

NEW ISSUE – BOOK-ENTRY ONLY

[Insured Rating: S&P: “\_\_”]  
[Uninsured] Rating: S&P: “\_\_”  
(See “RATING[S].”)

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.”

\$8,740,000\*

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 \$8,740,000\* 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 and mandatory sinking fund redemption prior to the stated maturities thereof, as described herein. See “THE BONDS – Optional Redemption of Bonds” and “– Mandatory Sinking Fund Redemption of Bonds.”

[CONFIRM GLOBALLY:] [The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by \_\_\_\_\_.]

[BOND INSURER LOGO]

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 L.L.P., 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 \_\_, 2012.



Dated: \_\_\_\_\_, 2012

\* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

## MATURITY SCHEDULE

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price/</u> <u>Yield</u>	<u>CUSIP<sup>(1)</sup> No.</u>	<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price/</u> <u>Yield</u>	<u>CUSIP<sup>(1)</sup> No.</u>
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\$ \_\_\_\_\_ % **Term Bond due June 1, 20\_\_** Price: \_\_\_\_ % CUSIP<sup>(1)</sup> No. \_\_\_\_\_

\$ \_\_\_\_\_ % **Term Bond due June 1, 20\_\_** Price: \_\_\_\_ % CUSIP<sup>(1)</sup> No. \_\_\_\_\_

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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.

**[BOND INSURER DISCLAIMER, IF APPLICABLE]**

**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

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Geographic Information Systems  
March 28, 2006

**\$8,740,000\***  
**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 \$8,740,000\* (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”).

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\* Preliminary; subject to change.

## **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, 20\_\_, are not subject to optional redemption. The Bonds maturing on or after June 1, 20\_\_, are subject to redemption, as a whole or in part, on any date on or after June 1, 20\_\_, 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.”

***Mandatory Sinking Fund Redemption of Bonds.*** The Bonds maturing on June 1, 20\_\_, and June 1, 20\_\_ (collectively, the “Term Bonds”), are subject to mandatory redemption in part on June 1 in the years and in the amounts set forth herein, at a redemption price equal to the principal amount of the Term Bonds to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium. See “THE BONDS – Mandatory Sinking Fund Redemption of 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.”

### **[Bond Insurance]**

[Concurrently with the issuance of the Bonds, \_\_\_\_\_ (the “Bond Insurer”) will issue its municipal bond insurance policy (the “Bond Insurance Policy”) for the Bonds. The Bond Insurance Policy guarantees the scheduled payment of principal and interest with respect to the Bonds when due as set forth in the form of the Bond Insurance Policy included as Appendix G to this Official Statement. See “BOND INSURANCE.”]

### **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, 20\_\_, are not subject to optional redemption. The Bonds maturing on or after June 1, 20\_\_, are subject to redemption, as a whole or in part, on any date on or after June 1, 20\_\_, 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.

**Mandatory Sinking Fund Redemption of Bonds**

The Term Bonds maturing on June 1, 20\_\_ (the “20\_\_ Term Bonds”), are subject to mandatory redemption in part on June 1 in the following years in the following amounts at a redemption price equal to the principal amount thereof together with accrued interest to the date fixed for redemption, without premium:

<b>Mandatory Redemption Date (<u>June 1</u>)</b>	<b>Sinking Fund <u>Amount</u></b>
	\$

(maturity)

The Term Bonds maturing on June 1, 20\_\_ (the “20\_\_ Term Bonds”), are subject to mandatory redemption in part on June 1 in the following years in the following amounts at a redemption price equal to the principal amount thereof together with accrued interest to the date fixed for redemption, without premium:

<b>Mandatory Redemption Date (<u>June 1</u>)</b>	<b>Sinking Fund <u>Amount</u></b>
	\$

(maturity)

In the event of any optional redemption of any 20\_\_ Term Bonds or 20\_\_ Term Bonds, the schedule of mandatory sinking fund installments shown above, as applicable, shall be reduced in equal percentages, as nearly as practicable, provided that the reductions shall be made in multiples of \$5,000.

### **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**

**Estimated Sources:**

Principal Amount  
 [Plus/Less]: Net Original Issue [Premium/Discount]  
 Less: Underwriter's Discount  
 Amounts Released under 2001 Indenture

**Total Sources**

**Estimated Uses:**

Transfer to Escrow Agent for Deposit Into Escrow Fund <sup>(1)</sup>  
 Deposit to Reserve Fund <sup>(2)</sup>  
 Deposit to Costs of Issuance Fund <sup>(3)</sup>

**Total Uses**

<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 [the Bond Insurance Policy premium] 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 (including sinking fund redemptions) 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 <sup>(1)</sup></b>	<b>Interest on Bonds <sup>(1)</sup></b>	<b>Total Debt Service <sup>(1)</sup></b>
2012		\$ 52,063	\$ 52,063
2013	\$ 350,000	382,500	732,500
2014	355,000	375,500	730,500
2015	365,000	364,850	729,850
2016	375,000	353,900	728,900
2017	390,000	338,900	728,900
2018	405,000	323,300	728,300
2019	420,000	307,100	727,100
2020	440,000	290,300	730,300
2021	460,000	272,700	732,700
2022	470,000	254,300	724,300
2023	495,000	235,500	730,500
2024	520,000	210,750	730,750
2025	545,000	184,750	729,750
2026	570,000	157,500	727,500
2027	600,000	129,000	729,000
2028	630,000	99,000	729,000
2029	660,000	67,500	727,500
2030	690,000	34,500	724,500
<b>Totals</b>	<b>\$8,740,000</b>	<b>\$4,433,913</b>	<b>\$13,173,913</b>

(1) Preliminary; subject to change.  
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 <sup>(2)</sup>	Interest on Bonds <sup>(2)</sup>	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 <sup>(2)</sup>
2012	--	\$ 52,063	\$1,215,000	\$752,475		\$ 5,786,173	\$ 875,000	\$ 2,551,385	\$ 1,065,000	\$ 1,962,984	<u>\$241,661</u>	14,501,740
2013	\$ 350,000	382,500	1,255,000	716,025		5,786,173	920,000	2,507,635	1,095,000	1,928,904		14,941,237
2014	355,000	375,500	1,300,000	670,325		5,786,173	965,000	2,461,635	1,150,000	1,874,154		14,937,787
2015	365,000	364,850	1,340,000	631,325		5,786,173	1,015,000	2,413,385	1,190,000	1,833,904		14,939,637
2016	375,000	353,900	1,410,000	564,325		5,786,173	1,060,000	2,370,248	1,235,000	1,789,874		14,944,520
2017	390,000	338,900	1,460,000	507,925		5,786,173	1,105,000	2,322,548	1,285,000	1,742,944		14,938,490
2018	405,000	323,300	1,535,000	434,925		5,786,173	1,150,000	2,275,585	1,335,000	1,693,150		14,938,133
2019	420,000	307,100	1,610,000	358,175		5,786,173	1,215,000	2,218,085	1,385,000	1,639,750		14,939,283
2020	440,000	290,300	1,695,000	277,675		5,786,173	1,270,000	2,157,335	1,455,000	1,570,500		14,941,983
2021	460,000	272,700	1,770,000	199,925		5,786,173	1,325,000	2,102,725	1,530,000	1,497,750		14,944,273
2022	470,000	254,300	<u>1,865,000</u>	<u>102,575</u>		5,786,173	1,390,000	2,043,100	1,605,000	1,421,250		14,937,398
2023	495,000	235,500			\$ 1,970,000	5,786,173	1,450,000	1,977,075	1,685,000	1,341,000		14,939,748
2024	520,000	210,750			2,060,000	5,651,838	1,520,000	1,908,200	1,770,000	1,256,750		14,897,538
2025	545,000	184,750			2,150,000	5,511,367	1,595,000	1,836,000	1,855,000	1,168,250		14,845,367
2026	570,000	157,500			2,240,000	5,364,758	1,670,000	1,760,238	1,950,000	1,075,500		14,787,996
2027	600,000	129,000			2,345,000	5,212,013	1,745,000	1,683,000	2,050,000	978,000		14,742,013
2028	630,000	99,000			2,445,000	5,052,107	1,835,000	1,595,750	2,150,000	875,500		14,682,357
2029	660,000	67,500			2,555,000	4,885,383	1,925,000	1,504,000	2,260,000	768,000		14,624,883
2030	<u>690,000</u>	<u>34,500</u>			2,670,000	4,711,157	2,025,000	1,407,750	2,370,000	655,000		14,563,407
2031					2,785,000	4,529,090	2,930,000	1,306,500	2,490,000	536,500		14,577,090
2032					2,910,000	4,339,710	3,075,000	1,160,000	2,615,000	412,000		14,511,710
2033					3,040,000	4,141,830	3,230,000	1,006,250	2,745,000	281,250		14,444,330
2034					3,170,000	3,935,110	3,395,000	844,750	<u>2,880,000</u>	<u>144,000</u>		14,368,860
2035					3,315,000	3,719,550	6,585,000	675,000				14,294,550
2036					3,460,000	3,494,130	<u>6,915,000</u>	<u>345,750</u>				14,214,880
2037					10,875,000	3,258,850						14,133,850
2038					11,370,000	2,497,600						13,867,600
2039					11,885,000	1,701,700						13,586,700
2040					<u>12,425,000</u>	<u>869,750</u>						<u>13,294,750</u>
<b>Totals <sup>(1)</sup></b>	<b>\$8,740,000</b>	<b>\$4,433,913</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>\$423,282,110</b>

(1) Totals may not add due to rounding.

(2) Preliminary; subject to change.

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 may provide for the Reserve Fund at any time, in whole or in part, by (i) a policy of insurance issued by a municipal bond insurance company rated in the highest rating category of each rating agency then rating the Bonds, (ii) a letter of credit rated in the two highest rating categories

(excluding gradations within a rating category) of each rating agency then rating the Bonds, (iii) a surety bond rated in the highest rating category of each rating agency then rating the Bonds, or (iv) any other security device rated in the highest 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.

### **[BOND INSURANCE]**

*[The following information has been furnished by the Bond Insurer for use in this Official Statement. Reference is made to Appendix G for a specimen of the Bond Insurance Policy.]*

### **[TO FOLLOW, IF APPLICABLE]**

### **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.

### **[Bond Insurance Risk]**

[In the event of a default in the payment when due of all or a portion of the principal or interest with respect to the Bonds, Owners of the Bonds shall have a claim under the Bond Insurance Policy for such payments. However, in the event of an acceleration of the due date of such principal or interest by reason of a mandatory or optional redemption of the Bonds, or an acceleration of the Bonds resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, payments under the Bond Insurance Policy will be made by the Bond Insurer in such amounts and at such times as such payments would have been made had there not been any such acceleration. The Bond Insurance Policy will not insure the payment of any redemption premiums. The payment of principal and interest with respect to the Bonds in connection with a mandatory or an optional redemption of Bonds by the Authority that is recovered by the Authority from the Owners of the applicable Bonds as a voidable preference under applicable bankruptcy law is covered by the Bond Insurance Policy; however, payments under the Bond Insurance Policy for such recovered amounts will be made by the Bond Insurer at such times and in such amounts as such payments would have been made absent such payment by the Authority, unless the Bond Insurer chooses to pay such amounts at an earlier date.]

[The Bond Insurer may direct and must consent to any remedies for a default in the payment of principal or interest with respect to the Bonds. The Bond Insurer's consent may also be required in connection with amendments to the Indenture and the 2012 Installment Purchase Agreement.]

[In the event the Bond Insurer is unable to make the payment of principal and interest with respect to the Bonds as such payments become due under the Bond Insurance Policy, the Bonds are payable solely from the moneys received pursuant to the Indenture and the 2012 Installment Purchase Agreement. In the event the Bond Insurer is unable to make payments of principal or interest with respect to the Bonds if obligated to do so, no assurance is given that such nonpayment will not adversely affect the market price, marketability, or liquidity of the Bonds.]

[The long-term rating on the Bonds will be dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer's financial strength and claims paying ability are predicated on a number of factors that could change over time. No assurance is given that the long-term ratings of the Bonds or the Bond Insurer will not be subject to downgrade, and such event could adversely affect the market price, marketability, and liquidity of the Bonds.]

[The obligations of the Bond Insurer are contractual obligations and in the event of a default by the Bond Insurer, the remedies available to Owners may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.]

[Neither the Authority nor the Underwriter has made an independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Therefore, when making an investment decision, potential investors should carefully consider the ability of the Authority to pay principal and interest with respect to the Bonds and the claims paying ability of the Bond Insurer, if any, particularly over the life of the investment.]

## **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:

<u>Name</u>	<u>Office</u>
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:

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

Neither the Authority nor its Board members have any obligations or liability to the owners of the Bonds with respect to the payment of 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**

Description	<u>FY12/13</u>	<u>FY13/14</u>	<u>FY14/15</u>	<u>FY15/16</u>	<u>FY16/17</u>
<i>Potable Water</i>					
BS2 SCADA	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
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
Blending Station No. 3 Wellfield No. 2	0	0	0	0	0
Concentrate Collection System Study	0	0	0	0	0
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
<i>Recycle Water - GREAT Program</i>					
AWPF - Future Phases	\$0	\$ 0	\$ 0	\$ 0	\$ 0
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.

**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>Supply</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>Total Supply</b>	<b>29,300</b>	<b>25,600</b>	<b>23,800</b>
<b>Projected Demand</b>	<b>38,800</b>	<b>40,900</b>	<b>39,900</b>
<b>Surplus (Deficit)</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>Surplus (Deficit)</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.

## 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)**

<b>User</b>	<b>Type of Business</b>	<b>Revenue</b>	<b>Percentage of Annual Revenue</b>
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 "	\$ 14.78	\$ 12.87	\$ 10.73
1"	22.30	19.27	15.57
1 1/2 "	39.79	33.70	26.69
2"	65.20	51.27	40.52
3"	131.33	113.01	84.69
4"	221.33	182.59	143.60
6"	458.09	380.10	292.11
8"	657.28	545.34	425.33
10"	1,056.93	876.53	673.37

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	\$2.46		
7 to 12	2.73		
Over 12	3.82		
0 to 17		\$2.01	
18 to 32		2.23	
Over 32		3.34	
0 to 17			\$2.01
18 to 32			2.23
Over 32			3.34

(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
<b>City of Oxnard</b>	<b>11.82</b>	<b>2.23</b>	<b>38.58</b>
City of Ventura	15.03	2.02	39.27
City of Fillmore	34.43	0.57	41.31
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)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<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.

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<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.

**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) (5)</sup>	\$12,172,574	\$12,761,494	\$12,760,294	\$12,763,477	\$12,765,897
Coverage <sup>(4) (5)</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.

(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.

(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.

(5) Preliminary; subject to change.

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 "\_\_\_" to the Bonds [ , based on the issuance of the Bond Insurance Policy by the Bond Insurer. In addition, S&P has assigned an underlying municipal bond rating of "\_\_\_" to the Bonds]. Such rating[s] reflect only the views of the rating agency furnishing the same and any desired explanation of the significance of such rating[s] 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[s] will continue for any given period of time or that such rating[s] 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[s] 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 \$\_\_\_\_\_ (which represents the aggregate principal amount of the Bonds, less an Underwriter’s discount of \$\_\_\_\_\_, [plus/less] a net original issue [premium/discount] of \$\_\_\_\_\_.

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: \_\_\_\_\_  
Controller

## **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 2012 Installment Purchase Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to said documents.

**[TO FOLLOW]**

## 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**

<u>Year Ended June 30</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as a Percentage of Tax Levy</u>
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**

<u>Year Ended June 30</u>	<u>Assessed Value of Land</u>	<u>Assessed Value of Improvements</u>	<u>Assessed Value of Personal Property</u>	<u>Less: Tax Exempt Real Property</u>	<u>Estimated Total Assessed Value of Taxable Property</u>
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.

<b>City of Oxnard Principal Property Taxpayers</b>		
<u>Property Owner</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Procter & Gamble Paper Products	\$ 266,561,813	1.76%
SOCM I 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:

<b>City of Oxnard Outstanding Debt 2002 through 2011</b>							
<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>				
	<u>City</u>		<u>County</u>	
<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.

**APPENDIX C**

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

**[TO FOLLOW]**

**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  
\$ \_\_\_\_\_ 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 \$ \_\_\_\_\_ 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, by and between the Authority and the Trustee (the “Assignment Agreement”), the Tax Certificate of the City and the Authority, dated the date hereof (the “Tax Certificate”), opinions of the City Attorney, certifications of the City, the Authority, and others, and such other documents, opinions, and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are expressed only on and as of the date hereof and are based on an analysis of existing laws, regulations, rulings, and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Changes to existing law may occur hereafter and could have retroactive effect. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion 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 \_\_\_\_\_, 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 \$\_\_\_\_\_ 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

## APPENDIX F

### THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*The following information has been obtained from MWD and 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.*

#### [CITY TO CONFIRM/UPDATE ENTIRE SECTION:]

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 4 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, 2011. As indicated in the footnotes to the table below, in early 2010, the Board approved two rate increases of 7.5% each to then 2010 rates, the first of which rate increase is reflected in the 2011 rates. The next increase will become effective January 1, 2012.

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

	<u>2011 Rates<sup>(1)</sup></u>	
	<u>Tier 1</u>	<u>Tier 2</u>
Supply Rate	\$104	\$280
Delta Supply Surcharge	51	--
System Access Rate	204	204
Water Stewardship Rate	41	41
System Power Rate	<u>127</u>	<u>127</u>
Untreated Full Service	\$527	\$652
Treatment Surcharge	<u>217</u>	<u>217</u>
Treated Full Service	\$744	\$869

<sup>(1)</sup> Rates effective January 1, 2011 through December 31, 2011. In early 2010, the Board approved two rate increases of 7.5% each to then 2010 rates. The next increase will become 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.

**[APPENDIX G]**

**[SPECIMEN BOND INSURANCE POLICY]**

**[TO FOLLOW, IF APPLICABLE]**