314</b>	<b>\$ 80,496,451</b>	Other assets
					<b>Total assets</b>
					<b>LIABILITIES</b>
66,602	-	9,698	166,594	843,472	Accounts payable
104,816	44,337	5,129	34,270	1,297,132	Other liabilities
-	693,344	-	-	5,659,186	Due to other funds
-	-	1,240,292	-	6,708,976	Deferred revenues
<b>171,418</b>	<b>737,681</b>	<b>1,255,119</b>	<b>200,864</b>	<b>14,508,766</b>	<b>Total liabilities</b>
					<b>FUND BALANCES</b>
					<b>Restricted for:</b>
-	-	-	-	142,304	Debt service
-	-	-	-	2,288	Housing
-	-	-	-	9,431,477	Public safety retirement
-	-	-	-	10,576,085	<b>Assigned to:</b>
3,478,544	(624,545)	951,280	14,293,450	45,835,531	Capital projects
<b>3,478,544</b>	<b>(624,545)</b>	<b>951,280</b>	<b>14,293,450</b>	<b>65,987,685</b>	Other purposes
<b>\$ 3,649,962</b>	<b>\$ 113,136</b>	<b>\$ 2,206,399</b>	<b>\$ 14,494,314</b>	<b>\$ 80,496,451</b>	<b>Total fund balances</b>
					<b>Total liabilities and fund balances</b>



**City of Oxnard, California**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Non-Major Funds**  
**For the Year Ended June 30, 2011**

	<b>Development Fees Fund</b>	<b>HUD and CDBG Grants Fund</b>	<b>Public Safety Retirement Fund</b>	<b>Debt Service Fund</b>	<b>Capital Outlay Fund</b>
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ 13,257,834	\$ 3,395,556	\$ -
Licenses and permits	703,477	-	-	-	-
Intergovernmental	53,258	3,859,450	-	-	5,799
Growth and development fees	2,407,389	-	-	-	-
Charges for services	-	-	-	-	23,751
Fines and forfeitures	-	-	-	-	-
Interest	458,709	-	-	591	76,175
Special assessments	-	-	-	-	-
Miscellaneous	186,908	-	-	-	-
<b>Total revenues</b>	<b>3,809,741</b>	<b>3,859,450</b>	<b>13,257,834</b>	<b>3,396,147</b>	<b>105,725</b>
<b>EXPENDITURES</b>					
Current:					
General government	182,416	800	-	-	-
Public safety	750,526	245,001	13,489,460	-	-
Transportation	441,279	-	-	-	-
Community Development	563,568	1,685,421	-	-	-
Culture and leisure	17,705	37,940	35,496	-	28,103
Capital outlay	3,664,416	1,888,000	-	-	1,691,992
Debt service:					
Principal	-	-	-	3,411,631	-
Interest and fiscal charges	-	-	-	3,952,611	-
<b>Total expenditures</b>	<b>5,619,910</b>	<b>3,857,162</b>	<b>13,524,956</b>	<b>7,364,242</b>	<b>1,720,095</b>
Excess (deficiency) of revenues over (under) expenditures	(1,810,169)	2,288	(267,122)	(3,968,095)	(1,614,370)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital leases	-	-	-	-	1,295,771
Transfers in	-	-	1,482,774	3,852,311	-
Transfers out	(1,781,561)	-	-	-	(1,679,113)
Net other financing sources (uses)	(1,781,561)	-	1,482,774	3,852,311	(383,342)
Net change in fund balances	(3,591,730)	2,288	1,215,652	(115,784)	(1,997,712)
Fund balances, July 1	31,328,532	-	8,215,825	258,088	12,573,797
<b>Fund balances, June 30</b>	<b>\$ 27,736,802</b>	<b>\$ 2,288</b>	<b>\$ 9,431,477</b>	<b>\$ 142,304</b>	<b>\$ 10,576,085</b>

**City of Oxnard, California**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Non-Major Funds**  
**For the Year Ended June 30, 2011**

<b>State Gas Tax Fund</b>	<b>Traffic Safety Fund</b>	<b>Transportation Development Fund</b>	<b>Maintenance Assessment Districts Fund</b>	<b>Total Non-major Governmental Funds</b>	
\$ -	\$ -	\$ -	\$ 1,880	\$ 16,655,270	<b>REVENUES</b>
-	-	-	-	703,477	Taxes
4,401,872	-	406,535	-	8,726,914	Licenses and permits
-	-	-	-	2,407,389	Intergovernmental
-	50,666	15,074	-	89,491	Growth and development fees
-	436,068	-	-	436,068	Charges for services
23,523	-	21,300	168,523	748,821	Fines and forfeitures
-	-	-	9,013,480	9,013,480	Interest
225,208	-	182,150	-	594,266	Special assessments
<b>4,650,603</b>	<b>486,734</b>	<b>625,059</b>	<b>9,183,883</b>	<b>39,375,176</b>	Miscellaneous
					<b>Total revenues</b>
					<b>EXPENDITURES</b>
					Current:
3,625	-	-	292,565	479,406	General government
-	286,011	-	2,141,759	16,912,757	Public safety
1,814,479	672,840	609,018	399,979	3,937,595	Transportation
1,706	-	-	-	2,250,695	Community Development
-	-	-	4,891,122	5,010,366	Culture and leisure
75,672	-	215,487	28,433	7,564,000	Capital outlay
					Debt service:
515,000	-	-	-	3,926,631	Principal
1,199,150	-	-	-	5,151,761	Interest and fiscal charges
<b>3,609,632</b>	<b>958,851</b>	<b>824,505</b>	<b>7,753,858</b>	<b>45,233,211</b>	<b>Total expenditures</b>
					Excess (deficiency) of revenues over (under) expenditures
1,040,971	(472,117)	(199,446)	1,430,025	(5,858,035)	
					<b>OTHER FINANCING SOURCES (USES)</b>
-	-	-	-	1,295,771	Proceeds from sale of capital leases
-	300,000	-	143,784	5,778,869	Transfers in
-	-	-	-	(3,460,674)	Transfers out
-	300,000	-	143,784	3,613,966	Net other financing sources (uses)
1,040,971	(172,117)	(199,446)	1,573,809	(2,244,069)	Net change in fund balances
2,437,573	(452,428)	1,150,726	12,719,641	68,231,754	Fund balances, July 1
<b>\$ 3,478,544</b>	<b>\$ (624,545)</b>	<b>\$ 951,280</b>	<b>\$ 14,293,450</b>	<b>\$ 65,987,685</b>	<b>Fund balances, June 30</b>

**City of Oxnard, California**  
**Non-Major - Development Fees Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Licenses and permits	\$ 891,436	\$ 891,436	\$ 703,477	\$ (187,959)
Intergovernmental	-	-	53,258	53,258
Growth and development fees	3,172,243	3,172,243	2,407,389	(764,854)
Interest	695,946	695,946	458,709	(237,237)
Miscellaneous	123,000	123,000	186,908	63,908
<b>Total revenues</b>	<b>4,882,625</b>	<b>4,882,625</b>	<b>3,809,741</b>	<b>(1,072,884)</b>
<b>EXPENDITURES</b>				
General government	120,620	120,620	182,416	(61,796)
Public safety	895,436	895,436	750,526	144,910
Transportation	168,000	168,000	441,279	(273,279)
Community development	-	600,000	563,568	36,432
Culture and leisure	-	-	17,705	(17,705)
Capital Outlay	4,294,251	21,963,954	3,664,416	18,299,538
<b>Total expenditures</b>	<b>5,478,307</b>	<b>23,748,010</b>	<b>5,619,910</b>	<b>18,128,100</b>
Excess (deficiency) of revenues over (under) expenditures	(595,682)	(18,865,385)	(1,810,169)	17,055,216
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(1,781,561)	(1,781,561)	(1,781,561)	-
Total other financing sources (uses)	(1,781,561)	(1,781,561)	(1,781,561)	-
Net change in fund balances	(2,377,243)	(20,646,946)	(3,591,730)	17,055,216
Fund balance, July 1	31,328,532	31,328,532	31,328,532	-
<b>Fund balance, June 30</b>	<b>\$ 28,951,289</b>	<b>\$ 10,681,586</b>	<b>\$ 27,736,802</b>	<b>\$ 17,055,216</b>

City of Oxnard  
Non-Major - CDBG & HUD  
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual  
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ 4,436,459	\$ 4,438,601	\$ 3,859,450	\$ (579,151)
<b>Total revenues</b>	<b>4,436,459</b>	<b>4,438,601</b>	<b>3,859,450</b>	<b>(579,151)</b>
<b>EXPENDITURES</b>				
General government	-	-	800	(800)
Public safety	245,000	245,000	245,001	(1)
Community Development	1,973,642	2,956,705	1,685,421	1,271,284
Culture and leisure	37,940	37,940	37,940	-
Capital Outlay	2,179,800	4,116,665	1,888,000	2,228,665
<b>Total expenditures</b>	<b>4,436,382</b>	<b>7,356,310</b>	<b>3,857,162</b>	<b>3,499,148</b>
Excess (deficiency) of revenues over (under) expenditures	77	(2,917,709)	2,288	2,919,997
Net changes in fund balances	77	(2,917,709)	2,288	2,919,997
Fund balances, July 1	-	-	-	-
<b>Fund balances, June 30</b>	<b>\$ 77</b>	<b>\$ (2,917,709)</b>	<b>\$ 2,288</b>	<b>\$ 2,919,997</b>

**City of Oxnard, California**  
**Non-Major - Public Safety Retirement**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ 14,469,122	\$ 14,469,122	\$ 13,257,834	\$ (1,211,288)
<b>Total revenues</b>	<b>14,469,122</b>	<b>14,469,122</b>	<b>13,257,834</b>	<b>(1,211,288)</b>
<b>EXPENDITURES</b>				
Public safety	12,753,551	12,753,551	13,489,460	(735,909)
Culture & leisure	33,998	33,998	35,496	(1,498)
<b>Total expenditures</b>	<b>12,787,549</b>	<b>12,787,549</b>	<b>13,524,956</b>	<b>(737,407)</b>
Excess (deficiency) of revenues over (under) expenditures	1,681,573	1,681,573	(267,122)	(1,948,695)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	1,482,774	1,482,774
Total other financing sources (uses)	-	-	1,482,774	1,482,774
Net change in fund balances	1,681,573	1,681,573	1,215,652	(465,921)
Fund balance, July 1	8,215,825	8,215,825	8,215,825	-
<b>Fund balance, June 30</b>	<b>\$ 9,897,398</b>	<b>\$ 9,897,398</b>	<b>\$ 9,431,477</b>	<b>\$ (465,921)</b>

City of Oxnard  
Non-Major - Debt Service Funds  
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual  
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 3,395,556	\$ 3,395,556
Interest	31,413	31,413	591	(30,822)
<b>Total revenues</b>	<b>31,413</b>	<b>31,413</b>	<b>3,396,147</b>	<b>3,364,734</b>
<b>EXPENDITURES</b>				
Debt Service:				
Principal	2,032,964	2,032,964	3,411,631	(1,378,667)
Interest	1,819,347	1,819,347	3,952,611	(2,133,264)
<b>Total expenditures</b>	<b>3,852,311</b>	<b>3,852,311</b>	<b>7,364,242</b>	<b>(3,511,931)</b>
Excess (deficiency) of revenues over (under) expenditures	(3,820,898)	(3,820,898)	(3,968,095)	(147,197)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,852,311	3,852,311	3,852,311	-
Total other financing sources (uses)	3,852,311	3,852,311	3,852,311	-
Net changes in fund balances	31,413	31,413	(115,784)	(147,197)
Fund balances, July 1	258,088	258,088	258,088	-
<b>Fund balances, June 30</b>	<b>\$ 289,501</b>	<b>\$ 289,501</b>	<b>\$ 142,304</b>	<b>\$ (147,197)</b>

**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, 2011**

	<u>Original Budget</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 5,799	\$ 5,799
Interest	-	-	76,175	76,175
Charges for services	-	-	23,751	23,751
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>105,725</u>	<u>105,725</u>
<b>EXPENDITURES</b>				
Culture and leisure	-	-	28,103	(28,103)
Capital Outlay	2,519,400	10,449,430	1,691,992	8,757,438
<b>Total expenditures</b>	<u>2,519,400</u>	<u>10,449,430</u>	<u>1,720,095</u>	<u>8,729,335</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,519,400)</u>	<u>(10,449,430)</u>	<u>(1,614,370)</u>	<u>8,835,060</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	-	-	(1,679,113)	(1,679,113)
Proceeds from issuance of capital leases	2,519,400	3,237,400	1,295,771	(1,941,629)
Total other financing sources (uses)	<u>2,519,400</u>	<u>3,237,400</u>	<u>(383,342)</u>	<u>(3,620,742)</u>
Net change in fund balances	-	(7,212,030)	(1,997,712)	5,214,318
Fund balance, July 1	12,573,797	12,573,797	12,573,797	-
<b>Fund balance, June 30</b>	<u><u>\$ 12,573,797</u></u>	<u><u>\$ 5,361,767</u></u>	<u><u>\$ 10,576,085</u></u>	<u><u>\$ 5,214,318</u></u>

**City of Oxnard, California**  
**Non-Major - State Gas Tax Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ 3,167,700	\$ 3,167,700	\$ 4,401,872	\$ 1,234,172
Interest	87,800	87,800	23,523	(64,277)
Miscellaneous	432,775	432,775	225,208	(207,567)
<b>Total revenues</b>	<b>3,688,275</b>	<b>3,688,275</b>	<b>4,650,603</b>	<b>962,328</b>
<b>EXPENDITURES</b>				
General government	12,125	12,125	3,625	8,500
Transportation	3,534,064	3,534,064	1,814,479	1,719,585
Community development	9,400	9,400	1,706	7,694
Capital Outlay	-	113,108	75,672	37,436
Debt service:				
Principal	515,000	515,000	515,000	-
Interest and fiscal charges	1,199,150	1,199,150	1,199,150	-
<b>Total expenditures</b>	<b>5,269,739</b>	<b>5,382,847</b>	<b>3,609,632</b>	<b>1,773,215</b>
Excess (deficiency) of revenues over expenditure	(1,581,464)	(1,694,572)	1,040,971	2,735,543
Net change in fund balances	(1,581,464)	(1,694,572)	1,040,971	2,735,543
Fund balance, July 1	2,437,573	2,437,573	2,437,573	-
<b>Fund balance, June 30</b>	<b>\$ 856,109</b>	<b>\$ 743,001</b>	<b>\$ 3,478,544</b>	<b>\$ 2,735,543</b>



**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, 2011**

	<u>Original Budget</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Charges for services	\$ 10,000	\$ 10,000	\$ 50,666	\$ 40,666
Fines and forfeitures	451,700	451,700	436,068	(15,632)
Total revenues	<u>461,700</u>	<u>461,700</u>	<u>486,734</u>	<u>25,034</u>
<b>EXPENDITURES</b>				
Public safety	318,959	318,959	286,011	32,948
Transportation	655,657	655,657	672,840	(17,183)
Total expenditures	<u>974,616</u>	<u>974,616</u>	<u>958,851</u>	<u>15,765</u>
Excess (deficiency) of revenues over expenditure	<u>(512,916)</u>	<u>(512,916)</u>	<u>(472,117)</u>	<u>40,799</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	300,000	300,000	300,000	-
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Net change in fund balances	(212,916)	(212,916)	(172,117)	40,799
Fund balance, July 1	(452,428)	(452,428)	(452,428)	-
<b>Fund balance, June 30</b>	<u><u>\$ (665,344)</u></u>	<u><u>\$ (665,344)</u></u>	<u><u>\$ (624,545)</u></u>	<u><u>\$ 40,799</u></u>

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, 2011

	<u>Original Budget</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ 560,000	\$ 560,000	\$ 406,535	\$ (153,465)
Charges for services	33,139	33,139	15,074	(18,065)
Interest	9,100	9,100	21,300	12,200
Miscellaneous	170,000	170,000	182,150	12,150
<b>Total revenues</b>	<b><u>772,239</u></b>	<b><u>772,239</u></b>	<b><u>625,059</u></b>	<b><u>(147,180)</u></b>
<b>EXPENDITURES</b>				
Transportation	658,239	614,515	609,018	5,497
Capital Outlay	110,000	834,119	215,487	618,632
Total expenditures	<u>768,239</u>	<u>1,448,634</u>	<u>824,505</u>	<u>624,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,000</u>	<u>(676,395)</u>	<u>(199,446)</u>	<u>476,949</u>
Net change in fund balances	4,000	(676,395)	(199,446)	476,949
Fund balance, July 1	1,150,726	1,150,726	1,150,726	-
<b>Fund balance, June 30</b>	<b><u><u>\$ 1,154,726</u></u></b>	<b><u><u>\$ 474,331</u></u></b>	<b><u><u>\$ 951,280</u></u></b>	<b><u><u>\$ 476,949</u></u></b>

**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, 2011**

	<u>Original Budget</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 1,880	\$ 1,880
Interest	25,000	25,000	168,523	143,523
Special assessments	7,808,390	7,808,390	9,013,480	1,205,090
<b>Total revenues</b>	<b>7,833,390</b>	<b>7,833,390</b>	<b>9,183,883</b>	<b>1,350,493</b>
<b>EXPENDITURES</b>				
General government	165,222	165,222	292,565	(127,343)
Public safety	2,171,912	2,171,912	2,141,759	30,153
Transportation	668,933	962,717	399,979	562,738
Culture and leisure	4,722,786	4,845,863	4,891,122	(45,259)
Capital Outlay	172,020	172,020	28,433	143,587
<b>Total expenditures</b>	<b>7,900,873</b>	<b>8,317,734</b>	<b>7,753,858</b>	<b>563,876</b>
Excess (deficiency) of revenues over expenditure	(67,483)	(484,344)	1,430,025	1,914,369
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	143,784	143,784	-
Total other financing sources (uses)	-	143,784	143,784	-
Net change in fund balances	(67,483)	(340,560)	1,573,809	1,914,369
Fund balance, July 1	12,719,641	12,719,641	12,719,641	-
<b>Fund balance, June 30</b>	<b>\$ 12,652,158</b>	<b>\$ 12,379,081</b>	<b>\$ 14,293,450</b>	<b>\$ 1,914,369</b>

# **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, 2011**

	<b>Public Liability / Property Damage</b>	<b>Worker's Compensation</b>	<b>Utility Customer Service</b>	<b>Information Services</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,171,617	\$ 8,085,308	\$ 720,883	\$ 2,717,208
Accounts and other receivable (net of allowance for uncollectibles)	1,348	85,700	-	-
<b>Capital assets:</b>				
Land	595,500	-	-	-
Machinery and equipment	52,622	56,827	42,507	1,814,412
Construction in progress	-	-	-	855,606
Total capital assets	648,122	56,827	42,507	2,670,018
Less accumulated depreciation	(50,159)	(53,812)	(40,875)	(1,380,976)
Net capital assets	597,963	3,015	1,632	1,289,042
<b>Total assets</b>	<b>5,770,928</b>	<b>8,174,023</b>	<b>722,515</b>	<b>4,006,250</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	20,424	4,818	22,853	108,085
Other liabilities	2,940	20,615	24,047	94,103
Compensated absences payable - current	-	25,000	26,300	130,000
Capital lease payable - current	-	-	-	-
Self insurance claims - due within one year	2,117,000	3,902,000	-	-
Total current liabilities	2,140,364	3,952,433	73,200	332,188
<b>Noncurrent liabilities:</b>				
Compensated absences payable	-	7,868	3,596	92,997
Self insurance claims	1,754,295	4,262,105	-	-
Other post employment payable	105,111	7,102	19,578	51,436
Capital lease payable	-	-	-	-
Total noncurrent liabilities	1,859,406	4,277,075	23,174	144,433
<b>Total liabilities</b>	<b>3,999,770</b>	<b>8,229,508</b>	<b>96,374</b>	<b>476,621</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	597,963	3,015	1,632	1,289,042
Unrestricted	1,173,195	(58,500)	624,509	2,240,587
<b>Total net assets</b>	<b>\$ 1,771,158</b>	<b>\$ (55,485)</b>	<b>\$ 626,141</b>	<b>\$ 3,529,629</b>

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

**City of Oxnard, California**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
**June 30, 2011**

<b>Facilities Maintenance</b>	<b>Equipment Maintenance</b>	<b>Total</b>	
\$ 2,061,483	\$ 379,547	\$ 19,136,046	<b>ASSETS</b>
-	9,997	97,045	Cash and cash equivalents
-	-	595,500	Accounts and other receivable (net of allowance for uncollectibles)
625,806	709,082	3,301,256	<b>Capital assets:</b>
-	444,670	1,300,276	Land
625,806	1,153,752	5,197,032	Machinery and equipment
(517,809)	(487,309)	(2,530,940)	Construction in progress
107,997	666,443	2,666,092	Total capital assets
<b>2,169,480</b>	<b>1,055,987</b>	<b>21,899,183</b>	Less accumulated depreciation
			Net capital assets
			<b>Total assets</b>
			<b>LIABILITIES</b>
			<b>Current liabilities:</b>
52,351	282,945	491,476	Accounts payable
123,696	187,861	453,262	Other liabilities
142,000	271,000	594,300	Compensated absences payable - current
-	27,183	27,183	Capital lease payable - current
-	-	6,019,000	Self insurance claims - due within one year
318,047	768,989	7,585,221	Total current liabilities
			<b>Noncurrent liabilities:</b>
130,218	96,419	331,098	Compensated absences payable
-	-	6,016,400	Self insurance claims
68,072	87,754	339,053	Other post employment payable
-	101,603	101,603	Capital lease payable
198,290	285,776	6,788,154	Total noncurrent liabilities
<b>516,337</b>	<b>1,054,765</b>	<b>14,373,375</b>	<b>Total liabilities</b>
			<b>NET ASSETS</b>
107,997	537,657	2,537,306	Invested in capital assets, net of related debt
1,545,146	(536,435)	4,988,502	Unrestricted
<b>\$ 1,653,143</b>	<b>\$ 1,222</b>	<b>\$ 7,525,808</b>	<b>Total net assets</b>

City of Oxnard, California  
Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
For Fiscal Year Ended June 30, 2011

	Public Liability / Property Damage	Workers' Compensation	Utility Customer Services	Information Services
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 3,403,118	\$ 6,414,499	\$ 1,336,291	\$ 4,138,481
Miscellaneous & reimbursements	151,257	-	-	28,184
<b>Total operating revenues</b>	<b>\$ 3,554,375</b>	<b>\$ 6,414,499</b>	<b>\$ 1,336,291</b>	<b>\$ 4,166,665</b>
<b>OPERATING EXPENSES:</b>				
Salaries and wages	51,915	381,764	486,999	1,677,503
Contractual services	173,500	397,682	71,272	30,908
Operating supplies	-	-	-	93,606
Utilities	2,914	3,713	18,811	1,118,620
Depreciation	2,462	2,411	1,152	174,644
General and administrative	160,372	430,902	750,507	376,739
Repairs and maintenance	780	21,711	37,698	285,364
Claims expenses	2,149,047	3,173,407	-	-
<b>Total operating expenses</b>	<b>2,540,990</b>	<b>4,411,590</b>	<b>1,366,439</b>	<b>3,757,384</b>
Operating income (loss)	1,013,385	2,002,909	(30,148)	409,281
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Loss on sale of capital assets	-	-	-	-
Interest on investments	66,672	127,421	9,189	-
<b>Total non-operating revenues (expenses)</b>	<b>66,672</b>	<b>127,421</b>	<b>9,189</b>	<b>-</b>
Income (loss) before contributions and transfers	1,080,057	2,130,330	(20,959)	409,281
Capital contribution	(970,599)	-	-	-
Transfers out	(1,080,226)	(4,705,500)	-	-
Changes in net assets	(970,768)	(2,575,170)	(20,959)	409,281
<b>Net Assets - July 1</b>	<b>2,741,926</b>	<b>2,519,685</b>	<b>647,100</b>	<b>3,120,348</b>
<b>Net Assets - June 30</b>	<b>\$ 1,771,158</b>	<b>\$ (55,485)</b>	<b>\$ 626,141</b>	<b>\$ 3,529,629</b>

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



City of Oxnard, California  
Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
For Fiscal Year Ended June 30, 2011

<u>Facilities Maintenance</u>	<u>Equipment Maintenance</u>	<u>Total</u>	
\$ 4,009,107	\$ 9,711,658	\$ 29,013,154	<b>OPERATING REVENUES:</b>
66,086	44,646	290,173	Charges for services
<u>\$ 4,075,193</u>	<u>\$ 9,756,304</u>	<u>\$ 29,303,327</u>	Miscellaneous & reimbursements
			<b>Total operating revenues</b>
			<b>OPERATING EXPENSES:</b>
2,372,566	3,563,975	8,534,722	Salaries and wages
121,140	144,455	938,957	Contractual services
283,706	4,550,438	4,927,750	Operating supplies
555,275	18,544	1,717,877	Utilities
32,712	54,369	267,750	Depreciation
251,862	534,779	2,505,161	General and administrative
95,043	1,085,686	1,526,282	Repairs and maintenance
-	-	5,322,454	Claims expenses
<u>3,712,304</u>	<u>9,952,246</u>	<u>25,740,953</u>	<b>Total operating expenses</b>
<u>362,889</u>	<u>(195,942)</u>	<u>3,562,374</u>	Operating income (loss)
			<b>NON-OPERATING REVENUES (EXPENSES):</b>
-	(901)	(901)	Loss on sale of capital assets
<u>22,591</u>	<u>6,151</u>	<u>232,024</u>	Interest on investments
<u>22,591</u>	<u>5,250</u>	<u>231,123</u>	<b>Total non-operating revenues (expenses)</b>
<u>385,480</u>	<u>(190,692)</u>	<u>3,793,497</u>	Income (loss) before contributions and transfers
-	-	(970,599)	Capital contribution
-	-	(5,785,726)	Transfers out
<u>385,480</u>	<u>(190,692)</u>	<u>(2,962,828)</u>	Changes in net assets
<u><b>1,267,663</b></u>	<u><b>191,914</b></u>	<u><b>10,488,636</b></u>	<b>Net Assets - July 1</b>
<u><b>\$ 1,653,143</b></u>	<u><b>\$ 1,222</b></u>	<u><b>\$ 7,525,808</b></u>	<b>Net Assets - June 30</b>

City of Oxnard, California  
Internal Service Funds  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2011

	Public Liability / Property			
	Damage	Worker's Compensation	Utility Customer Service	Information Services
<b>Cash flows from operating activities :</b>				
Receipts from customers	\$ 3,581,350	\$ 6,388,799	\$ 1,336,291	\$ 4,166,665
Payments to suppliers	(386,717)	(928,851)	(884,055)	(1,851,209)
Payments to employees	(51,621)	(373,177)	(484,648)	(1,709,951)
Claims paid	(2,270,682)	(3,359,535)	-	-
Net cash flows from operating activities	872,330	1,727,236	(32,412)	605,505
<b>Cash flows from noncapital financing activities:</b>				
Transfers out	(1,080,226)	(4,705,500)	-	-
Net cash provided (used) by noncapital financing activities	(1,080,226)	(4,705,500)	-	-
<b>Cash flows from capital financing activities:</b>				
Acquisitions (Disposals) of capital assets	-	-	-	(145,224)
Principal paid on long-term debt	-	-	-	-
Net cash flows from capital and related financing activities	-	-	-	(145,224)
<b>Cash flows from investing activities:</b>				
Interest on investments	66,672	127,421	9,189	-
Cash flows from investing activities	66,672	127,421	9,189	-
Net increase (decrease) in cash and cash equivalents	(141,224)	(2,850,843)	(23,223)	460,281
<b>Cash and cash equivalents, July 1</b>	<b>5,312,841</b>	<b>10,936,151</b>	<b>744,106</b>	<b>2,256,927</b>
<b>Cash and cash equivalents, June 30</b>	<b>\$ 5,171,617</b>	<b>\$ 8,085,308</b>	<b>\$ 720,883</b>	<b>\$ 2,717,208</b>
Reconciliation of operating income (loss) to net cash used by operating activities:				
Operating income (loss)	\$ 1,013,385	\$ 2,002,909	\$ (30,148)	\$ 409,281
Adjustment to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,462	2,411	1,152	174,644
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	26,975	(25,700)	-	-
Increase (decrease) in accounts payable and other liability	(49,151)	(74,843)	(5,767)	54,028
Increase (decrease) in self insurance liability	(121,635)	(186,128)	-	-
Increase (decrease) in other post emp payable	294	1,762	7,048	10,572
Increase (decrease) in compensated absences	-	6,825	(4,697)	(43,020)
<b>Cash flows from operating activities</b>	<b>\$ 872,330</b>	<b>\$ 1,727,236</b>	<b>\$ (32,412)</b>	<b>\$ 605,505</b>

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

**City of Oxnard, California**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2011**

<b>Facilities Maintenance</b>	<b>Equipment Maintenance</b>	<b>Total</b>
\$ 4,078,105	\$ 9,746,445	\$ 29,297,655
(1,275,650)	(6,285,212)	(11,611,694)
(2,333,782)	(3,533,883)	(8,487,062)
-	-	(5,630,217)
468,673	(72,650)	3,568,682
-	-	(5,785,726)
-	-	(5,785,726)
-	(153,549)	(298,773)
-	(13,299)	(13,299)
-	(166,848)	(312,072)
22,591	6,151	232,024
22,591	6,151	232,024
491,264	(233,347)	(2,297,092)
<b>1,570,219</b>	<b>612,894</b>	<b>21,433,138</b>
<b>\$ 2,061,483</b>	<b>\$ 379,547</b>	<b>\$ 19,136,046</b>

**Cash flows from operating activities :**

Receipts from customers  
Payments to suppliers  
Payments to employees  
Claims paid

Net cash flows from operating activities

**Cash flows from noncapital financing activities:**

Transfers out  
Net cash provided (used) by noncapital financing activities

**Cash flows from capital financing activities:**

Acquisitions (Disposals) of capital assets  
Principal paid on long-term debt  
Net cash flows from capital and related financing activities

**Cash flows from investing activities:**

Interest on investments  
Cash flows from investing activities

Net increase (decrease) in cash and cash equivalents

**Cash and cash equivalents, July 1**

**Cash and cash equivalents, June 30**

\$ 362,889	\$ (195,942)	\$ 3,562,374
32,712	54,369	267,750
2,912	(9,859)	(5,672)
31,376	48,690	4,333
-	-	(307,763)
17,620	20,556	57,852
21,164	9,536	(10,192)
<b>\$ 468,673</b>	<b>\$ (72,650)</b>	<b>\$ 3,568,682</b>

Reconciliation of operating income (loss) to net cash used by operating activities:

Operating income (loss)

Adjustment to reconcile operating income to net cash provided by operating activities:

Depreciation and amortization

Changes in assets and liabilities:

(Increase) decrease in accounts receivable  
Increase (decrease) in accounts payable and other liability  
Increase (decrease) in self insurance liability  
Increase (decrease) in other post emp payable  
Increase (decrease) in compensated absences

**Cash flows from operating activities**

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# FIDUCIARY FUNDS



Fiduciary Funds  
Statement of Changes in Fiduciary Net Assets  
June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>ARTWORKS FUND</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 51,782	\$ 678	\$ 25	\$ 52,435
<b>Total Assets</b>	<b>\$ 51,782</b>	<b>\$ 678</b>	<b>\$ 25</b>	<b>\$ 52,435</b>
<b>Liabilities:</b>				
Trust and Agency Payables	\$ 51,782	\$ 678	\$ 25	\$ 52,435
<b>Total Liabilities</b>	<b>\$ 51,782</b>	<b>\$ 678</b>	<b>\$ 25</b>	<b>\$ 52,435</b>
<b>IMPROVEMENT DISTRICTS FUND</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 5,425,916	\$ 6,631,133	\$ 6,510,264	\$ 5,546,785
Investments with Fiscal Agents	24,799,343	166,838	9,367,459	15,598,722
<b>Total Assets</b>	<b>\$ 30,225,259</b>	<b>\$ 6,797,971</b>	<b>\$ 15,877,723</b>	<b>\$ 21,145,507</b>
<b>Liabilities:</b>				
Trust and Agency Payables	\$ 30,225,259	\$ 6,797,971	\$ 15,877,723	\$ 21,145,507
<b>Total Liabilities</b>	<b>\$ 30,225,259</b>	<b>\$ 6,797,971</b>	<b>\$ 15,877,723</b>	<b>\$ 21,145,507</b>
<b>TOTAL - ALL FIDUCIARY FUNDS</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 5,477,698	\$ 6,631,811	\$ 6,510,289	\$ 5,599,220
Investments with Fiscal Agents	24,799,343	166,838	9,367,459	15,598,722
<b>Total Assets</b>	<b>\$ 30,277,041</b>	<b>\$ 6,798,649</b>	<b>\$ 15,877,748</b>	<b>\$ 21,197,942</b>
<b>Liabilities:</b>				
Trust and Agency Payables	\$ 30,277,041	\$ 6,798,649	\$ 15,877,748	\$ 21,197,942
<b>Total Liabilities</b>	<b>\$ 30,277,041</b>	<b>\$ 6,798,649</b>	<b>\$ 15,877,748</b>	<b>\$ 21,197,942</b>

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# STATISTIAL SECTION





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City of Oxnard, California

**SCHEDULE I**

Net Assets by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets, net of related debt	\$56,440,149	\$105,248,878	\$104,613,981	\$131,874,401	\$1,313,161,486
Restricted	18,239,533	59,123,684	12,510,935	16,183,475	15,902,180
Unrestricted	71,775,592	16,356,191	91,002,589	80,742,442	95,688,754
Total governmental activities net assets	<u>\$146,455,274</u>	<u>\$180,728,753</u>	<u>\$208,127,505</u>	<u>\$228,800,318</u>	<u>\$1,424,752,420</u>
Business-type activities					
Invested in capital assets, net of related debt	\$161,339,177	\$171,973,198	\$59,252,770	\$97,741,991	\$154,777,148
Restricted	2,931,639	2,714,603	7,380,620	7,696,523	13,405,164
Unrestricted	42,906,594	38,624,788	159,369,013	138,793,254	83,556,063
Total business-type activities net assets	<u>\$207,177,410</u>	<u>\$213,312,589</u>	<u>\$226,002,403</u>	<u>\$244,231,768</u>	<u>\$251,738,375</u>
Primary government					
Invested in capital assets, net of related debt	\$217,779,326	\$277,222,076	\$163,866,751	\$229,616,392	\$1,467,938,634
Restricted	21,171,172	61,838,287	19,891,555	23,879,998	29,307,344
Unrestricted	114,682,186	54,980,979	250,371,602	219,535,696	179,244,817
Total primary government net assets	<u>\$353,632,684</u>	<u>\$394,041,342</u>	<u>\$434,129,908</u>	<u>\$473,032,086</u>	<u>\$1,676,490,795</u>

Source: Finance Department, City of Oxnard

City of Oxnard, California

**SCHEDULE I**

Net Assets by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

		Fiscal Year			
2007	2008	2009	2010	2011	
					Governmental activities
\$1,329,023,654	\$1,357,202,580	\$1,371,345,945	\$1,377,784,811	\$1,411,737,702	Invested in capital assets, net of related debt
33,774,265	48,175,216	12,852,498	25,080,711	72,142,274	Restricted
94,848,663	79,025,330	111,642,569	97,095,180	41,934,961	Unrestricted
<u>\$1,457,646,582</u>	<u>\$1,484,403,126</u>	<u>\$1,495,841,012</u>	<u>\$1,499,960,702</u>	<u>\$1,525,814,937</u>	Total governmental activities net assets
					Business-type activities
\$225,311,825	\$229,468,962	\$238,066,640	\$250,720,062	\$265,617,506	Invested in capital assets, net of related debt
12,508,465	8,782,553	7,811,268	17,706,319	18,417,110	Restricted
46,954,212	47,628,743	55,267,595	38,725,334	43,239,167	Unrestricted
<u>\$284,774,502</u>	<u>\$285,880,258</u>	<u>\$301,145,503</u>	<u>\$307,151,715</u>	<u>\$327,273,783</u>	Total business-type activities net assets
					Primary government
\$1,554,335,479	\$1,586,671,542	\$1,609,412,585	\$1,628,504,873	\$1,677,355,208	Invested in capital assets, net of related debt
46,282,730	56,957,769	20,663,766	42,787,030	90,559,384	Restricted
141,802,875	126,654,073	166,910,164	135,820,514	85,174,128	Unrestricted
<u>\$1,742,421,084</u>	<u>\$1,770,283,384</u>	<u>\$1,796,986,515</u>	<u>\$1,807,112,417</u>	<u>\$1,853,088,720</u>	Total primary government net assets

**City of Oxnard, California**

**SCHEDULE II**

Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2002	2003	Fiscal Year 2004	2005	2006
<b>Expenses</b>					
<b>Governmental activities:</b>					
General government	\$11,561,786	\$11,089,303	\$12,911,930	\$13,646,432	\$18,360,819
Public safety	47,675,795	51,798,458	58,758,103	68,542,046	75,789,982
Transportation	4,900,486	8,576,565	8,595,630	9,912,068	10,341,829
Community development	17,583,882	25,632,688	18,590,562	18,937,934	22,614,813
Culture and leisure	7,917,645	8,194,868	11,177,403	12,018,761	15,345,765
Libraries	2,908,754	3,115,118	3,940,974	3,919,671	4,654,234
Interest on long-term debt	1,811,687	2,076,882	2,305,762	2,299,356	1,904,516
Total governmental activities expenses	<u>94,360,035</u>	<u>110,483,882</u>	<u>116,280,364</u>	<u>129,276,268</u>	<u>149,011,958</u>
<b>Business-type activities:</b>					
Water	20,660,212	19,281,560	23,636,082	23,152,648	26,636,150
Wastewater	18,321,799	22,141,678	18,960,096	25,482,133	27,939,236
Environmental resource	29,770,148	28,693,531	35,070,009	37,117,879	38,535,592
Performing arts and convention center	1,250,372	1,284,733	1,402,812	1,565,920	1,590,321
Oxnard housing authority	20,103,955	22,800,927	24,462,843	25,507,125	24,724,889
Municipal golf course	3,901,301	2,052,025	3,130,165	4,028,435	3,983,695
Total business-type activities expenses	<u>94,007,787</u>	<u>96,254,454</u>	<u>106,662,007</u>	<u>116,854,140</u>	<u>123,409,883</u>
Total primary government expenses	<u><u>\$188,367,822</u></u>	<u><u>\$206,738,336</u></u>	<u><u>\$222,942,371</u></u>	<u><u>\$246,130,408</u></u>	<u><u>\$272,421,841</u></u>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
Charges for services:					
General government	\$8,609,967	\$12,172,573	\$8,044,319	\$8,516,015	\$7,864,784
Public safety	2,412,682	5,066,751	3,654,740	5,306,818	6,513,674
Transportation	204,005	2,079,319	1,455,304	2,468,510	4,369,882
Community development	12,780,422	16,018,715	16,712,568	23,822,460	24,448,745
Culture and leisure	1,337,193	2,343,267	1,772,109	2,725,055	928,054
Libraries	103,356	196,900	214,559	209,622	169,339
Operating grants and contributions	36,071,980	32,793,458	39,370,445	20,254,587	30,436,511
Capital grants and contributions	-	-	-	-	16,758,901
Total governmental activities program revenues	<u><u>61,519,605</u></u>	<u><u>70,670,983</u></u>	<u><u>71,224,044</u></u>	<u><u>63,303,067</u></u>	<u><u>91,489,890</u></u>

Source: Finance Department, City of Oxnard

**City of Oxnard, California**

**SCHEDULE II**

Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)

		Fiscal Year			
2007	2008	2009	2010	2011	
					<b>Expenses</b>
					<b>Governmental activities:</b>
\$19,130,468	\$21,898,728	\$19,717,999	\$18,695,220	\$20,845,702	General government
80,579,263	88,547,776	86,249,353	92,554,917	92,702,882	Public safety
9,893,618	10,847,730	10,600,127	10,321,184	10,521,098	Transportation
19,369,860	27,123,076	26,989,828	32,863,176	26,225,688	Community development
16,015,957	18,162,564	20,945,072	19,016,619	19,047,037	Culture and leisure
5,025,580	5,517,965	5,341,028	5,176,704	5,230,252	Libraries
3,263,821	4,701,143	6,519,008	5,583,856	5,503,330	Interest on long-term debt
<u>153,278,567</u>	<u>176,798,982</u>	<u>176,362,415</u>	<u>184,211,676</u>	<u>180,075,989</u>	Total governmental activities expenses
					<b>Business-type activities:</b>
30,683,509	33,417,143	29,837,358	36,797,806	34,062,940	Water
29,033,021	24,009,381	22,337,575	24,205,554	23,052,505	Wastewater
39,817,351	45,329,486	41,117,534	39,296,115	41,405,568	Environmental resource
1,761,156	1,829,853	1,799,861	1,651,658	1,606,129	Performing arts and convention center
23,494,108	23,758,739	26,153,808	25,259,519	24,911,450	Oxnard housing authority
4,433,702	3,794,080	7,601,054	4,507,360	6,104,614	Municipal golf course
<u>129,222,847</u>	<u>132,138,682</u>	<u>128,847,190</u>	<u>131,718,012</u>	<u>131,143,206</u>	Total business-type activities expenses
<u>\$282,501,414</u>	<u>\$308,937,664</u>	<u>\$305,209,605</u>	<u>\$315,929,688</u>	<u>\$311,219,195</u>	Total primary government expenses
					<b>Program Revenues</b>
					<b>Governmental activities:</b>
					Charges for services:
\$17,237,868	\$8,515,014	\$9,765,771	\$10,203,810	\$8,422,050	General government
6,114,255	4,921,670	5,017,708	4,202,162	4,246,985	Public safety
4,217,846	4,050,457	4,042,492	5,068,843	2,131,535	Transportation
11,095,658	15,030,222	11,825,981	6,366,499	7,198,058	Community development
3,903,705	4,401,090	5,273,551	5,237,167	5,037,380	Culture and leisure
320,939	246,576	260,577	428,872	399,582	Libraries
25,025,965	23,207,919	25,875,331	24,380,018	27,293,717	Operating grants and contributions
6,804,709	12,902,805	9,420,033	17,106,111	35,331,568	Capital grants and contributions
<u>74,720,945</u>	<u>73,275,753</u>	<u>71,481,444</u>	<u>72,993,482</u>	<u>90,060,875</u>	Total governmental activities program revenues

**City of Oxnard, California**

**SCHEDULE II**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	2002	2003	Fiscal Year 2004	2005	2006
<b>Business-type activities:</b>					
Charges for services:					
Water	\$17,206,345	\$20,465,812	\$28,401,190	\$34,334,436	\$32,150,667
Wastewater	20,495,040	22,130,759	23,532,305	33,709,319	26,139,278
Environmental resource	28,432,860	29,811,773	32,965,746	36,071,999	36,704,264
Performing arts and convention center	296,295	364,053	371,553	468,732	483,475
Oxnard housing authority	18,040,124	20,342,572	23,024,813	21,411,579	23,197,945
Municipal golf course	3,207,541	2,687,299	7,487,215	3,119,621	3,899,645
Operating grants and contributions	3,881,547	3,422,902	-	-	-
Capital grants and contributions	-	-	-	-	1,306,910
Total business-like activities program revenues	<u>91,559,752</u>	<u>99,225,170</u>	<u>115,782,822</u>	<u>129,115,686</u>	<u>123,882,184</u>
Total primary government program revenues	<u>\$153,079,357</u>	<u>\$169,896,153</u>	<u>\$187,006,866</u>	<u>\$192,418,753</u>	<u>\$215,372,074</u>
 Net (expense) revenue					
Governmental activities	(32,840,430)	(39,812,899)	(45,056,320)	(65,973,201)	(57,522,068)
Business-like activities	<u>(2,448,035)</u>	<u>2,970,716</u>	<u>9,120,815</u>	<u>12,261,546</u>	<u>472,301</u>
Total primary government net expense	<u>(\$35,288,465)</u>	<u>(\$36,842,183)</u>	<u>(\$35,935,505)</u>	<u>(\$53,711,655)</u>	<u>(\$57,049,767)</u>
 <b>General Revenues and Other Changes in Net Assets</b>					
<b>Governmental activities:</b>					
Taxes					
Property taxes	\$25,873,406	\$30,115,989	\$35,245,432	\$49,096,920	\$58,537,770
Sales taxes	19,846,352	20,775,896	22,772,358	23,212,641	23,985,182
Transient occupancy taxes	2,321,758	2,247,831	2,222,553	2,445,468	3,309,716
Franchise taxes	7,085,201	2,830,462	3,718,917	4,572,206	3,914,317
Deed transfer taxes	555,249	573,234	1,159,215	1,196,393	1,230,768
Business license taxes	3,194,683	-	4,386,245	3,967,972	4,470,841
Penalties on delinquent taxes	182,230	190,546	181,655	126,250	132,403
Investment earnings	4,588,082	3,858,978	4,547,276	3,911,106	4,860,461
Sale of capital assets	-	-	-	-	7,146,270
Transfers	<u>(1,672,830)</u>	<u>(1,236,947)</u>	<u>(1,778,579)</u>	<u>(1,882,942)</u>	<u>(2,280,393)</u>
Total governmental activities	<u>61,974,131</u>	<u>59,355,989</u>	<u>72,455,072</u>	<u>86,646,014</u>	<u>105,307,335</u>
<b>Business-type activities:</b>					
Investment earnings	2,331,298	1,927,516	2,080,206	4,486,577	4,753,913
Sale of capital assets	-	-	-	-	-
Transfers	<u>1,672,830</u>	<u>1,236,947</u>	<u>1,488,793</u>	<u>1,481,242</u>	<u>2,280,393</u>
Total business-type activities	<u>4,004,128</u>	<u>3,164,463</u>	<u>3,568,999</u>	<u>5,967,819</u>	<u>7,034,306</u>
Total primary program	<u>\$65,978,259</u>	<u>\$62,520,452</u>	<u>\$76,024,071</u>	<u>\$92,613,833</u>	<u>\$112,341,641</u>
 <b>Change in Net Assets</b>					
Governmental activities	29,133,701	19,543,090	27,398,752	20,672,813	47,785,267
Business-type activities	<u>1,556,093</u>	<u>6,135,179</u>	<u>12,689,814</u>	<u>18,229,365</u>	<u>7,506,607</u>
Total primary government	<u>\$30,689,794</u>	<u>\$25,678,269</u>	<u>\$40,088,566</u>	<u>\$38,902,178</u>	<u>\$55,291,874</u>

Source: Finance Department, City of Oxnard

**City of Oxnard, California**

**SCHEDULE II**  
Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)

Fiscal Year					
2007	2008	2009	2010	2011	
					<b>Business-type activities:</b>
					Charges for services:
\$36,855,486	\$35,378,947	\$38,477,754	\$38,439,653	\$43,170,566	Water
24,503,133	27,621,114	24,846,717	22,566,372	25,157,094	Wastewater
40,122,057	42,795,069	39,695,711	40,468,627	45,047,154	Environmental resource
517,766	485,548	483,371	513,857	439,653	Performing arts and convention center
23,137,523	23,785,335	6,105,106	4,686,681	4,786,715	Oxnard housing authority
3,999,148	3,234,074	4,398,074	4,278,241	3,905,224	Municipal golf course
-	-	19,635,556	20,781,204	20,524,235	Operating grants and contributions
-	-	543,140	192,400	2,308,206	Capital grants and contributions
129,135,113	133,300,087	134,185,429	131,927,035	145,338,847	Total business-like activities program revenues
\$203,856,058	\$206,575,840	\$205,666,873	\$204,920,517	\$235,399,722	Total primary government program revenues
					Net (expense) revenue
(78,557,622)	(103,523,229)	(104,880,971)	(111,218,193)	(90,015,114)	Governmental activities
(87,734)	1,161,405	5,338,239	209,022	14,195,641	Business-like activities
(\$78,645,356)	(\$102,361,824)	(\$99,542,732)	(\$111,009,171)	(\$75,819,473)	Total primary government net expense
					<b>General Revenues and Other Changes in Net Assets</b>
					<b>Governmental activities:</b>
					Taxes
\$68,429,117	\$75,726,666	\$76,681,392	\$72,817,719	\$71,118,203	Property taxes
25,783,808	24,205,622	24,043,286	28,103,051	33,396,737	Sales taxes
3,550,903	3,618,611	3,328,803	3,061,163	3,301,864	Transient occupancy taxes
3,686,627	3,986,567	4,635,616	3,439,645	3,495,532	Franchise taxes
880,370	860,378	573,882	509,370	528,563	Deed transfer taxes
4,504,455	4,662,658	5,059,323	4,692,615	4,412,881	Business license taxes
129,679	123,956	145,945	136,565	105,158	Penalties on delinquent taxes
6,653,231	7,561,978	5,556,004	2,769,250	1,934,083	Investment earnings
-	4,351,772	59,319	694,185	141,123	Sale of capital assets
(2,166,406)	5,181,566	(3,764,713)	(885,679)	(2,564,795)	Transfers
111,451,784	130,279,774	116,318,857	115,337,884	115,869,349	Total governmental activities
					<b>Business-type activities:</b>
7,480,785	5,125,917	3,299,336	1,911,510	3,361,632	Investment earnings
23,476,670	-	2,862,957	-	-	Sale of capital assets
2,166,406	(5,181,566)	3,764,713	885,679	2,564,795	Transfers
33,123,861	(55,649)	9,927,006	2,797,189	5,926,427	Total business-type activities
\$144,575,645	\$130,224,125	\$126,245,863	\$118,135,073	\$121,795,776	Total primary program
					<b>Change in Net Assets</b>
32,894,162	26,756,545	11,437,886	4,119,691	25,854,235	Governmental activities
33,036,127	1,105,756	15,265,245	3,006,211	20,122,068	Business-type activities
\$65,930,289	\$27,862,301	\$26,703,131	\$7,125,902	\$45,976,303	Total primary government

Source: Finance Department, City of Oxnard

City of Oxnard, California

**SCHEDULE III**  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund					
Reserved	\$1,870,298	\$3,211,597	\$1,180,342	\$4,201,060	\$3,658,849
Unreserved	25,526,320	24,597,396	25,398,644	19,197,335	23,523,456
Total general fund	<u>\$27,396,618</u>	<u>\$27,808,993</u>	<u>\$26,578,986</u>	<u>\$23,398,395</u>	<u>\$27,182,305</u>
All other governmental funds					
Reserved	\$13,887,599	\$8,486,307	\$11,330,593	\$11,982,415	\$12,243,331
Unreserved, reported in:					
Special revenue funds	37,036,381	45,814,074	55,595,303	53,104,087	58,172,246
Capital projects funds	12,639,137	12,974,002	21,790,919	22,103,670	26,320,799
Total all other governmental funds	<u>\$63,563,117</u>	<u>\$67,274,383</u>	<u>\$88,716,815</u>	<u>\$87,190,172</u>	<u>\$96,736,376</u>

Source: Finance Department, City of Oxnard



City of Oxnard, California

**SCHEDULE III**  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(accrual basis of accounting)

		Fiscal Year			
2007	2008	2009	2010	2011	
					General Fund
\$3,573,245	\$344,987	\$ -	\$ -	\$ -	Reserved
21,424,406	20,108,117	23,794,737	29,726,794	33,120,835	Unreserved
<u>\$24,997,651</u>	<u>\$20,453,104</u>	<u>\$23,794,737</u>	<u>\$29,726,794</u>	<u>\$33,120,835</u>	Total general fund
					All other governmental funds
\$30,201,020	\$47,830,229	\$12,852,498	\$13,811,524	\$11,765,300	Reserved
					Unreserved, reported in:
51,516,503	61,096,986	61,924,849	61,896,005	45,710,032	Special revenue funds
47,966,047	45,195,438	72,705,295	59,395,831	68,313,591	Capital projects funds
<u>\$129,683,570</u>	<u>\$154,122,653</u>	<u>\$147,482,642</u>	<u>\$135,103,360</u>	<u>\$125,788,923</u>	Total all other governmental funds

**City of Oxnard, California**

**SCHEDULE IV**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	2002	2003	Fiscal Year 2004	2005	2006
<b>Revenues</b>					
Taxes	\$59,058,879	\$59,303,485	\$69,686,376	\$84,617,850	\$95,580,997
Licenses and permits	1,987,392	2,862,476	2,182,715	2,116,934	5,937,172
Intergovernmental	37,691,308	38,508,559	40,834,560	27,036,948	31,543,392
Growth and development fees	7,432,528	8,796,590	9,004,335	10,061,956	9,616,234
Charges for services	7,908,643	12,022,652	11,105,208	15,358,432	14,721,778
Fines and forfeitures	1,411,837	853,188	1,198,456	1,248,242	1,320,782
Interest	4,588,082	3,858,978	4,547,276	3,911,106	4,860,461
Special assessments	1,515,592	1,727,674	2,089,097	2,240,492	2,346,088
Contributions from property owners	-	-	-	-	1,085,000
Miscellaneous	3,572,305	3,055,944	4,809,675	5,240,064	10,352,424
Total revenues	<u>125,166,566</u>	<u>130,989,546</u>	<u>145,457,698</u>	<u>151,832,024</u>	<u>177,364,328</u>
<b>Expenditures</b>					
General government	9,786,593	9,781,192	11,444,213	11,788,754	11,994,048
Public safety	44,560,812	48,494,541	55,856,590	64,312,956	69,405,713
Transportation	4,743,755	8,409,737	8,108,305	9,709,306	10,254,324
Community development	17,413,069	20,454,657	17,912,245	18,597,956	22,100,626
Culture and leisure	10,362,084	7,811,085	10,824,801	11,520,103	14,366,317
Library services	-	2,991,509	3,818,769	3,731,437	4,214,038
Capital outlay	23,794,668	22,199,380	31,640,247	29,924,300	41,227,891
Debt Service:					
Principal	2,412,335	4,525,483	2,908,600	2,999,393	7,983,492
Cost of issuance	-	-	-	-	-
Interest	1,988,947	2,178,355	2,102,073	2,072,111	1,920,662
Total expenditures	<u>115,062,263</u>	<u>126,845,939</u>	<u>144,615,843</u>	<u>154,656,316</u>	<u>183,467,111</u>
Excess of revenues over (under) expenditures	<u>10,104,303</u>	<u>4,143,607</u>	<u>841,855</u>	<u>(2,824,292)</u>	<u>(6,102,783)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from loans payable	2,705,584	7,435,000	-	-	-
Proceeds from financing sources	-	-	34,750,209	-	-
Payment to escrow agent	-	(6,380,000)	(13,601,060)	-	14,567,020
Proceeds from sale of property	-	-	-	-	1,885,649
Proceeds from sale of bonds	-	-	-	-	-
Bond discount	-	-	-	-	-
Transfers in	6,374,102	6,989,190	6,475,027	10,770,253	13,659,615
Transfers out	<u>(8,046,932)</u>	<u>(8,064,156)</u>	<u>(8,253,606)</u>	<u>(12,653,195)</u>	<u>(10,679,387)</u>
Total other financing sources (uses)	<u>1,032,754</u>	<u>(19,966)</u>	<u>19,370,570</u>	<u>(1,882,942)</u>	<u>19,432,897</u>
Net change in fund balances	<u>\$11,137,057</u>	<u>\$4,123,641</u>	<u>\$20,212,425</u>	<u>(\$4,707,234)</u>	<u>\$13,330,114</u>
Debt service as a percentage of noncapital expenditures	4.82%	6.41%	4.44%	4.07%	6.96%

**City of Oxnard, California**

**SCHEDULE IV**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

		Fiscal Year			
2007	2008	2009	2010	2011	
<b>Revenues</b>					
\$106,964,959	\$113,184,458	\$114,468,247	\$112,760,128	\$116,358,938	Taxes
3,434,727	2,792,191	2,470,865	2,267,581	2,002,416	Licenses and permits
31,830,674	36,110,724	32,290,549	42,232,125	58,971,454	Intergovernmental
4,984,467	5,724,940	7,210,668	1,502,781	2,663,779	Growth and development fees
11,418,999	12,877,753	10,705,908	11,007,992	10,668,661	Charges for services
1,383,780	1,350,628	1,408,066	1,213,655	1,233,733	Fines and forfeitures
6,653,231	7,561,978	5,556,004	2,769,250	1,934,083	Interest
14,967,993	9,014,090	8,611,926	9,168,150	9,013,480	Special assessments
-	-	-	-	-	Contributions from property owners
6,700,305	9,757,199	5,837,966	8,268,073	3,673,052	Miscellaneous
188,339,135	198,373,961	188,560,199	191,189,735	206,519,596	Total revenues
<b>Expenditures</b>					
12,283,152	12,390,389	11,883,205	11,145,722	11,041,050	General government
75,815,578	80,409,884	74,877,737	84,818,990	84,439,008	Public safety
10,136,221	10,642,590	9,829,554	10,137,568	10,338,211	Transportation
18,962,172	26,158,572	25,832,640	32,073,825	24,803,125	Community development
15,141,511	16,894,790	19,348,413	17,751,755	17,789,287	Culture and leisure
4,558,864	4,950,293	4,755,540	4,632,177	4,682,033	Library services
56,309,445	52,283,436	43,704,965	34,739,151	54,785,588	Capital outlay
Debt Service:					
2,251,795	2,754,823	3,168,595	3,743,020	3,926,631	Principal
-	-	791,867	-	-	Cost of issuance
2,411,174	3,810,737	5,574,369	5,230,494	5,151,761	Interest
197,869,912	210,295,514	199,766,885	204,272,702	216,956,694	Total expenditures
(9,530,777)	(11,921,553)	(11,206,686)	(13,082,967)	(10,437,098)	Excess of revenues over (under) expenditures
<b>Other Financing Sources (Uses)</b>					
-	-	-	-	-	Proceeds from loans payable
-	-	-	-	-	Proceeds from financing sources
-	-	-	-	-	Payment to escrow agent
-	-	-	-	-	Proceeds from sale of property
42,459,723	26,634,523	11,790,000	1,395,646	1,295,771	Proceeds from sale of bonds
-	-	(116,979)	-	-	Bond discount
13,159,636	14,107,966	10,573,077	10,550,390	11,718,345	Transfers in
(15,326,042)	(8,926,400)	(14,337,790)	(5,310,294)	(8,497,414)	Transfers out
40,293,317	31,816,089	7,908,308	6,635,742	4,516,702	Total other financing sources (uses)
\$30,762,540	\$19,894,536	(\$3,298,378)	(\$6,447,225)	(\$5,920,396)	Net change in fund balances
3.29%	4.16%	6.11%	5.29%	5.60%	Debt service as a percentage of noncapital expenditures

City of Oxnard, California

**SCHEDULE V**

Governmental Activities Tax Revenues by Source  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Transient Occupancy Tax</b>	<b>Franchise Tax</b>	<b>Deed Transfer Tax</b>	<b>Business License</b>	<b>Penalties and Interest</b>	<b>Total</b>
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
2010	72,817,719	28,103,051	3,061,163	3,439,645	509,370	4,692,615	136,565	112,760,128
2011	71,118,203	33,396,737	3,301,864	3,495,532	528,563	4,412,881	105,158	116,358,938

Source: Finance Department, City of Oxnard

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

<b>Fiscal Year</b>	<b>Land</b>	<b>Improvements</b>	<b>Personal Property</b>	<b>Less: Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
2002	2,900,656,137	5,131,100,929	431,425,298	905,863,935	7,557,318,429	1.20417%	7,557,318,429	100.00%
2003	3,189,299,331	5,584,524,376	444,095,624	1,110,078,014	8,107,841,317	1.21447%	8,107,841,317	100.00%
2004	3,613,674,889	6,152,956,699	580,195,155	1,346,099,223	9,000,727,520	1.20384%	9,000,727,520	100.00%
2005	4,320,681,588	6,818,196,522	484,878,479	1,537,114,090	10,086,642,499	1.19624%	10,086,642,499	100.00%
2006	5,266,423,145	7,510,814,807	564,046,351	1,835,609,239	11,505,675,064	1.17614%	11,505,675,064	100.00%
2007	6,122,287,297	8,427,981,083	598,530,800	2,126,175,049	13,022,624,131	1.16564%	13,022,624,131	100.00%
2008	7,043,458,754	8,801,081,711	608,929,391	2,299,830,016	14,153,639,840	1.17864%	14,153,639,840	100.00%
2009	7,364,501,802	8,753,745,455	637,023,113	2,692,759,267	14,062,511,103	1.19334%	14,062,511,103	100.00%
2010	6,699,090,916	8,441,834,476	648,608,797	654,220,264	15,135,313,925	1.20384%	15,135,313,925	100.00%
2011	6,524,818,244	8,540,793,743	618,870,116	654,216,502	15,030,265,601	1.22054%	15,030,265,601	100.00%

NOTE: The County does not provide the breakdown of residential and commercial assessed values to the cities. The City also no longer has the information available for the residential and commercial assessed values. The personal property amounts include assessed values for boats and aircraft.

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

<b>Fiscal Year</b>	<b>City Direct Rates</b>			<b>Overlapping Rates</b>			<b>Total Direct &amp; Overlapping Rates</b>
	<b>Basic (1)</b>	<b>Debt Service</b>	<b>Total Direct</b>	<b>School Districts</b>	<b>Water Districts</b>	<b>Total Overlapping</b>	
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%
2010	1.00000%	0.20384%	1.20384%	0.11470%	0.01290%	0.12760%	1.33144%
2011	1.00000%	0.22054%	1.22054%	0.11990%	0.01110%	0.13100%	1.35154%

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 Nine Years Ago

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Proctor & Gamble Paper Products	266,561,813	1	1.76%	269,163,758	1	3.24%
SOCM I LLC	88,715,141	2	0.58%			
Haas Automation Inc	78,230,500	3	0.52%			
Essex Arbors LP	77,354,636	4	0.51%			
RRI Energy Mandalay Inc	74,418,584	5	0.49%			
Essex Tierra Vista LP	72,312,800	6	0.48%			
GS Paz Mar LP	68,962,228	7	0.44%			
MEF Realty LLC	67,257,103	8	0.44%			
Capri of KW Serenade LLC	66,869,817	9	0.44%			
Duesenberg Investment Company	66,402,857	10	0.44%			
St Johns Regional Medical Center				142,320,548	2	1.72%
Willamette Industries Inc				67,773,739	3	0.82%
Tiger Ventura County				60,070,769	4	0.72%
Seminis Vegetable Seeds Inc				45,118,255	5	0.54%
Ormond Beach Power Gen LLC				42,767,608	6	0.52%
BMW of North America Inc				39,336,819	7	0.47%
Ocean Vista Power Generation				37,205,756	8	0.45%
Donwen Corporation				36,509,318	9	0.44%
Fred Kavli				34,162,579	10	0.41%
Other taxpayers	14,247,795,565		93.90%	7,524,153,169		90.67%
Totals	15,174,881,044		100.00%	8,298,582,318		100.00%

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

<b>Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
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%
2010	75,929,128	71,755,189	94.50%	136,565	71,891,754	94.68%
2011	72,434,536	71,118,203	98.18%	105,158	71,223,361	98.33%

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)	(1)
	Revenue Bonds	Certificates of Participation	Tax Allocation Bonds	Capital Leases	Revenue Bonds	Capital Leases		Percentage of Personal Income	Per Capita
2002	9,080,000	8,440,000	14,475,000	604,201	88,945,000	1,215,752	122,759,953	4.545%	703
2003	9,535,000	8,245,000	13,850,000	307,187	84,030,000	2,824,171	118,791,358	4.281%	664
2004	22,874,301	8,045,000	19,185,000	1,729,354	214,035,699	2,916,139	268,785,493	9.310%	1,479
2005	21,607,009	7,835,000	18,635,000	1,412,398	236,943,314	2,469,070	288,901,791	9.339%	1,554
2006	19,975,756	7,620,000	18,030,000	1,086,013	298,559,567	2,010,676	347,282,012	10.649%	1,850
2007	43,109,750	7,395,000	37,940,000	749,911	292,625,260	1,536,788	383,356,709	10.970%	2,025
2008	41,746,367	34,835,000	37,040,000	493,471	286,428,643	4,603,874	405,147,355	11.009%	2,112
2009	40,337,356	34,350,000	47,755,000	293,886	278,427,654	4,053,370	405,217,266	10.800%	2,090
2010	38,877,717	33,600,000	46,475,000	1,436,151	370,257,293	3,632,411	494,278,572	13.333%	2,510
2011	37,359,198	32,820,000	45,155,000	2,552,594	383,230,810	3,623,668	504,741,270	13.498%	2,524

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, 2011

<u><b>Governmental Unit</b></u>	<u><b>Debt Outstanding</b></u>	<u><b>Estimated Percentage Applicable</b></u>	<u><b>Estimated Share of Overlapping Debt</b></u>
<b>City of Oxnard Overlapping Debt:</b>			
Metropolitan Water District	227,670,000	0.737%	1,677,928
Ventura County Community College District	314,522,814	14.023%	44,105,534
Ventura County Superintendent of Schools - Certificates of Participation	12,140,000	14.018%	1,701,785
Ventura County General Fund Obligations	101,290,000	14.018%	14,198,832
Oxnard Union High School District	92,889,913	44.356%	41,202,250
Oxnard Union High School District - Certificates of Participation	9,280,000	44.356%	4,116,237
Oxnard School District	118,733,139	91.686%	108,861,666
Oxnard School District - Certificates of Participation	5,285,900	91.686%	4,846,430
Rio School District	15,653,540	84.081%	13,161,653
Rio School District - Certificates of Participation	7,930,000	84.081%	6,667,623
Hueneme School District	23,944,708	46.434%	11,118,486
Ocean View School District	11,950,247	31.774%	3,797,071
Ocean View School District - Certificates of Participation	1,701,500	31.774%	540,635
Rio School District - Community Facilities District 1	30,140,000	100.000%	30,140,000
City of Oxnard - Rose Avenue/Hwy 101 Assessment District 96-1	3,580,000	100.000%	3,580,000
City of Oxnard - Rice Avenue/Hwy 101 Assessment District 2001-1	13,195,000	100.000%	13,195,000
City of Oxnard - Oxnard Blvd/Hwy 101 Assessment District 2000-1	2,060,000	100.000%	2,060,000
City of Oxnard Community Facilities District 1	9,220,000	100.000%	9,220,000
City of Oxnard Community Facilities District 3	31,465,000	100.000%	31,465,000
City of Oxnard Community Facilities District 88-1	660,000	100.000%	660,000
Oxnard Boulevard Interchange Community District	8,820,000	100.000%	8,820,000
Subtotal - Overlapping Debt	1,042,131,761		355,136,130
<b>City of Oxnard Direct Debt:</b>			
City of Oxnard Financing Authority			70,210,000
Subtotal - Direct Debt			70,210,000
<b>Total direct and overlapping debt</b>			<b>425,346,130</b>

Source: California Municipal Statistics, Inc.

City of Oxnard, California

SCHEDULE XII  
Legal Debt Margin Information  
Last Ten Fiscal Years  
(in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 1,269,477	\$ 1,382,688	\$ 1,534,332	\$ 1,726,418	\$ 1,983,111	\$ 2,250,164	\$ 2,449,824	\$ 2,493,677	\$ 2,349,884	\$ 2,333,523
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<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>	<u>\$ 2,349,884</u>	<u>\$ 2,333,523</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 2011**

Assessed value	\$ 14,902,603
Add back: exempt real property	<u>654,217</u>
Total assessed value	\$ 15,556,820
Debt limit (15% of total assessed value)	\$ 2,333,523
Debt applicable to limit:	
General obligation bonds	498,564
Less: assets in debt service funds for principal payments	
Revenue bonds - governmental activities	(37,359)
Revenue bonds - business-type activities	(383,230)
Tax allocation bonds-community development commission	(45,155)
Certificates of participation	<u>(32,820)</u>
Total net debt applicable limit	<u>0</u>
Legal debt margin	<u>\$ 2,333,523</u>

Source: Finance Department, City of Oxnard

SCHEDULE XIII  
Pledged Revenue Coverage  
Last Ten Fiscal Years

<b>Water Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Gross Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenues</b>	<b>Debt Service Principal</b>	<b>Interest</b>	<b>Coverage</b>
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	40,395,380	25,883,824	14,511,556	2,040,000	5,149,575	2.02
2010	39,764,998	28,681,992	11,083,006	2,105,000	8,049,790	1.09
2011	46,118,265	29,910,426	16,207,839	2,209,809	11,621,908	1.17
<b>Environmental Resources Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Gross Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenues</b>	<b>Debt Service Principal</b>	<b>Interest</b>	<b>Coverage</b>
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	39,901,815	38,055,524	1,846,291	2,335,505	970,779	0.56
2010	40,614,642	37,258,502	3,356,140	2,447,346	885,840	1.01
2011	45,243,032	39,058,556	6,184,476	2,534,094	1,178,081	1.67

**City of Oxnard, California**

**SCHEDULE XIII  
Pledged Revenue Coverage  
Last Ten Fiscal Years**

<b>Wastewater Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Gross Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenues</b>	<b>Debt Service Principal</b>	<b>Interest</b>	<b>Coverage</b>
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	28,762,308	16,268,395	12,493,913	3,155,000	7,282,032	1.20
2010	23,165,658	17,588,757	5,576,901	3,255,000	7,284,462	0.53
2011	25,373,362	16,484,729	8,888,633	3,367,079	7,359,648	0.83

<b>Oxnard Housing Authority Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Gross Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenues</b>	<b>Debt Service Principal</b>	<b>Interest</b>	<b>Coverage</b>
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	25,784,589	24,427,197	1,357,392	225,000	209,945	3.12
2010	24,847,419	23,750,482	1,096,937	235,000	212,903	2.45
2011	25,312,733	23,531,077	1,781,656	240,000	198,220	4.07

Note 1: The above operating expenses figures do not include depreciation and debt service expenses

Note 2: Fiscal year 2009 gross revenue was corrected to include non-operating income.

Source: Finance Department, City of Oxnard

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SCHEDULE XIV  
Demographic and Economic Statistics  
Last Ten Fiscal Years

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Fiscal Year	(1) Population	(2) Personal Income (in thous)	(2) Per Capita Income	(3) Median Age	(4) School Enrollment	(5) Unemployment Rate
2002	182,027	2,701,082	15,468	30	42,106	7.50%
2003	181,800	2,774,931	15,522	30	41,936	8.10%
2004	186,122	2,886,966	15,886	30	42,276	7.80%
2005	188,941	3,093,466	16,645	30	38,372	7.00%
2006	189,990	3,261,107	17,376	28	37,196	6.20%
2007	192,997	3,494,586	18,463	31	37,956	6.10%
2008	194,905	3,680,019	19,185	36	37,703	7.40%
2009	197,067	3,751,908	19,352	30	38,911	11.00%
2010	200,004	3,707,181	18,829	29.7	39,135	14.40%
2011	199,722	3,739,475	18,697	30.5	38,595	14.25%

In years 2009 and prior, the City of Oxnard calculated personal income and per capital income based on the Consumer Price Index calculator using Los Angeles as the index.

Sources: (1) California Department of Finance, Demographic Research Unit  
(2) HdL Coren & Cone  
(3) HdL Coren & Cone  
(4) Oxnard School Districts (Elementary) and Oxnard Union High School District  
(5) State Employment Development Department (data is based on fical year average)

Note: Unemployment rates now shows Oxnard City's unemployment rate, in the past we used Ventura County's unemployment rate.

**City of Oxnard, California**

SCHEDULE XV  
Full-Time Equivalent City Government Employees by Function  
Last Ten Fiscal Years

<b>Function</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
General government	197	200	207	211	217	214	186	234	234	234
Public Safety										
Police										
Officers	202	208	220	229	235	236	236	293	237	237
Civilians	128	131	134	138	152	151	151	95	151	151
Fire										
Firefighters & officers	86	87	89	91	100	102	103	100	103	103
Civilians	2	4	5	4	4	5	4	7	3	3
Transportation	36	36	36	36	45	56	84	50	50	50
Community development	50	53	56	57	57	59	67	66	66	66
Culture and recreation	72	78	79	79	74	83	85	85	85	85
Utilities										
Water	41	45	44	44	48	47	46	45	51	51
Wastewater	67	67	67	72	72	72	74	72	72	72
Environmental Resources	76	80	80	80	81	81	76	78	78	78
Housing	77	80	80	80	80	81	81	81	81	81
Total	1,034	1,069	1,097	1,121	1,165	1,187	1,193	1,206	1,211	1,211

Source: Finance Department, City of Oxnard

**City of Oxnard, California**

SCHEDULE XVI  
Operating Indicators by Function  
Last Seven Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011
Police							
Physical arrests	6,492	8,162	8,835	8,425	7,842	7,794	8,116
Parking violations	36,240	28,533	31,462	51,046	37,968	35,346	35,091
Traffic violations	30,985	19,590	20,525	16,673	23,305	25,288	25,517
Fire							
Number of calls answered	11,117	10,631	11,212	12,210	13,310	13,417	13,813
Inspections	2,829	3,109	3,693	3,190	4,244	4,777	5,614
Highways and streets							
Potholes repaired	18,333	10,545	12,200	12,375	12,300	12,650	13,000
Sanitation							
Total number of customers	43,617	44,941	45,731	43,489	37,195	37,124	43,991
Refuse/recyclables collected (tons/day)	-	708	681	581	571	570	577
Recyclables collected (tons/day)	-	30	13	13	95	91	93
Culture and recreation							
Community center admissions	48,800	43,849	42,831	43,230	51,872	27,934	29,655
Water							
Total number of customers	37,276	38,053	38,816	39,531	40,206	40,756	40,785
Average daily consumption	29,000,000	29,000,000	29,000,000	29,326,500	25,781,331	23,246,924	23,293,140
Wastewater							
Total number of customers	34,694	35,188	35,646	36,484	37,251	38,081	38,158
Average daily sewerage treatment	23,000,000	23,000,000	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 GASB34; therefore, information prior to that year is not available.

Source: Various departments, City of Oxnard



**City of Oxnard, California**

**SCHEDULE XVII**  
**Capital Assets by Function**  
**Last Seven Fiscal Years**

<b>Function</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Public safety							
Police							
Stations	1	1	1	1	1	1	1
Police vehicles	223	261	345	269	223	171	264
Fire							
Stations	6	7	7	7	7	7	7
Hydrants	4,180	5,200	5,000	5,150	6,282	5,413	5,413
Sanitation							
Collection trucks	48	48	57	52	52	52	52
Highways and streets							
Streets (miles)	403	400	400	400	400	400	400
Streetlights	650	650	650	654	654	674	674
Traffic signals	9,120	9,120	9,258	9,314	9,371	9,943	9,943
Culture and recreation							
Parks acreage	449	469	469	494	550	550	550
Parks	45	49	49	55	58	58	58
Ball diamonds	31	30	30	30	30	30	37
Basketball courts	20	19	19	24	29	29	47
Craft/Activity buildings	9	8	8	8	8	8	10
Gymnasium	2	3	3	3	2	2	2
Swimming pools	1	1	1	1	1	1	1
Tennis courts	33	31	31	32	31	31	30
Community centers	3	3	3	3	3	3	3
Library							
Number of books	336,518	361,713	433,008	355,151	353,455	356,456	356,624
Number of microfilms	8,299	8,394	8,473	8,510	8,525	8,572	8,634
Number of audiotapes	14,537	18,200	20,284	21,055	20,864	21,345	22,105
Number of videotapes	9,377	12,917	14,709	15,582	15,318	16,045	16,015
Number of CD-ROMS (data disk)	609	708	808	755	632	689	617
Water							
Water mains (miles)	500	525	600	601	663	592	592
Maximum daily treatment capacity	18,000,000	18,000,000	18,000,000	18,600,000	18,600,000	18,600,000	18,600,000
Sewer							
Miles of sewer lines	425	435	440	445	445	445	445

Note: The City of Oxnard did not prepare the above schedule prior to implementation of GASB34; therefore, information prior to that year is not available.

Source: Various departments, City of Oxnard

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## **APPENDIX D**

### **PROPOSED FORM OF BOND COUNSEL OPINION**

[Closing Date]

Governing Board  
City of Oxnard Financing Authority  
300 West Third Street  
Oxnard, California 93030

Re: FINAL OPINION  
\$9,345,000 City of Oxnard Financing Authority  
Water Revenue Refunding Bonds, Series 2012

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 \$9,345,000 aggregate principal amount of the City of Oxnard Financing Authority Water Revenue Refunding Bonds, Series 2012 (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), Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and the provisions of a Trust Indenture, dated as of April 1, 2012 (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 Amended and Restated Installment Purchase Agreement, dated as of April 1, 2012 (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 April 1, 2012 (the “Assignment Agreement”), by and between the Authority and the Trustee, 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 letter. 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, arbitration, 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 for the Bonds dated April 4, 2012, 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 2012 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 2012 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 2012 Installment Payments. The Installment Purchase Agreement creates a valid pledge, to secure the payment of the 2012 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, although we observe that such interest is included in adjusted current earnings in calculating federal 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,

## 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 \$9,345,000 aggregate principal amount of the City of Oxnard Financing Authority Water Revenue Refunding Bonds, Series 2012 (the “Bonds”). The Bonds are being issued pursuant to a Trust Indenture, dated as of April 1, 2012 (the “Indenture”), by and among the City of Oxnard (the “City”), the Authority, and the Dissemination Agent, as trustee.

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 Indenture and in the Installment Purchase Agreement, dated as of April 1, 2012 (the “2012 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 Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus, 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, 2013, 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) provide any Annual Report received by it to MSRB by the date required in subsection (a); and

(ii) file a report with the Authority and the Trustee (if the Dissemination Agent is other than the Trustee) certifying that the Annual Report has been provided 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 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, which 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:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on any reserve fund for the Bonds reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancements securing the Bonds reflecting financial difficulties;
- (v) substitution of any credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to the rights of owners of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers for the Bonds;
- (ix) defeasances;
- (x) any release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;

(xii) any bankruptcy, insolvency, receivership, or similar event of the Authority or the City [this Listed Event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority or the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority or the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority or the City];

(xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the City or the sale of all or substantially all of the assets of the Authority or the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon and after the occurrence of a Listed Event listed under subsection (a)(ii), (a)(vii), (a)(viii), (a)(x), (a)(xiii), or (a)(xiv) above, the Authority shall as soon as possible determine if such event would be material under applicable federal securities laws. If the Authority determines that knowledge of the occurrence of such 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.

(c) Upon and after the occurrence of any Listed Event (other than a Listed Event listed under subsection (a)(ii), (a)(vii), (a)(viii), (a)(x), (a)(xiii), or (a)(xiv) above), 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 not in excess of ten (10) business days after the occurrence of such Listed Event. 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 owners of affected Bonds pursuant to the Indenture. 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 obligations 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(c).



Section 7. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such 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. If at any time there is no designated Dissemination Agent, the Authority shall act as Dissemination Agent.

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 in the manner provided in the 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 Bonds.

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 Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities, and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority agrees to indemnify and save the Dissemination Agent and its officers, directors, employees, and agents, harmless against any loss, expense and liabilities that it may incur arising out of or in the

exercise or performance of its 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. 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 Issue: City of Oxnard Financing Authority Water Revenue Refunding Bonds,  
Series 2012

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], 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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## APPENDIX F

### THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*The following information regarding MWD has been obtained from sources that the Authority and the City believe to be reliable, but neither the Authority nor the City takes any responsibility for the accuracy or completeness of such information.*

MWD is a public agency organized in 1928 by vote of the electorates of several Southern California cities, following adoption of the original Metropolitan Water District Act (the “MWD Act”) by the California Legislature. MWD is not subject to regulation by the California Public Utilities Commission, although its enabling statute is subject to amendment by the California Legislature. MWD currently has full authority to set rates and policies as necessary to provide a dependable water supply to Southern California. MWD provides nearly between 40% and 60% in any given year of the water used in its service area, which consists of approximately 5,200 square miles in portions of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura Counties. MWD serves a population of approximately 19 million people.

MWD is governed by a 37-member Board of Directors (the “Board”) consisting of at least one representative from each of the 26 member public agencies that comprise the MWD. Each member public agency is entitled to have at least one representative on the Board, plus an additional representative for each full 5% of its assessed valuation of property in MWD’s service area. Accordingly, from time to time, the Board may have more than 37 members. Representation and voting rights are based upon each agency’s assessed valuation.

The City is not a member public agency of the MWD, but the CMWD, from which the City purchases water, is a member public agency of MWD.

**MWD Water Supply.** MWD’s two primary sources of water are the State Water Project and the Colorado River.

The State Water Project is owned by the State and operated by the State Department of Water Resources (“DWR”). The State Water Project transports water available from the San Francisco Bay/Sacramento-San Joaquin Delta (the “Bay/Delta”) to Southern California via the California Aqueduct. MWD contracted with DWR in the 1960s (as amended, the “State Water Contract”) for a share of the State Water Project water (approximately 46%). The State Water Contract, under a 100% allocation, provides MWD 1,911,500 acre-feet of water. Deliveries from the State Water Project to MWD over the past nine years (2002 through 2010), including water from water transfer, groundwater banking and exchange programs described below, varied from a low of 908,000 acre-feet in calendar year 2009 to a high of 1,800,000 acre-feet in 2004. For calendar year 2010, DWR’s allocation to State Water Project contractors was 50% of contracted amounts, reflecting pumping restrictions due to biological opinions for Delta smelt and Chinook salmon, late spring storms, a return to normal precipitation and reservoir levels and above-normal Sierra snowpack. For MWD, the 2010 allocation provided 955,750 acre-feet. In 2010, MWD took delivery of 1,129,062 acre-feet to its service area plus approximately 175,000 acre-feet of net deliveries to storage in its Central Valley groundwater storage programs. This includes State Water Project supplies from water transfers and exchanges delivered through the California Aqueduct.

For calendar year 2011, DWR’s initial allocation estimate to State Water Project contractors was set at 25% of contracted amounts. The 2011 allocation was adjusted upwards, most recently on April 20, 2011 to 80% of contracted amounts, reflecting significantly above-normal precipitation over the entire Sierra Nevada range and accumulating snowpack to levels of 185% of normal and greater. For

MWD, the revised allocation is 1,529,200 acre-feet. In addition, wet weather conditions enabled MWD to take delivery of 181,594 acre-feet of interruptible water supplies in excess of its 2011 allocation.

Management of the availability of State Water Project supplies through water marketing and groundwater banking plays an important role in meeting California water needs. MWD is participating in groundwater banking programs, including the Arvin-Edison/MWD Water Management Program, the Semitropic/MWD Groundwater Storage and Exchange Program and the California Aqueduct Dry-Year Transfer Program. MWD also has been negotiating, and will continue to pursue, water purchase, storage and exchange programs with other agencies in the Sacramento and San Joaquin Valleys. These programs involve the storage of both State Water Project supplies and water purchased from other sources to enhance MWD's dry-year supplies and the exchange of normal year supplies to enhance MWD's water reliability and water quality, in view of dry conditions and potential impacts from recent Endangered Species Act litigation.

The State Water Resources Control Board ("SWRCB") is the agency responsible for setting water quality standards and administering water rights throughout California. Decisions of the SWRCB can affect the availability of water to MWD and other users of State Water Project water. The SWRCB exercises its regulatory authority over the Bay/Delta by means of public proceedings leading to regulations and decisions. These include the Bay/Delta Water Quality Control Plan ("WQCP"), which establishes the water quality standards and proposed flow regime of the estuary, and water rights decisions, which assign responsibility for implementing the objectives of the WQCP to users throughout the system by adjusting their respective water rights. The SWRCB is required by law to periodically review its WQCP to ensure that it meets the changing needs of this complex system.

To obtain its Colorado River supply, MWD has a permanent service contract with the United States Secretary of the Interior for delivery of water via the Colorado River Aqueduct. California is apportioned the use of 4.4 million acre-feet of water from the Colorado River each year plus one-half of any surplus that may be available for use collectively in Arizona, California, and Nevada. In addition, California has historically been allowed to use Colorado River water apportioned to but not used by Arizona and Nevada. Under the priority system that governs the distribution of Colorado River water made available to California, MWD holds the fourth priority right to 550,000 acre-feet per year. This is the last priority within California's basic apportionment of 4.4 million acre-feet. In addition, MWD holds the fifth priority right to 662,000 acre-feet of water, which is in excess of California's basic apportionment. Until 2003, MWD had been able to take full advantage of its fifth priority right entitlement as a result of the availability of surplus water and unused water. However, Arizona and Nevada increased their use of water from the Colorado River, significantly reducing unused apportionment available for California since 2002. In addition, a severe drought in the Colorado River Basin reduced storage in system reservoirs, such that MWD stopped taking surplus deliveries in 2003 in an effort to mitigate the effects of the drought. Prior to 2003, MWD could divert over 1.2 million acre-feet in any year, but since that time, MWD's net diversions of Colorado River water have been limited to a low of nearly 633,000 acre-feet in 2006 and a high of approximately 1,105,232 acre-feet in 2009. Average annual net deliveries for 2003 through 2010 were approximately 849,500 acre-feet, with annual volumes dependent primarily on programs to augment supplies, including transfers of conserved water from agriculture. MWD projects that its available Colorado River supply will be about 900,000 acre-feet in 2011, of which approximately 700,000 acre-feet will be delivered through the Colorado River Aqueduct and 200,000 acre-feet of intentionally created surplus water will be stored in Lake Mead. See "Risks to Water Supply" below.

MWD has taken steps to augment its share of Colorado River water through agreements with other agencies that have rights to use such water. MWD has entered into agreements with the Imperial Irrigation District, Central Arizona Water Conservation District, and Palo Verde Irrigation District and is

seeking additional agreements with other agencies to reduce their diversions from the Colorado River, thereby augmenting MWD's available supply.

In January 2001, the Secretary of the Interior adopted guidelines (the "Interim Surplus Guidelines") for use through 2016 in determining if there is surplus Colorado River water available for use in California, Arizona, and Nevada. The purpose of the Interim Surplus Guidelines is to provide a greater degree of predictability with respect to the availability and quantity of surplus water through 2016. The Interim Surplus Guidelines were amended in 2007, with the new Guidelines extending through 2026. The Interim Surplus Guidelines contain a series of benchmarks for reductions in agricultural use of Colorado River water within California by set dates.

Under the Interim Surplus Guidelines, MWD initially expected to divert up to 1.25 million acre-feet of Colorado River water annually under foreseeable runoff and reservoir storage scenarios from 2004 through 2016. However, an extended drought in the Colorado River Basin reduced these initial expectations. From 2000 to 2004, snowpack and runoff in the Colorado River Basin were well below average. Although runoff was slightly above average in 2005 and 2008, average annual runoff from 2000 through 2010 was 69% of normal, representing the driest eleven-year period on record. Precipitation over the Colorado River Basin from October 2010 through April 2011 was significantly above normal. Upper Colorado River Basin snowpack measured on May 1, 2011 was 150% of normal with accumulations at the highest level on record and the April-July runoff measuring 163% of normal. MWD's estimated 2011 Colorado River supply is about 900,000 acre-feet. MWD has projected its ultimate 2011 diversions will be approximately 700,000 acre-feet, and expects to store up to 200,000 acre-feet of intentionally-created surplus water in Lake Mead.

The Southern Nevada Water Authority ("SNWA") and MWD entered into an Agreement Relating to Implementation of Interim Colorado River Surplus Guidelines on May 16, 2002, in which SNWA and MWD agreed on the allocation of unused Arizona apportionment and on the priority of SNWA for interstate banking in Arizona. SNWA and MWD entered into a storage and interstate release agreement on October 21, 2004. Under this program, Nevada can request MWD to store unused Nevada apportionment of Colorado River water in California. The amount of water stored through 2009 under this agreement was 70,000 acre-feet. In subsequent years, Nevada may request recovery of this stored water. As part of a recently executed amendment, it is expected that Nevada will not request return of this water until 2022. The stored water provides flexibility to MWD for blending Colorado River water with State Water Project water and improves near-term water supply reliability.

MWD's storage capacity, which includes reservoirs, conjunctive use and other groundwater storage programs within MWD's service area and groundwater and surface storage accounts delivered through the State Water Project or Colorado River Aqueduct, is approximately 5.54 million acre-feet. In 2011, approximately 626,000 acre-feet of stored water is emergency storage that is reserved for use in the event of supply interruptions from earthquakes or similar emergencies, as well as extended drought. MWD's ability to replenish water storage, both in the local groundwater basins and in surface storage and banking programs, has been limited by Bay-Delta pumping restrictions and Endangered Species Act considerations. MWD replenishes its storage accounts when imported supplies exceed demands. Effective storage management is dependent on having sufficient years of excess supplies to store water so that it can be used during times of shortage. Historically, excess supplies have been available in about seven of every ten years. MWD forecasts that, with anticipated supply reductions from the State Water Project due to pumping restrictions, it will need to draw down on storage in about seven of ten years and will be able to replenish storage in about three years out of ten. This reduction in available supplies extends the time required for storage to recover from drawdowns and could require MWD to implement its Water Supply Allocation Plan (described below) during extended dry periods.

From 2007 to 2009, MWD drew down approximately one million acre-feet of its stored water to meet regional demands. As of January 1, 2011, MWD had 2.29 million acre-feet of water in storage, including emergency storage. As a result of increased State Water Project supplies and reduced demands in 2010 and 2011, MWD is rebuilding its storage after several years of withdrawals. If current supply and demand trends continue, MWD anticipates storing an additional 600,000 to 800,000 acre-feet in 2011. This could bring total storage in 2011 up to approximately 3.1 million acre-feet, which would be the highest end-of-year total reserves in MWD's history.

***Reliability of MWD Water Supply.*** MWD faces a number of challenges in providing a reliable and high quality water supply for southern California. These include, among others: (1) population growth within the service area; (2) increased competition for low-cost water supplies; (3) variable weather conditions; and (4) increased environmental regulations. In April 2008, MWD staff began working with MWD's member agencies on a Five-Year Supply Plan to identify specific resource and conservation actions over a five year period, in order to manage water deliveries under continued drought conditions and court-ordered restrictions.

MWD's current approach to managing water shortages has evolved from its experiences during the droughts of 1976-77 and 1987-92 into the Water Surplus and Drought Management Plan ("WSDM Plan"). The WSDM Plan splits resource actions into two major categories: Surplus Actions and Shortage Actions. The Surplus Actions store surplus water, first inside then outside the region. The Shortage Actions of the WSDM Plan are split into three subcategories: Shortage, Severe Shortage and Extreme Shortage. Each category has associated actions that could be taken as a part of the response to prevailing shortage conditions. Conservation and water efficiency programs are part of MWD's resource management strategy through all categories.

MWD's plan for allocation of water supplies in the event of shortage (the "MWD Water Supply Allocation Plan") allocates MWD's water supplies among its member agencies, based on the principles contained in the WSDM Plan, to reduce water use and drawdowns from water storage reserves. The MWD Water Supply Allocation Plan was approved by the Board in February 2008. The MWD Water Supply Allocation Plan provides a formula for equitable distribution of available supplies in case of extreme water shortages within MWD's service area. On April 14, 2009, the Board adopted a resolution declaring a regional water shortage and implementing the Water Supply Allocation Plan, effective July 1, 2009. The Board set the "Regional Shortage Level" at MWD Water Supply Allocation Plan Level 2, which required reduction of regional water use by approximately 10% and resulted in a total allocation of about 2.09 million acre-feet of MWD water in Fiscal Year 2009-10. On April 13, 2010, the Board adopted a resolution recognizing the continuing regional water shortage and again setting the Regional Shortage Level at Water Supply Allocation Plan Level 2, which sustained the prior year's regional water use reduction of approximately 10%. Due to improved hydrologic and storage conditions, on April 12, 2011, the Board terminated implementation of the 2010-11 Water Supply Allocation Plan, restoring imported water deliveries to member agencies without risk of allocation penalties.

Delivery within a member agency of more than its allocated amount of MWD supplies will subject the member agency to a penalty of one to four times MWD's full service rate for untreated Tier 2 water, depending on how much the member agency's water use for the twelve-month period beginning on July 1 exceeds its allocated amount. Any penalties collected may be rebated to the member agency that paid them to fund water management projects.

The MWD Act provides a preferential entitlement for the purchase of water by each of the MWD member agencies. This preferential right is based on the ratio of all payments made to MWD by each agency compared to total payments made by all member agencies on tax assessments and otherwise, except purchases of water, toward the capital cost and operating expenses of MWD. Historically MWD



has not used this criterion in allocating water. The MWD Act provides that water surplus to MWD's needs for domestic and municipal uses may be sold for other beneficial uses.

***MWD Scheduling and Operations.*** MWD member agencies request water from MWD at various delivery points within MWD's system and pay for such water at uniform rates established by the Board for each class of service. No member is required to purchase water from MWD, but all member agencies are required to pay readiness-to-serve charges (as described below) whether or not they purchase water from MWD. The current rate structure provides for a member agency's agreement to purchase water from MWD by means of a voluntary purchase order. In consideration of executing its purchase order, the member agency is entitled to purchase a greater amount of water at the lower "Tier 1 Water Supply Rate", as described under " – MWD Rates" below. Under each purchase order, a member agency agrees to purchase, over the ten-year term of the contract, an amount of water equal to at least 60% of its highest firm demand for MWD water in any Fiscal Year from 1989-90 through 2001-02 multiplied by ten, which requirement PWP has met. MWD Member agencies are allowed to vary their purchases from year to year, but a member agency will be obligated to pay for the full amount committed under the purchase order, even if it does not take its full purchase order commitment by the end of the ten-year period. MWD and its member agencies have begun discussing terms for potential renewals or replacements of purchase orders after the existing purchase orders expire on December 31, 2012. Any renewals or replacements would be subject to approval by MWD and the governing bodies of the respective member agencies.

Water is delivered to the member agencies on demand and is metered at the point of delivery. Member agencies are billed monthly and a late charge of 1% of the delinquent payment is assessed for delinquent payments not exceeding five business days. A late charge of 2% of the amount of the delinquent payment is charged for a payment that is delinquent for more than five business days for each month or portion of a month that the payment remains delinquent. MWD has the authority to suspend service to any agency delinquent for more than 30 days. Delinquencies have been rare; in such instances late charges have been collected. No service has been suspended because of delinquencies.

***MWD Rates.*** MWD water rates are established by majority vote of the Board in March of each year, after a public hearing held in February. Rates are not subject to regulation by any local, State or federal agency. Under the MWD Act, MWD must, so far as practicable, fix such rates for water as will result in revenue which, together with revenue from any water standby or availability of service charge or assessment, will pay the operating expenses of MWD, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by MWD and provide for the payment of the interest and principal of the bonded debt of MWD.

MWD's current rate structure became effective in January 2003. In October 2002, PWP entered into a voluntary purchase order contract with MWD, whereby PWP is able to purchase up to 90% of its "initial base demand" at the "Tier 1" rate. The "initial base demand" is defined as the maximum firm demand (not including water delivered for in-lieu groundwater storage programs) for MWD water experienced since Fiscal Year 1989. PWP estimates its "initial base demand" to be 23,520 acre-feet/year. This means that with the purchase order contract, PWP may currently purchase up to 21,170 acre-feet/year of water at the Tier 1 rate. In the future, "base demand" is defined as either the agency's "initial base demand" or the rolling 10-year average of firm demands for MWD water, whichever is higher. Any water purchased from MWD in excess of 90% of the "base demand" must be purchased at the higher Tier 2 rate.

The following table summarizes water rates under MWD's current rate structure. This table includes rates effective January 1, 2012.

**TABLE 4**  
**MWD WATER RATES**  
**(Dollars per Acre-Foot)**

	<b><u>2012 Rates<sup>(1)</sup></u></b>	
	<b><u>Tier 1</u></b>	<b><u>Tier 2</u></b>
Supply Rate	\$106	\$290
Delta Supply Surcharge	58	--
System Access Rate	217	217
Water Stewardship Rate	43	43
System Power Rate	<u>136</u>	<u>136</u>
Untreated Full Service	\$560	\$686
Treatment Surcharge	<u>234</u>	<u>234</u>
Treated Full Service	\$794	\$920

<sup>(1)</sup> Rates effective January 1, 2012.  
Source: MWD.

The Tier 1 and Tier 2 Water Supply Rates are designed to recover MWD's water supply costs. The Tier 2 Supply Rate is designed to reflect MWD's costs of acquiring new supplies. MWD member agencies are charged the Tier 1 or Tier 2 Water Supply Rate for water purchases, as described above.

The System Access Rate is intended to recover a portion of the costs associated with the conveyance and distribution system, including capital, operating and maintenance costs. All users (including member agencies and third-party wheeling entities of the MWD system) pay the System Access Rate.

The Water Stewardship Rate is charged on a dollar per acre-foot basis to collect revenues to support MWD's financial commitment to conservation, water recycling, groundwater recovery and other water management programs approved by the Board. The Water Stewardship Rate is charged for every acre-foot of water conveyed by MWD.

The System Power Rate is charged on a dollar per acre-foot basis to recover the cost of power necessary to pump water from the State Water Project and Colorado River through the conveyance and distribution system for MWD's member agencies. The System Power Rate is charged for all MWD supplies. Entities wheeling water will continue to pay the actual cost of power to convey water on the State Water Project, the Colorado River Aqueduct or the MWD distribution system, whichever is applicable.

MWD charges a treatment surcharge on a dollar per acre-foot basis for treated deliveries. The treatment surcharge is set to recover the cost of providing treated water service, including capital and operating cost.

The Delta Supply Surcharge is applicable to (among other rates) all Tier 1 untreated and treated water rates and reflects the additional supply costs that MWD faces along with other costs due to the pumping restrictions on the State Water Project.

Additional charges for the availability of MWD's water are: the Readiness-to-Serve Charge and the Capacity Charge.

The Readiness-to-Serve Charge is a variable annual charge of approximately \$80 million that is divided proportionally among all agencies that receive water from MWD. This money is used by MWD

to recover costs associated with standby and peak conveyance capacity and system emergency storage capacity. Currently, PWP's share of MWD's annual Readiness-to-Serve Charge is about 1%.

The Capacity Charge is a fixed annual charge, which is based on the capacity that is requested by the member agency. This charge will be used by MWD to recover the cost of providing peak capacity within the distribution system. Effective January 1, 2010, the capacity charge was \$7,200 per cfs of maximum daily flow, which will remain at \$7,200 per cfs during 2011 and increase to \$7,400 per cfs effective January 1, 2012.