



March 22, 2019

Ms. Cindy Czerwin, Administrative Services Director
City of Watsonville
250 Main Street
Watsonville, CA 95076

Dear Ms. Czerwin:

Subject: 2019-20 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 of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 30, 2019. Finance has completed its review of the ROPS 19-20.

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

- Item No. 6 – Tax Increment Overpayment by County for fiscal year's (FY) 2006-07, 2007-08, and 2008-09 in the amount of \$56,260. Per discussion with Agency staff and a review of documentation provided, the \$56,260 requested for the annual ROPS period should be zero. As a result, the total ROPS 19-20 Redevelopment Property Tax Trust Fund (RPTTF) funding requested has been decreased by \$56,260.
- On the ROPS 19-20 form, the Agency reported cash balances and activity for the period July 1, 2016 through June 30, 2017 (ROPS 16-17). According to our review, the Agency has approximately \$6,159 from Reserve Balances available to fund enforceable obligations on the ROPS 19-20. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 36 – 2016 Tax Allocation Refunding Bonds Series A (P&I) in the amount of \$1,669,825 is partially reclassified from RPTTF to Reserve Balances. This item does not require payment from property tax revenues and the Agency has \$6,159 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of \$1,663,666 and the use of Reserve Balances in the amount of \$6,159, totaling \$1,669,825.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 3 includes the prior period adjustment (PPA) resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency. Total authorized RPTTF is insufficient to allow the entire PPA to be applied this ROPS period, resulting in an excess PPA that should be applied prior to requesting RPTTF on future ROPS.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, 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 of the date of this letter. The Meet and Confer process and guidelines are available on our website:

[http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/](http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is zero as summarized in the Approved RPTTF Distribution table on Page 3 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 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 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied 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 RPTTF is the same as the amount of property tax increment available prior to the enactment of 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 RPTTF.

Please direct inquiries to Joshua Mortimer, Supervisor, or Garrett Fujitani, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Matt Huffaker, Assistant City Manager, City of Watsonville
Ms. Edith Driscoll, Auditor-Controller Treasurer-Tax Collector, Santa Cruz County

Attachment

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 345,787	\$ 216,635	\$ 562,422
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	470,787	341,635	812,422
RPTTF Requested	345,787	216,635	562,422
<u>Adjustments</u>			
Item No. 6	(56,260)	0	(56,260)
Item No. 36	(6,159)	0	(6,159)
	(62,419)	0	(62,419)
RPTTF Authorized	283,368	216,635	500,003
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Authorized for Obligations	408,368	341,635	750,003
Prior Period Adjustment	(1,314,807)	(341,635)	(1,656,442)
Excess Prior Period Adjustment	906,439	0	906,439
Total RPTTF Approved for Distribution	\$ 0	\$ 0	\$ 0