



Transmitted via e-mail

April 15, 2022

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

2022-23 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, 2022 through June 30, 2023 (ROPS 22-23) to the California Department of Finance (Finance) on January 31, 2022. Finance has completed its review of the ROPS 22-23.

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

- Item No. 36 – 2016A Bond debt service. The Agency requested \$1,652,200 from Redevelopment Property Tax Trust Fund (RPTTF) in error. According to the debt service schedule provided by the Agency, the amount requested for the ROPS 22-23 period should be \$1,686,950. Therefore, to accurately reflect the correct debt service payment, Finance made an adjustment in the amount of \$34,750 to increase the total requested amount of \$1,652,200 to \$1,686,950.
- Item Nos. 42 and 44 – Interest payments for City loans in the outstanding amounts totaling \$280,602 are not allowed. It is our understanding these interest payments are 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. Therefore, \$222,883 and \$57,719, totaling \$280,602, for Item Nos. 42 and 44 respectively, are not an enforceable obligation and are not eligible for RPTTF funding.
- Item No. 43 – Cooperation Agreement - GSE Construction principal repayment is overstated and the requested amount of \$256,528 is partially allowed. Per the Appellate Court judgment filed May 5, 2020, the total outstanding principal amount of the loan is \$246,500. Therefore, \$10,028 is not eligible for RPTTF funding.

- Item No. 45 – Legal fees advanced from the City in the total outstanding amount of \$227,940 is partially allowed. These legal fees are in relation to the Agency suing Finance. The lawsuit contained three issues that challenged Finance's determinations. Since the Agency prevailed on one-third of the issues, the Agency is entitled to one-third of the legal fees pursuant to HSC 34171 (d) (2) (F) (ii). Therefore, \$151,960 is not eligible for 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, 2019 through June 30, 2020 (ROPS 19-20) period. The ROPS 19-20 prior period adjustment (PPA) will offset the ROPS 22-23 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 \$4,473,468, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2022 through December 31, 2022 period (ROPS A period), and one distribution for the January 1, 2023 through June 30, 2023 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 22-23 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 items, Finance approves the remaining items listed on the ROPS 22-23 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 22-23, 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 Meet and Confer process and guidelines are available on our website:

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

The Agency must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 22-23. 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 22-23 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 22-23 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.

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: Patricia Rodriguez, Assistant Finance Manager, City of Watsonville
Edith Driscoll, Auditor-Controller Treasurer-Tax Collector, Santa Cruz County

Approved RPTTF Distribution July 2022 through June 2023			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 4,865,179	\$ 117,135	\$ 4,982,314
Administrative RPTTF Requested	0	0	0
Total RPTTF Requested	4,865,179	117,135	4,982,314
RPTTF Requested	4,865,179	117,135	4,982,314
<u>Adjustment(s)</u>			
Item No. 36	34,750	0	34,750
Item No. 42	(222,883)	0	(222,883)
Item No. 43	(10,028)	0	(10,028)
Item No. 44	(57,719)	0	(57,719)
Item No. 45	(151,960)	0	(151,960)
	(407,840)	0	(407,840)
RPTTF Authorized	4,457,339	117,135	4,574,474
Administrative RPTTF Authorized	0	0	0
ROPS 19-20 prior period adjustment (PPA)	(101,006)	0	(101,006)
Total RPTTF Approved for Distribution	\$ 4,356,333	\$ 117,135	\$ 4,473,468