



April 23, 2012

Jan Davison, Director
Redevelopment and Housing
City of Watsonville
250 Main Street
Watsonville, California 95076

Dear Ms. Davison:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Redevelopment Agency of the City of Watsonville submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 11, 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

- Page 1, line items 19 through 21 in the amount of \$2.4 million is for unencumbered project funding balances. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.
- Page 1, line items 22 and 23 in the amount of \$293,000 to purchase property at a future date. HSC Section 34163 (e) prohibits the redevelopment agency from acquiring real property by any means for any purpose after June 27, 2011.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct inquiries to Robert Scott, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Ms. Mary Jo Walker, Auditor-Controller, Santa Cruz County
Ms. Marianne Ellis, Property Tax Accounting Manager, Santa Cruz County