



May 10, 2012

Jan Davison, Redevelopment and Housing Director
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 Watsonville Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 26, 2012 for the period January through June 2012 and July through December 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:

- In the Revised January through June ROPS, Page 1, line items 19 through 21 and July through December ROPS, Page 1, line items 14 through 16 in the amount of \$2.4 million is for unencumbered project balances. The contracts provided were signed after June 27, 2011. HSC section 34163(b) prohibits a redevelopment agency from entering into new contracts with any entity after June 27, 2011.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for reconsideration. This action will cause the 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.

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

If you disagree with our conclusion, please provide further evidence that the items questioned above meet the definition of an EO and submit to Redevelopment_Administration@dof.ca.gov

Please direct inquiries to Robert Scot or Jenny DeAngelis at (916) 322-2985.

Sincerely,

A handwritten signature in cursive script that reads "Mark Hill".

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