



October 28, 2013

Ms. Jan Davison, Redevelopment and Housing Director
City of Watsonville
250 Main Street
Watsonville, CA 95076

Dear Ms. Davison:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Watsonville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 16, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item No. 1 – 2004 Tax Allocation Bond, Series A is partially denied in the amount of \$12,900. The Agency requests Redevelopment Property Tax Trust Fund (RPTTF) funding in the amount of \$352,449; however, only \$339,549 of interest is due during the ROPS 13-14B period. Therefore, the excess of \$12,900 is not an enforceable obligation and not eligible for RPTTF funding.
- Item No. 2 – 2004 Tax Allocation Bond, Series B-1 and B-2 is partially denied in the amount of \$3,854. The Agency requests RPTTF funding in the amount of \$135,165; however, only \$131,311 of interest is due during the ROPS 13-14B period. Therefore, the excess of \$3,854 is not an enforceable obligation and not eligible for RPTTF funding.
- Item No. 29 – Loan Agreement between the Agency and the City of Watsonville (City) is partially denied in the amount of \$153. The Agency requests RPTTF funding in the amount of \$200,153 to make payment for enforceable obligations related to various litigation matters in which the Agency is involved. Finance approved this item through the review of Oversight Board Resolution No. 6-13 dated October 17, 2013 with the amount not to exceed \$200,000. As a result, Finance partially approved \$200,000 of the \$200,153 requested funds. The repayment of funds to the City on ROPS 13-14B is limited to the funds approved to be borrowed. Therefore, the repayment of funds in excess of \$200,000 is not an enforceable obligation and not eligible for RPTTF funding.

Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below includes only the prior period adjustment that was self-reported by the Agency.

Except for the items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$779,650 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	735,727
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 860,727
Total RPTTF requested for non-administrative obligations	735,727
<u>Denied Items</u>	
Item No. 1	(12,900)
Item No. 2	(3,854)
Item No. 29	(153)
	(16,907)
Total RPTTF approved for non-administrative obligations	718,820
Total RPTTF for administrative obligations	125,000
Total RPTTF approved for obligations	843,820
ROPS III prior period adjustment	(64,170)
Total RPTTF approved for distribution	\$ 779,650

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14B_Forms_by_Successor_Agency/.

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and

Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Ezequiel Vega, Administrative Service Director, City of Watsonville
Ms. Mary Jo Walker, Auditor-Controller, Santa Cruz County
California State Controller's Office