



Transmitted via e-mail

April 7, 2023

Patricia Rodriguez, Assistant Finance Manager
City of Watsonville
250 Main Street
Watsonville, CA 95076

2023-24 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Watsonville Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2023 through June 30, 2024 (ROPS 23-24) to the California Department of Finance (Finance) on January 30, 2023. Finance has completed its review of the ROPS 23-24.

Based on a sample of line items reviewed and application of the law, Finance made the following determination:

- Item No. 42 – Interest payment for City loan in the outstanding amount totaling \$222,883 is not allowed. It is our understanding this payment is for incurred interest on the reentered agreement between the City of Watsonville (City) and the Agency. Per the reentered agreement and confirmed by the Appellate Court Judgment filed May 5, 2020, three loans from the City were approved for repayment; however, there were no terms for accruing interest within the reentered agreement or in the ordered judgment. This item was previously denied in our July 1, 2022 through June 30, 2023 ROPS letter dated April 15, 2022 and continues to be denied. The requested \$222,883 is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2020 through June 30, 2021 (ROPS 20-21) period. The ROPS 20-21 prior period adjustment (PPA) will offset the ROPS 23-24 RPTTF distribution. The amount of RPTTF authorized includes the PPA resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,083,057, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2023 through December 31, 2023 period (ROPS A period), and one distribution for the January 1, 2024 through June 30, 2024 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 23-24 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the adjusted item, Finance approves the remaining items listed on the ROPS 23-24 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 23-24, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days from the date of this letter. The Agency must use the RAD App to complete and submit its Meet and Confer request form. The Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 23-24. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 23-24 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 23-24 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Patricia Rodriguez
April 7, 2023
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Please direct inquiries to Zuber Tejani, Supervisor, or Veronica Zalvidea, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Marissa Duran, Assistant Finance Director, City of Watsonville
Edith Driscoll, Auditor-Controller Treasurer Tax Collector, Santa Cruz County
Manu Koenig, Countywide Oversight Board Representative

Approved RPTTF Distribution July 2023 through June 2024			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 2,308,090	\$ 0	\$ 2,308,090
Administrative RPTTF Requested	0	0	0
Total RPTTF Requested	2,308,090	0	2,308,090
RPTTF Requested	2,308,090	0	2,308,090
<u>Adjustment(s)</u>			
Item No. 42	(222,883)	0	(222,883)
RPTTF Authorized	2,085,207	0	2,085,207
Administrative RPTTF Authorized	0	0	0
ROPS 20-21 Prior Period Adjustment (PPA)	(2,150)	0	(2,150)
Total RPTTF Approved for Distribution	\$ 2,083,057	\$ 0	\$ 2,083,057