



**CITY COUNCIL AGENDA
REGULAR MEETING
CITY OF HALF MOON BAY**

TUESDAY, DECEMBER 17, 2019

**Adcock Community Senior Center, 535 Kelly
Avenue, Half Moon Bay, California 94019**

**Harvey Rarback, Mayor
Adam Eisen, Vice Mayor
Robert Brownstone, Councilmember
Deborah Penrose, Councilmember
Debbie Ruddock, Councilmember**

7:00 PM

This agenda contains a brief description of each item to be considered. Those wishing to address the City Council on any matter not listed on the Agenda, but within the jurisdiction of the City Council to resolve, may come forward to the podium during the Public Forum portion of the Agenda and will have a maximum of three minutes to discuss their item. Those wishing to speak on a Public Hearing matter will be called forward at the appropriate time during the Public Hearing consideration.

Please Note: Anyone wishing to present materials to the City Council, please submit seven copies to the City Clerk.

Copies of written documentation relating to each item of business on the Agenda are on file in the Office of the City Clerk at City Hall and the Half Moon Bay Library where they are available for public inspection. If requested, the agenda shall be available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132.) Information may be obtained by calling 650-726-8271.

In compliance with the Americans with Disabilities Act, special assistance for participation in this meeting can be obtained by contacting the City Clerk's Office at 650-726-8271. A 48-hour notification will enable the City to make reasonable accommodations to ensure accessibility to this meeting (28 CFR 35.102-35.104 ADA Title II).

<http://hmbcity.com/>

MEETING WILL CONCLUDE BY 11:00 PM UNLESS OTHERWISE EXTENDED BY COUNCIL VOTE

ROLL CALL / PLEDGE OF ALLEGIANCE

PUBLIC FORUM

REORGANIZATION OF THE CITY COUNCIL

PRESENTATIONS TO OUTGOING MAYOR

REMARKS BY OUTGOING MAYOR

SELECTION OF MAYOR AND VICE MAYOR FOR 2020

REMARKS BY INCOMING MAYOR

RECESS FOR REORGANIZATION RECEPTION

PROCLAMATIONS AND PRESENTATIONS

MIDCOAST COMMUNITY COUNCIL UPDATE

MAYOR'S ANNOUNCEMENTS OF COMMUNITY ACTIVITIES AND COMMUNITY SERVICE

REPORT OUT FROM RECENT CLOSED SESSION MEETINGS

CITY MANAGER UPDATES TO COUNCIL

1. CONSENT CALENDAR

1.A WAIVE READING OF RESOLUTIONS AND ORDINANCES

1.B WARRANTS FOR THE MONTH OF NOVEMBER 2019

Staff Recommendation: Accept the warrants list for the month of November 2019.

[STAFF REPORT](#)

[ATTACHMENT 1](#)

1.C TREASURER'S REPORT FOR THE QUARTER ENDING SEPTEMBER 30, 2019

Staff Recommendation: By motion, accept the Treasurer's Report for the quarter ending September 30, 2019.

[STAFF REPORT](#)

[ATTACHMENT 1](#)

1.D 2020 CALENDAR OF CITY COUNCIL MEETINGS

Staff Recommendation: By motion, adopt the 2020 Calendar of City Council Meetings.

[STAFF REPORT](#)

[ATTACHMENT 1](#)

1.E ORDINANCE ENACTING CHAPTER 7.70, RESIDENTIAL RENTAL SECURITY MEASURES – SECOND READING

Staff Recommendation: Waive second reading and adopt an ordinance enacting Chapter 7.70 (Residential Rental Security Measures) of the Half Moon Bay Municipal Code.

[STAFF REPORT](#)

[ORDINANCE](#)

1.F MADDY ACT 2020 LOCAL APPOINTMENTS LIST FOR CITY BOARDS, COMMISSIONS, AND COMMITTEES

Staff Recommendation: By motion, receive and file the annual appointments list of City boards, commissions, and committees for 2020.

[STAFF REPORT](#)

[ATTACHMENT 1](#)

1.G APPOINTMENT OF A YOUTH REPRESENTATIVE TO THE BICYCLE AND PEDESTRIAN ADVISORY COMMITTEE

Staff Recommendation: Appoint Anna McMillan as the youth representative to the Bicycle and Pedestrian Advisory Committee (BPAC).

[STAFF REPORT](#)

[ATTACHMENT 1](#)

1.H ACCEPTANCE OF PUBLIC IMPROVEMENTS FOR PHASE III OF THE PACIFIC RIDGE SUBDIVISION

Staff Recommendation: Adopt a resolution granting initial acceptance of public improvements for Phase III of the Pacific Ridge Subdivision, subject to one-year warranty period and release of securities in the form of a Deed of Trust (AKA Pacific Ridge at Half Moon Bay, Unit 3).

[STAFF REPORT](#)

[RESOLUTION](#)

[ATTACHMENT 2](#)

1.I CPS HR CONTRACT FOR CITY-WIDE CLASSIFICATION AND COMPENSATION STUDY

Staff Recommendation: Authorize the City Manager to execute an agreement with CPS HR for a citywide classification and compensation study.

[STAFF REPORT](#)

[RESOLUTION](#)

1.J FIFTH AMENDMENT TO LEASE AGREEMENT WITH KATHY OLER FOR THE USE OF 730 MILL STREET AS A PUBLIC PARKING LOT

Staff Recommendation: Adopt a resolution authorizing the City Manager to execute the Fifth Amendment to the Lease with Kathy Oler, for the use of the Mill Street parking lot through December 31, 2024.

[STAFF REPORT](#)

[RESOLUTION](#)

1.K RESOLUTION IN SUPPORT OF TRANSFORMING PACIFIC GAS & ELECTRIC INTO A CUSTOMER-OWNED UTILITY

Staff Recommendation: Adopt a resolution that supports transforming Pacific Gas & Electric into a private, customer owned utility, maintaining the utility's current service area.

[STAFF REPORT](#)

[RESOLUTION](#)

2. ORDINANCES AND PUBLIC HEARINGS

2.A 2019 HERITAGE MAIN STREET INTERIM URGENCY ORDINANCE EXTENSION PROHIBITING SPECIFIED NEW USES ON THE 300, 400, 500, AND 600 BLOCKS OF MAIN STREET

Staff Recommendation: Receive a presentation, conduct a public hearing, and take the following actions: 1) Extend an Interim Urgency Ordinance, "2019 Heritage Main Street Interim Urgency Ordinance," for 10 months, 15 days to provide adequate time for Coastal Commission certification of follow up zoning text amendments; and 2) Direct staff to bring forward zoning text amendments as recommended by the Planning Commission.

[STAFF REPORT](#)

[ORDINANCE](#)

[ATTACHMENT 2](#)

[ATTACHMENT 3](#)

3. RESOLUTIONS AND STAFF REPORTS

3.A COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Staff Recommendation: By motion: 1) adopt a resolution receiving the City of Half Moon Bay Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019; and 2) adopt a resolution amending the Investment Policy.

[STAFF REPORT](#)

[RESOLUTION 1](#)

[RESOLUTION 2](#)

3.B LOAN OF AFFORDABLE HOUSING FUNDS FOR PROPOSED ABUNDANT GRACE WORKFORCE

DEVELOPMENT CENTER AT 515 KELLY AVENUE

Staff Recommendation: Adopt a resolution authorizing a loan of Affordable Housing Funds, not to exceed \$300,000, to Abundant Grace Coastsider Worker, to contribute toward the purchase of property to be used for a Workforce Development Center and authorizing the City Manager to execute the loan agreement.

[STAFF REPORT](#)

[RESOLUTION](#)

[ATTACHMENT 2](#)

3.C HALF MOON BAY HISTORY ASSOCIATION LEASE AGREEMENT FOR 503 JOHNSTON STREET

Staff Recommendation: Adopt a resolution authorizing the City Manager to execute a Lease Agreement with the Half Moon Bay History Association for use of the premises at 503 Johnston Street as a local history museum, including modifications to the garage building (previously referred to as the Johnston Barn), for a term of 25 (twenty-five) years, with no annual fee.

[STAFF REPORT](#)

[RESOLUTION](#)

[ATTACHMENT 2](#)

3.D MINIMUM WAGE ORDINANCE STUDY SESSION

Staff Recommendation: Receive an update on the research, findings and outreach regarding a local minimum wage ordinance in the City of Half Moon Bay, and provide direction for the development of the recommended ordinance.

[STAFF REPORT](#)

[ATTACHMENT 1](#)

COMMISSION / COMMITTEE UPDATES

FOR FUTURE DISCUSSION / POSSIBLE AGENDA ITEMS

CITY COUNCIL REPORTS

ADJOURNMENT

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 17, 2019**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

From: Lisa Lopez, Administrative Services Director

TITLE: **WARRANTS FOR THE MONTH OF NOVEMBER 2019**

RECOMMENDATION:

Accept the warrants list for the month of November 2019.

STRATEGIC ELEMENT:

This recommendation supports the Fiscal Sustainability and Inclusive Governance Element.

DISCUSSION:

During this month, we processed 7 check runs. The first was on November 1, totaling \$977,838.76. The second was on November 5, totaling \$85.55. The third was on November 8, totaling \$392,774.65. The fourth was on November 15, totaling \$455,829.16. The fifth was on November 22, totaling \$739,747.60. The sixth was on November 26, totaling \$8,112.50. The seventh was on November 28, totaling \$33,242.50. The total for the month was \$2,607,630.72.

The City processed payments related to 16 capital improvement projects, in a total amount of \$583,328.78. These projects include: Infiltration & Inflow Reduction, Sewer Lift Upgrades, HWY1 Safety/Traffic Reduction Improvements, New Accounting System, Sewer Masterplan, Citywide Sidewalk Assessment, Bike and Pedestrian Master Plan, Ocean View Park Permanent Restrooms, Carter Park Improvement, Coastal Bluff Preservation, Ted Adcock Remodel, Main Street Bridge Rehabilitation, Kelly/HWY1 Drainage.

Staff is also including a list of all payments above \$30,000 processed during this reporting period, as listed in the table below.

Over \$30,000					
Check#	Vendor Number	Payee	Check Date	Check Amount	Description
46793	96	JAMES FORD INC.	11/1/2019	34,305.38	FORD F-250 TRUCK PURCHASE
46795	2337	SMCO PUBLIC SAFETY COMMUNICATIONS DEPT.	11/1/2019	62,493.25	Q1 FY19-20 PUBLIC SAFETY COMMUNICATIONS
46796	216	SAN MATEO COUNTY SHERIFF ATTN: CIVIL DIV	11/1/2019	727,226.00	Q2 FY19-20 LAW ENFORCEMENT SERVICE
46798	1760	STEPFORD	11/1/2019	34,660.00	NOV'19 DESKTOP SUPPORT
46845	3869	MORGAN GLASS KEVIN MORGAN	11/8/2019	41,921.54	NEW TED ADCOCK WINDOWS
46847	4339	PLAN JPA POOLED LIABILITY ASSURANCE NETW	11/8/2019	172,548.00	FY19/20 GENERAL LIABILITY, PROPERTY MEMB
46888	159	SEWER AUTHORITY MID-COASTSIDE	11/15/2019	344,324.94	NOV'19 FY19-20 SAM O&M
46918	4567	CONTI CORPORATION	11/22/2019	153,166.85	OCT'19 AV UPGRADES
46922	2564	HALF MOON BAY GRADING & PAVING INC.	11/22/2019	60,248.12	OCT'19 KELLY AVE SR1 STORM DRAIN IMPROVE
46923	137	PG&E PAYMENT PROCESSING CENTER	11/22/2019	383,338.18	FY19/20 UNDERGROUNDING OF OVERHEAD ELECT

ATTACHMENTS: Check Disbursement List by Check Date

MICR Check#	Vendor Number	Payee	Check Date	Check Amount	Description
046743	2022	ACC BUSINESS	11/01/19	776.44	SEP'19 INTERNET SERVICES
046744	1394	ACCOUNTemps FILE 73484	11/01/19	9,598.95	AUG-SEP'19 TEMP EMPLOYEE
046745	4534	AFLAC AMERICAN FAMILY LIFE ASSURANCE COM	11/01/19	274.46	ACCOUNT NUMBER L3Y13
046746	3926	ALTA LANGUAGE SERVICES, INC.	11/01/19	242.00	SEP'19 BILINGUAL TESTING
046747	3332	AMERICAN PORTABLES	11/01/19	2,554.19	OCT'19 FY19-20 PORTABLE RESTROOM FACILIT
046748	4607	JUDI BARTON	11/01/19	54.00	REGISTRATION REFUND 10/22-11/12
046749	866	BOYS & GIRLS CLUB OF THE COASTSIDE	11/01/19	7,500.00	FY19/20 CSFA GRANT
046750	37	CABRILLO UNIFIED SCHOOL DISTRICT	11/01/19	7,500.00	FY18/19 CSFA GRANT
046751	4039	PAUL J. CARMODY	11/01/19	1,715.00	MARTIAL ARTS 10/02-10/31/19 BLACK BELTS
046752	4193	CASELLE INC.	11/01/19	1,675.00	SEP'19 ERP SYSTEM
046753	977	CITY OF FOSTER CITY TREASURER	11/01/19	195.00	OCT'19 COUNCIL OF CITIES DINNER/MEETING
046754	542	CITY OF REDWOOD CITY	11/01/19	700.00	MAY'19 SUPERVISORY ACADEMY FEES
046755	4189	ANNY & MARC CLEVEN	11/01/19	54.00	REGISTRATION REFUND 10/22-11/12/19
046756	4189	MARC J CLEVEN	11/01/19	54.00	REGISTRATION REFUND 10/22-11/12/19
046757	4600	COASTAL LITERARY ARTS MOVEMENT	11/01/19	5,000.00	FY19/20 CSFA FUNDING
046758	3681	COASTAL REPERTORY THEATRE	11/01/19	4,000.00	FY19/20 CSFA GRANT
046759	197	COASTSIDE PRINTERS	11/01/19	300.44	SURVEY CARDS
046760	4207	DECKER, KAREN	11/01/19	135.72	OCT'19 TRAVEL AND MEETING REIMBURSEMENT
046761	4606	LINDA FILING	11/01/19	54.00	REGISTRATION REFUND 10/22-11/12/19
046762	4608	WILBERT GALLARDO	11/01/19	100.00	DEPOSIT REFUND 10/19/19 TRAIN DEPOT
046763	3836	GLADWELL GOVERNMENTAL SERVICES INC	11/01/19	2,155.26	OCT'19 RECORDS MANAGEMENT
046764	4605	SARAH GUZ	11/01/19	220.00	RESERVATION REFUND 10/28/19 SMITH FIELD
046765	3528	HASSETT HARDWARE BLUETARP CREDIT SERVICE	11/01/19	142.57	OCT'19 REC SUPPLIES
046766	264	HALF MOON BAY NURSERY	11/01/19	708.67	SEP'19 MAINT SUPPLIES
046767	4487	THE HOME DEPOT PRO	11/01/19	1,046.22	OCT'19 MAINT SUPPLIES
046768	2699	KONICA MINOLTA BUSINESS SOL	11/01/19	1,205.98	OCT'19 COPIER & SCANNER LEASE CONTRACT
046769	4293	LOCKWORKS UNLIMITED INC	11/01/19	213.04	AUG'19 MAINTENANCE SERVICE
046770	3922	LLOYD A MCVICKER	11/01/19	3,062.50	NOV'19 FY19-20 ANNEX RENT
046771	129	SERVICE PRESS, INC. (OCEAN SHORE PRINTIN	11/01/19	104.22	OCT'19 OFFICE SUPPLIES
046772	457	OFFICE DEPOT ACCT NO 89037853	11/01/19	347.92	OCT'19 OFFICE SUPPLIES
046773	1283	KATHY OLER	11/01/19	1,900.00	NOV'19 2019 TEMPORARY PARKING LOT
046774	4543	ORION SECURITY	11/01/19	2,236.00	OCT'19 SEASONAL SECURITY SERVICE
046775	3479	PARKEON INC	11/01/19	52.50	OCT'19 MAINT SERVICE
046776	3359	PACIFICA COMMUNITY TELEVISION	11/01/19	21.00	INSTRUCTOR PAYMENT 10/23/19
046777	3328	PET WASTE ELIMINATOR AKA BFT LP	11/01/19	568.10	OCT'19 MAINT SUPPLIES
046778	141	PHIL'S TIRE & AUTO CARE PHIL HOLDERBEIN	11/01/19	85.55	FORD F-350 VEH SERVICE
046779	3372	PENINSULA OPEN SPACE TRUST	11/01/19	2,750.00	NOV'19 FY19-20 CORP YARD LEASE
046780	4303	RAIN MASTER IRRIGATION SYSTEMS ICENTRAL	11/01/19	194.30	OCT'19 MAINT SERVICE
046781	4388	ROSLYN RAMSEY	11/01/19	35.00	INSTRUCTOR PAYMENT TRE 10/23/19
046782	3515	HARVEY RARBACK	11/01/19	172.72	HARVEY RARBACK OCT'19 HOUSING LEADERSHIP
046783	217	COUNTY OF SAN MATEO INFORMATION SVCS DEP	11/01/19	76.00	SEP'19 MICROWAVE SERVICE
046784	1484	SANDIE ARNOTT SAN MATEO COUNTY TAX COLLE	11/01/19	600.18	FY19/20 SAN MATEO COUNTY PROPERTY TAX
046786	4603	SOL ECOLOGY INC	11/01/19	2,517.93	PDP-2018-089 DELINEATION REPORT
046787	4466	CORIE STOCKER	11/01/19	125.86	OCT'19 TRAVEL AND MEETING REIMBURSEMENT
046788	3519	SWCA INC	11/01/19	3,373.75	PDP-2017-060 09/01-09/30/19
046789	2440	ULINE SHIPPING SUPPLIES	11/01/19	2,444.63	OCT'19 MAINT SUPPLIES
046790	3004	VERIZON WIRELESS ACCT# 642053248-00001	11/01/19	311.03	SEP'19 MOBILE SERVICE
046791	4296	YOUTH LEADERSHIP INSTITUTE	11/01/19	5,000.00	FY19/20 CSFA GRANT
046792	797	COASTSIDE HOPE	11/01/19	25,000.00	FY19-20 CSFA GRANT

MICR Check#	Vendor Number	Payee	Check Date	Check Amount	Description
046793	96	JAMES FORD INC.	11/01/19	34,305.38	FORD F-250 TRUCK PURCHASE
046794	4598	PACIFIC BEACH COALITION	11/01/19	10,000.00	FY19/20 CSFA FUNDING
046795	2337	SMCO PUBLIC SAFETY COMMUNICATIONS DEPT:	11/01/19	62,493.25	Q1 FY19-20 PUBLIC SAFETY COMMUNICATIONS
046796	216	SAN MATEO COUNTY SHERIFF ATTN: CIVIL DIV	11/01/19	727,226.00	Q2 FY19-20 LAW ENFORCEMENT SERVICE
046797	4599	SOCIETY OF ST VINCENT DE PAUL PARTICULAR	11/01/19	10,000.00	FY19/20 CSFA FUNDING
046798	1760	STEPFORD	11/01/19	34,660.00	NOV'19 DESKTOP SUPPORT
Total				977,838.76	

Bank BA WELLSFARGO GENERAL CHECKING

MICR Check#	Vendor Number	Payee	Check Date	Check Amount	Description
046799	4612	PHILS TIRE & AUTO CARE INC JASON PETERS	11/05/19	85.55	FORD F-350 VEH SERVICE Reinstated from c
		Total		85.55	

NICR Check#	Vendor Number	Payee	Check Date	Check Amount	Description
046800	1394	ACCONTEMPS FILE 73484	11/08/19	1,066.86	NOV'19 TEMP EMPLOYEE
046801	4464	AVENU MUNISERVICES	11/08/19	500.00	STARS Q2'19
046802	2912	BARTEL ASSOCIATES, LLC	11/08/19	840.00	SEP'19 FY19-20 ACTUARIAL SERVICES
046803	4340	GREGORY SCOTT BAURMANN	11/08/19	364.00	OCT'19 INSTRUCTOR PAYMENT UKULELE 10/05-
046804	291	LAURA LEE BECKER	11/08/19	590.10	INSTRUCTOR PAYMENT ZUMBA GOLD 09/12-10/3
046805	481	BIG CREEK	11/08/19	86.77	OCT'19 MAINT SUPPLIES
046806	3526	BIGGS CARDOSA ASSOCIATES, INC	11/08/19	7,989.16	SEP'19 MAIN ST. BRIDGE REHAB
046807	4609	ANDREINA BRESENO	11/08/19	500.00	DEPOSIT REFUND 10/26/19 GRAND OAK
046808	38	CALLANDER ASSOCIATES LANDSCAPE ARCHITECT	11/08/19	66.25	AUG'19 OCEAN VIEW RESTROOM REPLACEMENT
046809	51	COASTSIDE COUNTY WATER DISTRICT	11/08/19	9,500.24	OCT'19 WATER CHARGES
046810	4069	CHALLENGER SPORTS CORP	11/08/19	462.00	OCT'19 INSTRUCTOR PAYMENT TINY TYKES SOC
046811	3133	CHESTNUT ID	11/08/19	139.63	OCT'19 UNIFORMS
046812	404	CITY OF SAN CARLOS ATTN: LAURIE CUDWORTH	11/08/19	130.00	JUN'19 COUNCIL OF CITIES DINNER
046813	957	COASTSIDE.NET	11/08/19	135.30	NOV'19 INTERNET SERVICE
046814	3086	DIRECTV	11/08/19	88.88	NOV'19 DIRECTV SERVICE
046815	4018	DOWNEY BRAND LLC	11/08/19	156.00	SEP'19 LEGAL SERVICES
046816	4393	EVERLAST LIGHTING, INC.	11/08/19	5,798.00	OCT'19 MAINT SUPPLIES
046817	320	EWING	11/08/19	495.61	OCT'19 MAINT SUPPLIES
046818	4611	CONNIE GERSTER	11/08/19	240.00	OCT'19 BLOCK PARTY REIMBURSEMENT
046819	70	GRAINGER	11/08/19	118.97	OCT'19 MAINT SUPPLIES
046820	3835	GRANICUS, INC.	11/08/19	1,287.40	NOV'19 GRANICUS PLATFORM
046821	3387	C & D HAUPT, INC DBA: GSD CONSULTING	11/08/19	6,210.00	OCT'19 FY'19-20 FINANCE AND IT SUPPORT
046822	2603	H.T. HARVEY & ASSOCIATES	11/08/19	1,849.17	OCT'19 PILARCITOS HOMELESS ENCAMPMENT CL
046823	1853	HINDERLITER, DE LLAMAS & ASSOCIATES	11/08/19	1,501.41	SEP'19 FY19-20 TOT AND BUSINESS LICENSE
046824	4614	JESSICA JARACUARO	11/08/19	100.00	DEPOSIT REFUND 11/02/19 TRAIN DEPOT
046825	2699	KONICA MINOLTA BUSINESS SOLUTIONS	11/08/19	994.65	OCT'19 KONICA PRINTER & SCANNER
046826	3211	THE LEW EDWARDS GROUP	11/08/19	5,750.00	OCT'19 FY19/20 CONTRACT SERVICES
046827	2014	MOORE IAGOFANO GOLTSMAN, INC. MIG/TRA	11/08/19	6,601.51	MAY'19-AUG'19 BIKE AND PEDESTRIAN MASTER
046828	2997	NICHOLS CONSULTING ENGINEERS CHTD	11/08/19	9,886.56	OCT'19 REPLACE CMP WITH HDPE PIPE TO MIT
046829	457	OFFICE DEPOT ACCT NO 89037853	11/08/19	426.15	OCT'19 OFFICE SUPPLIES
046830	261	PETERSON POWER SYSTEMS	11/08/19	1,890.00	OCT'19 GENERATOR SERVICES
046831	4110	LISA POPE	11/08/19	1,056.25	JUN'19 TRANSCRIPT SERVICE
046832	2573	MARIAN POTT MIRAMAR DOG TRAINING	11/08/19	2,460.50	OCT'19 INSTRUCTOR PAYMENT 09/19-10/24/19
046833	3218	PRECISION CONCRETE CUTTING	11/08/19	8,060.85	SEP'19 CITY SIDEWALK REPAIR
046834	3951	PUBLIC PARKING ASSOCIATES	11/08/19	165.00	OCT'19 MAINT SERVICE CREDIT CARD READER
046835	216	SAN MATEO COUNTY SHERIFF'S OFFICE ACCOUN	11/08/19	46.00	OCT'19 SHERIFF OFFICE REVENUE
046836	3746	MALCOLM C SMITH	11/08/19	3,602.50	OCT'19 COMMUNICATION CONSULTANT
046837	2710	STAR VISTA	11/08/19	5,258.86	JUL-DEC'19 FY19/20 STAR VISTA-FIRST CHAN
046838	3176	GAIL P. STEVENS	11/08/19	864.50	OCT'19 INSTRUCTOR PAYMENT BALLROOM DANCE
046839	1497	TURBO DATA SYSTEMS	11/08/19	456.18	OCT'19 CITATION PROCESSING
046840	3871	WEST COAST ARBORISTS INC	11/08/19	5,800.00	SEP'19 GENERAL TREE MAINTENANCE SERVICES
046841	4296	YOUTH LEADERSHIP INSTITUTE	11/08/19	2,912.10	JUL-SEP'19 CAAP PILOT PROJECT
046842	4270	4LEAF, INC.	11/08/19	13,440.00	SEP'19 FY19-20 BUILDING INSPECTOR AND RE
046843	2941	CSG	11/08/19	14,605.00	OCT'19 BUILDING PLAN REVIEW
046844	4610	EIDE BAILLY LLP	11/08/19	12,060.00	SEP'19 FY18/19 AUDIT SUPPORT
046845	3869	MORGAN GLASS KEVIN MORGAN	11/08/19	41,921.54	NEW TED ADCOCK WINDOWS
046846	3956	PENINSULA MUNICIPAL ENGINEERING	11/08/19	27,992.00	JUL-SEP'19 MAIN STREET BRIDGE MANAGEMENT
046847	4339	PLAN JPA POOLED LIABILITY ASSURANCE NETW	11/08/19	172,548.00	FY19/20 GENERAL LIABILITY, PROPERTY MEMB
046848	3701	V. W. HOUSEN & ASSOCIATES, INC.	11/08/19	13,760.75	SEP'19 FY19-20 SEWER SYSTEM SUPPORT AMEN

Final Disbursement List. Check Date 11/08/19, Due Date 12/08/19, Discount Date 12/15/19. Computer Checks.

Bank BA WELLSFARGO GENERAL CHECKING

MICR Check#	Vendor Number	Payee	Check Date	Check Amount	Description
Total				392,774.65	

MICR Check#	Vendor Number	Payee	Check Date	Check Amount	Description
046849	1394	ACCOMTEMPS FILE 73484	11/15/19	1,338.00	NOV' 19 TEMP EMPLOYEE
046850	2407	ARAMARK	11/15/19	339.58	OCT' 19 MAINT SUPPLIES
046851	2668	GAYTON ARRIGOTTI	11/15/19	315.00	INSTRUCTOR PAYMENT 11/09/19 SPINNER RING
046852	4115	BIG BELLY SOLAR INC	11/15/19	283.58	NOV' 19 FY19-20 SMART TRASH RECEPTACLES
046853	1826	CA DEPT OF JUSTICE ACCOUNTING OFFICE/CAS	11/15/19	192.00	JUL' 19 & OCT' 19 FINGERPRINT APPS
046854	4300	CALNET3 AT&T	11/15/19	41.57	OCT' 19 PHONE SERVICE
046855	4579	SUSAN CARLSTROM	11/15/19	200.00	DEPOSIT REFUND 11/09/19 B COMMUNITY ROOM
046856	4617	COASTSIDE ADVOCACY	11/15/19	2,500.00	NOV' 19 CSFA GRANT
046857	4086	COASTSIDE BUZZ, LLC	11/15/19	1,900.00	OCT' 19 COMMUNITY OUTREACH
046858	3643	CORODATA RECORDS MANAGEMENT, INC	11/15/19	290.39	OCT' 19 RECORDS MANAGEMENT
046859	2941	CSG	11/15/19	6,267.50	JUN' 19 FY18/19 NPDES STORM WATER SERVICE
046860	2797	SAN MATEO DAILY JOURNAL	11/15/19	977.16	OCT' 19 SVC CHARGES
046861	3446	FLYERS ENERGY LLC DEPT #34516	11/15/19	4,792.91	OCT' 19 VEHICLE FUEL
046862	3528	HASSETT HARDWARE BLUETARP CREDIT SERVICE	11/15/19	5,793.61	OCT' 19 MAINTENANCE SUPPLIES
046863	2564	HALF MOON BAY GRADING & PAVING INC.	11/15/19	2,000.00	OCT' 19 BARRICADE RENTAL FOR PUMPKIN FEST
046864	4487	THE HOME DEPOT PRO	11/15/19	766.19	OCT' 19 MAINT SUPPLIES
046865	3429	HUE & CRY	11/15/19	429.00	DEC' 19 SECURITY SERVICE
046866	4616	MIRRIAM KOEPF	11/15/19	200.00	DEPOSIT REFUND 10/21/19 B COMMUNITY ROOM
046867	4028	LORAL LANDSCAPING, INC.	11/15/19	1,875.00	NOV' 19 LANDSCAPE MAINTENANCE SERVICES
046868	3250	METROPOLITAN PLANNING GROUP	11/15/19	5,239.50	MAY' 19 FY19-20 PLANNING SERVICES
046869	2014	MOORE IAGOFANO GOLTSMAN, INC. MIG/TRA	11/15/19	3,717.50	SEP' 19 MIG WILL ASSIST TO PREPARE PRESEN
046870	3934	SHORETEL INC.	11/15/19	2,793.56	DEC' 19 PHONE SERVICE
046871	1538	MUNISERVICES	11/15/19	1,282.56	SUTA Q2 2019
046872	4615	REBECCA NELSON SWEETFARM	11/15/19	140.00	DEPOSIT REFUND 11/09/19 MANZANITA ROOM
046873	457	OFFICE DEPOT ACCT NO 89037853	11/15/19	29.77	NOV' 19 OFFICE SUPPLIES
046874	4543	ORION SECURITY	11/15/19	2,284.00	OCT' 19 SEASONAL SECURITY SERVICE
046875	137	PG&E PAYMENT PROCESSING CENTER	11/15/19	9,538.93	OCT' 19 ELECTRICITY CHARGES
046876	620	NEOFUNDS	11/15/19	15.00	OCT' 19 NEOSHIP SUBSCRIPTION
046877	4116	SDI PRESENCE LTD	11/15/19	6,525.00	OCT' 19 ERP
046878	4613	SEQUOIA HEALTHCARE DISTRICT	11/15/19	100.00	DEPOSIT REFUND 09/20/19 B COMMUNITY ROOM
046879	3101	SHRED-IT USA	11/15/19	307.45	OCT' 19 RECORDS MANAGEMENT
046880	4603	SOL ECOLOGY INC	11/15/19	600.00	PDP-2019-089 DELINEATION REPORT FINAL RE
046881	1760	STEPFORD	11/15/19	515.21	NOV' 19 LIVEWIRE CABLES
046882	3519	SWCA INC	11/15/19	1,557.00	SEP-OCT' 19 MAGNOLIA STREET WETLAND DELIN
046883	3955	TOWNSEND PUBLIC AFFAIRS	11/15/19	3,000.00	JUL-SEP' 19 FY19-20 GRANT SERVICES
046884	4576	DONNA J. VAILLANCOURT	11/15/19	500.00	NOV' 19 MBTI TRAINING
046885	4355	OMAR VELASQUEZ	11/15/19	500.00	DEPOSIT REFUND 11/10/19 GRAND OAK
046886	3928	ALAS AYUDANDO LATINOS A SONAR	11/15/19	25,000.00	FY19/20 CSFA FUNDING
046887	4267	IMPEC GROUP, INC.	11/15/19	17,357.25	OCT' 19 JANITORIAL SERVICES
046888	159	SEWER AUTHORITY MID-COASTSIDE	11/15/19	344,324.94	NOV' 19 FY19-20 SAM O&M
Total				455,829.16	

MICR Check#	Vendor Number	Payee	Check Date	Check Amount	Description
046889	3577	AMERIGAS	11/22/19	338.01	NOV'19 MAINT SUPPLIES
046890	4544	SHANTIKA BERNARD	11/22/19	339.90	INSTRUCTOR PAYMENT 10/22-11/12/19 GENTLE
046891	4115	BIG BELLY SOLAR INC	11/22/19	985.96	NOV'19 FY19-20 SMART TRASH RECEPTACLES
046892	1925	CITY OF BURLINGAME	11/22/19	4,966.21	SEP-AUG'19 SM CO BID
046893	197	COASTSIDE PRINTERS	11/22/19	1,319.19	OCT'19 NO PARKING SIGNS
046894	3975	COLANTUONO HIGHSMITH WHATLEY, PC	11/22/19	1,279.00	OCT'19 LEGAL SERVICES-SAM
046895	2028	COPOWER-GROUP ID 123518 DEPARTMENT 34604	11/22/19	5,766.20	DEC'19 DENTAL/VISION INSURANCE PAYMENT
046896	4620	ERIC DOOLEY	11/22/19	540.50	PDP-2019-051 REIMBURSEMENT
046897	70	GRAINGER	11/22/19	223.75	OCT'19 MAINT SUPPLIES
046898	1423	THE GRAPHIC WORKS	11/22/19	35.00	MAY'19 PRINTING SERVICE
046899	264	HALF MOON BAY NURSERY	11/22/19	317.01	OCT'19 MAINT SUPPLIES
046900	2444	HOME DEPOT CREDIT SERVICES DEPT. 32-2532	11/22/19	1,608.02	OCT'19 MAINT SUPPLIES
046901	4487	THE HOME DEPOT PRO	11/22/19	658.75	NOV'19 MAINT SUPPLIES
046902	1406	INTERNAL REVENUE SERVICE	11/22/19	2,498.67	JUL'19 PENALTY
046903	4619	JULISSA ACOSTA	11/22/19	242.38	OCT'19 CALPERS CONFERENCE
046904	4293	LOCKWORKS UNLIMITED INC	11/22/19	1,431.07	SEP'19 MAINT SERVICE
046905	457	OFFICE DEPOT ACCT NO 89037853	11/22/19	49.62	NOV'19 OFFICE SUPPLIES
046906	4566	PACIFIC COAST TRANE	11/22/19	1,805.00	OCT'19 LIBRARY AUTOMATION SUPPORT
046907	4339	PLAN JPA POOLED LIABILITY ASSURANCE NETW	11/22/19	4,255.95	APR-JUN'19 LIABILITY CLAIM PAYMENTS
046908	146	PRINCETON WELDING ROBERT D RESCH	11/22/19	150.00	OCT'19 MAINT SERVICE
046909	4488	RENNE PUBLIC LAW GROUP, LLP	11/22/19	40.00	OCT'19 LEGAL SERVICES
046910	3757	SCHAFF & WHEELER, CONSULTING CIVIL ENGIN	11/22/19	1,598.00	OCT'19 OCEAN COLONY PUMP STATION & FORCE
046911	1526	SAN MATEO COUNTY CONTROLLERS OFFICE ATTN	11/22/19	1,143.00	OCT'19 CITATION ALLOCATION
046912	217	COUNTY OF SAN MATEO INFORMATION SVCS DEP	11/22/19	76.00	OCT'19 MICROWAVE SERVICE
046913	4466	CORIE STOCKER	11/22/19	317.80	NOV'19 EMERGENCY CONTAINER SUPPLIES
046914	4621	JUSTIN STOCKMAN	11/22/19	1,632.75	PDP-2019-046 REIMBURSEMENT
046915	3004	VERIZON WIRELESS ACCT# 642053248-00001	11/22/19	439.89	NOV'19 MOBILE SERVICE
046916	4270	4LEAF, INC.	11/22/19	13,500.00	OCT'19 FY19-20 BUILDING INSPECTOR AND RE
046917	18	ANDREINI BROTHERS, INC.	11/22/19	23,588.50	OCT'19 SEWER POINT REPAIR PROJECT
046918	4567	CONTI CORPORATION	11/22/19	153,166.85	OCT'19 AV UPGRADES
046919	4304	CROWN ENERGY SERVICES, INC. DBA ABLE ENG	11/22/19	14,850.00	JUN-AUG'19 STATIONARY ENGINEERING SERVIC
046920	200	HARRIS COMPUTER SYSTEMS	11/22/19	29,006.34	ANNUAL RENEWAL OF HARRIS SUPPORT COVERIN
046921	89	HMB COASTSIDE CHAMBER OF COMMERCE & VISI	11/22/19	17,587.00	SEP'19 OUT OF CITY BID
046922	2564	HALF MOON BAY GRADING & PAVING INC.	11/22/19	60,248.12	OCT'19 KELLY AVE SR1 STORM DRAIN IMPROVE
046923	137	PG&E PAYMENT PROCESSING CENTER	11/22/19	383,338.18	FY19/20 UNDERGROUNDING OF OVERHEAD ELECT
046924	1760	STEPFORD	11/22/19	10,404.98	AUG'19 ADOBE ACROBAT LICENSING CREATIVE
Total				739,747.60	

CCS.AP Accounts Payable Release 8.3.1 R*APZCKREG*FDL

By RAYMOND CRUZ (RAYMONDC)

E&110(10U(s0p16.67h8.5v0s0b0T&12E&160F&16CCity of Half Moon Bay
Final Disbursement List. Check Date 11/26/19, Due Date 12/26/19, Discount Date 12/27/19. Computer Checks.
Bank BA WELLSFARGO GENERAL CHECKING

Nov 26, 20

MICR Check#	Vendor Number	Payee	Check Date	Check Amount	Description
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046925	3922	LLOYD A MCVICKER	11/26/19	3,062.50	DEC' 19 FY19-20 ANNEX RENT
046926	1283	KATHY OLER	11/26/19	1,900.00	DEC' 19 2019 TEMPORARY PARKING LOT RENTAL
046927	3372	PENINSULA OPEN SPACE TRUST	11/26/19	2,750.00	DEC' 19 FY19-20 CORP YARD LEASE
046928	4032	RAYMOND TSANG	11/26/19	400.00	BAND PERFORMANCE 11/30/19 MAC DUTRA PLAZ
Total				8,112.50	

CCS.AP Accounts Payable Release 8.3.1 R*APZCKREG*FDL

By RAYMOND CRUZ (RAYMONDC)

E&110(10U(s0p16.67h8.5v0s0b0T&12E&160F&16CCity of Half Moon Bay

Dec 06, 20

Final Disbursement List. Check Date 11/28/19, Due Date 01/06/20, Discount Date 01/13/20. Computer Checks.

Bank BA WELLSFARGO GENERAL CHECKING

MICR Check#	Vendor Num 1 4	Payee	Check Date	Check Amount	Description
112819	3923	WELLS FARGO PAYMENT REMITTANCE CENTER	11/28/19	2,260.61	NOV' 19 VISA PAYMENT

112819	3923	WELLS FARGO PAYMENT REMITTANCE CENTER	11/28/19	4,290.09	NOV' 19 VISA PAYMENT
112819	3923	WELLS FARGO PAYMENT REMITTANCE CENTER	11/28/19	906.95	NOV' 19 VISA PAYMENT
112819	3923	WELLS FARGO PAYMENT REMITTANCE CENTER	11/28/19	8,719.60	NOV' 19 VISA PAYMENT
112819	3923	WELLS FARGO PAYMENT REMITTANCE CENTER	11/28/19	565.03	NOV' 19 VISA PAYMENT
112819	3923	WELLS FARGO PAYMENT REMITTANCE CENTER	11/28/19	1,454.86	NOV' 19 VISA PAYMENT
112819	3923	WELLS FARGO PAYMENT REMITTANCE CENTER	11/28/19	1,580.09	NOV' 19 VISA PAYMENT
112819	3923	WELLS FARGO PAYMENT REMITTANCE CENTER	11/28/19	3,562.39	NOV' 19 VISA PAYMENT
112819	3923	WELLS FARGO PAYMENT REMITTANCE CENTER	11/28/19	142.87	NOV' 19 VISA PAYMENT
112819	3923	WELLS FARGO PAYMENT REMITTANCE CENTER	11/28/19	9,760.01	NOV' 19 VISA PAYMENT

Total				33,242.50	

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 17, 2019**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Lisa Lopez, Administrative Services Director
Kenneth Stiles, Senior Accountant

TITLE: **TREASURER'S REPORT FOR THE QUARTER ENDING SEPTEMBER 30, 2019**

RECOMMENDATION:

By motion, accept the Treasurer's Report for the quarter ending September 30, 2019.

FISCAL IMPACT:

There is no fiscal impact associated with acceptance of this report.

STRATEGIC ELEMENT:

This recommendation supports the Fiscal Sustainability and Inclusive Governance Elements of the Strategic Plan.

BACKGROUND:

In accordance with Government Code Section 53600 et seq., the City's Treasurer is to provide the City Council with a report on investments on a quarterly basis. As shown in the Treasurer's Report (Attachment 1), the City's investments are in external investment pools listed at cost, as well as its fair value, not amortized cost, in compliance with Governmental Accounting Standard Statement 31.

The City's investment practices strictly follow Government Code Section 53600 et seq., the City's investment policy, and a prudent person's rule.

ANALYSIS:

The City's cash and investment portfolio, at fair market value, as of September 30, 2019 is \$49.2 million of which \$39.4 million is placed with the San Mateo County Treasurer's Investment Pool \$7.5 million is placed with the State Controller's Local Agency Investment Fund (LAIF), and \$2.2 million in operating accounts with Wells Fargo Bank.

In July 2009, the City issued \$16.7 million of City of Half Moon Bay Judgment Obligation Bonds, Series A and B, for the purpose of meeting the judgement settlement relating to Yamagiwa v the City. In 2013, the City received a 13.2 million insurance settlement payment which was placed in

an escrow account to facilitate early payment of these bonds at the first available call dates. Series A bonds were completely paid in fiscal year 2014-15. In FY 2019-20 first quarter the City completely paid off Series B and closed its US bank accounts.

ATTACHMENT:

1. Treasurer's Report for the quarter ending September 30, 2019

**City of Half Moon Bay
Treasurer's Report
September 30, 2019**

1. Cash and investments were comprised of the following instruments as of September, 2019, shown with the carrying amount, fair value, and corresponding yields on investment and interest earnings:

	City Treasury	Fiscal Agents	Carrying Amount	Fair Value* (GASB 31)	Yield *	Quarterly Interest Earnings	FYTD Interest Earnings
Petty Cash	\$ 1,200	\$	\$ 1,200	\$ 1,200			
<u>Wells Fargo Bank:</u>							
Checking	2,070,473		2,070,473	2,070,473			
Payroll	132,537		132,537	132,537			
<u>California State Treasurer:</u>							
LAIF - General Fund	7,550,116		7,550,116	7,562,520 *	2.34%	46,506.49	46,506.49
<u>San Mateo County Treasurer</u>							
SMCO Pool - General Fund	39,446,698		39,446,698	39,446,698 *	2.09%	221,541.80	221,541.80
<u>U.S. Bank - Investment with Fiscal Agent (Note)</u>							
Escrow - B (US Agency Securities)		-	-	0	-		-
Bonds - B (Money Market Mutual Fund)		-	-	-	-		-
Reserve - B (LAIF)		-	-	0	-		-
Refunding - B (LAIF)		-	-	0	-		-
Refunding - B (Money Market Mutual Fund)		-	-	0	-		-
TOTAL CASH AND INVESTMENTS	<u>\$ 49,201,025</u>	<u>\$ 0</u>	<u>\$ 49,201,025</u>	<u>\$ 49,213,428</u>		<u>\$ 268,048</u>	<u>\$ 268,048</u>

Note: B designation refer to Judgment Obligation Bond Series B. In addition, U.S. Bank reserve accounts are primarily invested in LAIF.

* Fair Value (GASB 31) includes investment returns which are not yet realized and at amortized costs. Information is obtained from individual institutions' portfolio statements.

2. Investment maturities:

The City limits market risk by limiting the types and maturities of its investments and by not borrowing against those investments.

Investment maturities may not exceed five years with the exception of investments as specified in bond debt covenants. Investment yield is ranked after safety and liquidity in making investment decisions.



Investments at June 30, 2019 mature as follows:

	City Treasury	Fiscal Agents	Total
Available immediately	\$ 49,201,025	\$ 0	\$ 49,201,025
Maturities less than one year		0	0
Maturities of one to five years			
Maturities greater than five years			
Total	<u>\$ 49,201,025</u>	<u>\$ 0</u>	<u>\$ 49,201,025</u>

3. Investments Sectors, as a percentage of total portfolio and also with investment performance comparisons:

Investment sectors as a % of total portfolio		Investment performance comparisons			
Demand Deposits and Money Market	4.48%	Date	Total	Yield	YTD Interest
Local Agency Investment Fund	15.35%	9/31/2017	57,083,591	0.98%	135,103
San Mateo Co. Investment Pool	80.17%	9/31/2018	53,831,590	1.26%	209,138
Fiscal Agent	0.00%	9/31/2019	49,213,428	2.04%	268,048
	<u>100.00%</u>				

I certify that this reports all Government Agency pooled investments and is in conformity with the investment policy of the City of Half Moon Bay as stated in Resolution number C-2014-25 dated June 03, 2014. A copy of this Resolution is available at the office of the City Clerk and on the cities website <http://www.hmbcity.com>. The investment Program provides sufficient cash flow liquidity to meet the estimated expenditures of the next six months, as required by Code Section 53646.

 Senior Accountant	11/27/19 Date
 Administrative Services Director	12/5/19 Date

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 17, 2019**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Jessica Blair, Communications Director / City Clerk

TITLE: **2020 CALENDAR OF CITY COUNCIL MEETINGS**

RECOMMENDATION:

By motion, adopt the City Council Calendar for 2020.

FISCAL IMPACT:

There is no fiscal impact associated with this action.

STRATEGIC ELEMENT:

This action supports the Inclusive Governance Element of the Strategic Plan.

DISCUSSION:

The following parameters should be considered when determining meeting dates:

- Hold at least one meeting every month (i.e. do not cancel two meetings in a row)
- Continue to hold two meetings in June due to the budget adoption process
- Continue to hold two meetings in December due to the customarily high volume of agenda items in December, including the Council reorganization

Staff suggests holding the meetings on the first and third Tuesdays of each month with the following exceptions:

Meeting Date	Consideration
January 7, 2020	City Holiday Closure affects packet production.
July 7, 2020	The first meeting of July has been cancelled each of the past nine years.
August 4, 2020	Traditional time many city and civic groups go “dark” and a frequent time for family travel; however, this schedule allows for one meeting to be held in August.
November 3, 2020	Presidential Election Day.

In addition, please note that Special City Council meetings may be called, and often are during budget preparation.

ATTACHMENT: 2020 Calendar of City Council Meetings



CITY OF HALF MOON BAY

2020 CALENDAR OF CITY COUNCIL MEETINGS

January 2020		July 2020	
January 7, 2020	<i>Cancelled</i>	July 7, 2020	<i>Cancelled</i>
January 21, 2020	Regular Meeting	July 21, 2020	Regular Meeting
February 2020		August 2020	
February 4, 2020	Regular Meeting	August 4, 2020	<i>Cancelled</i>
February 18, 2020	Regular Meeting	August 18, 2020	Regular Meeting
March 2020		September 2020	
March 3, 2020	Regular Meeting	September 1, 2020	Regular Meeting
March 17, 2020	Regular Meeting	September 15, 2020	Regular Meeting
April 2020		October 2020	
April 7, 2020	Regular Meeting	October 6, 2020	Regular Meeting
April 21, 2020	Regular Meeting	October 20, 2020	Regular Meeting
May 2020		November 2020	
May 5, 2020	Regular Meeting	November 3, 2020	<i>Cancelled</i>
May 19, 2020	Regular Meeting	November 17, 2020	Regular Meeting
June 2020		December 2020	
June 3, 2020	Regular Meeting	December 1, 2020	Regular Meeting
June 17, 2020	Regular Meeting	December 15, 2020	Regular Meeting

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 17, 2019**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Jessica Blair, Communications Director / City Clerk

TITLE: **ORDINANCE ENACTING CHAPTER 7.70, RESIDENTIAL RENTAL SECURITY MEASURES – SECOND READING**

RECOMMENDATION:

Waive second reading and adopt an ordinance enacting Chapter 7.70 (Residential Rental Security Measures) of the Half Moon Bay Municipal Code.

FISCAL IMPACT:

There is no fiscal impact associated with this action.

STRATEGIC ELEMENT:

This action supports Healthy Communities and Public Safety, as well as the Inclusive Governance elements of the Strategic Plan.

DISCUSSION:

On December 3, 2019, the City Council introduced the ordinance following the conduct of a duly-noticed public hearing. As required by law, the ordinance appears for second reading and adoption at a regular meeting more than five days past introduction.

ATTACHMENT:

Ordinance enacting Chapter 7.70

ORDINANCE NO. C-2019-_____
AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY
ADDING CHAPTER 7.70 “RESIDENTIAL RENTAL SECURITY MEASURES” TO THE HALF MOON
BAY MUNICIPAL CODE

THE CITY COUNCIL OF THE CITY OF HALF MOON BAY DOES ORDAIN AS FOLLOWS:

Section 1. Findings. The City Council of the City of Half Moon Bay hereby adds Chapter 7.70 “Residential Rental Security Measures” to the Half Moon Bay Municipal Code (“Ordinance”). The City Council finds and declares as follows:

- (a) In 2018, the City convened “Community Conversations on Housing” and City Council Listening Sessions, during which community members raised concerns about the lack of housing affordability and security, especially for tenants; and
- (b) The City Council held study sessions in November 2018, January 2019, and July 2019 to consider policy options for implementing local residential rental security measures and to receive community input;
- (c) The City does not currently provide residential rental security measures, except for limited protections during mobile home park and condominium conversions, leaving city tenants vulnerable to housing insecurity; and
- (d) In 2019, the California Legislature started to address the growing housing affordability and security crisis in the state, in part by passing the “Tenant Protection Act of 2019” (AB 1482), which imposes certain just cause eviction standards and rent increase limitations statewide; and
- (e) The City Council has evaluated the Tenant Protection Act of 2019, and has determined that implementation of the local rental security measures included in the Ordinance may increase its effectiveness, and that the Ordinance is therefore more protective than the Tenant Protection Act of 2019; and
- (f) The City Council anticipates that the minimum lease term provision included in this Ordinance will apply to approximately one-third of the rental units that are not already subject to deed restrictions for below market rents and minimum lease terms. This application strikes an appropriate balance between protecting the City’s most vulnerable renters, who predominantly live in lower-cost multi-family units, and not creating excessive regulation for landlords. The mediation provisions will apply to all rental units in the City.
- (g) The Ordinance is consistent with the City’s Housing Element, in that it supports Policy 4-A for the City to actively support fair housing opportunities; Policy 4-B for the City to seek appropriate enforcement action in the case of housing discrimination; and Policy 4-

C for the City to encourage and support public participation in the formulation and review of the City's housing and development policies.

Section 2. Amendments. The Municipal Code is amended to add Chapter 7.70, as shown in Attachment A.

Section 3. Severability. If any section, sentence, clause or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance and adopted this Ordinance and each section, sentence, clause or phrase thereof, irrespective of the fact that any one or more section, subsections, sentences, clauses or phrases be declared invalid or unconstitutional.

Section 4. CEQA. The City Council finds that the Ordinance is not a project within the meaning of section 15379 of the California Environmental Quality Act ("CEQA") Guidelines because the Ordinance regulates relationships between individual tenants and landlords and therefore has no potential to result in a physical change in the environment, either directly or indirectly. The City Council further finds that in the event that this Ordinance is found to be project under CEQA, it is exempt pursuant to CEQA Guidelines section 15061(b)(3), as it can be seen with certainty that there is no possibility that the amendments may have a significant effect on the environment. The proposed amendments regulate relationships between individual tenants and landlords, and do not have the potential to change land use in a way that may result in physical changes to the environment.

Section 5. Publication. The City Clerk of the City of Half Moon Bay is hereby directed to publish this Ordinance pursuant to Government Code section 36933.

Section 6. Effective date. This Ordinance shall take effect and be in force on the thirtieth (30th) day from and after its final passage.

INTRODUCED at a regular meeting of the City Council of the City of Half Moon Bay, California, held on the 3rd of December, 2019.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Half Moon Bay, California, held on the 17th of December, 2020, by the following vote:

Ayes, Councilmembers:	_____
Noes, Councilmembers:	_____
Absent, Councilmembers:	_____
Abstain, Councilmembers:	_____

ATTEST:

Jessica Blair, City Clerk

APPROVED:

Harvey Rarback, Mayor

Attachment A

Chapter 7.70

Residential Rental Security Measures

Section 7.70.010 Definitions

For purposes of this Chapter, the following definitions apply:

A. "Landlord" means an owner, lessor or sublessor, or the agent, representative or successor of any of the foregoing persons who receives, or is entitled to receive, rent for the use and occupancy of any rental unit or portion thereof. Landlord shall include the agent or representative of the landlord, provided that such agent or representative shall have full authority to answer for the landlord and enter into binding agreements on the landlord's behalf.

B. "Lease" means a written contract or oral agreement used to make a legal agreement governing the occupancy of the rental unit between landlord and tenant.

C. "Rent" means the amount of fixed periodic compensation paid by a tenant to a landlord, as defined by any agreement between the tenant and landlord for the possession and use of a rental unit. Rent shall not include payments for ancillary services including, but not limited to storage, additional parking or utility pass-throughs, or pet or security deposits.

D. "Rental unit" means a dwelling unit (as defined by Section 18.02.040) in the city, which is used as rental housing.

H. "Tenant" means any person having the legal responsibility for the payment of rent for a rental unit in the city. Tenant shall include the agent or representative of the tenant, provided that such agent or representative has full authority to answer for the tenant and enter into binding agreements on the tenant's behalf.

Section 7.70.020 Minimum Lease Terms

A. Offer. If a tenant or prospective tenant wishes to rent a rental unit from a landlord and the landlord wishes to rent the rental unit to the tenant or prospective tenant, the landlord must offer to the tenant or prospective tenant a written lease that has a minimum term of one (1) year. Offers must be made in writing.

B. Acceptance. If the tenant or prospective tenant accepts the offer of a written lease which has a minimum term of one (1) year, this acceptance must be in writing.

C. Rejection. If the tenant or prospective tenant rejects the offer for a written lease which has a minimum term of one (1) year, the landlord and tenant or prospective tenant may then enter into an agreement, oral or written, that provides for a rental term of less than one (1) year.

D. Rent. If the landlord and tenant enter into a written lease which has a minimum term of one (1) year, such lease must set the rent for the rental unit at a rate or rates certain and these rates shall not otherwise be modified during the term of such lease.

E. Renewal of Lease. Upon the expiration of any lease or lease renewal that has a minimum term of at least one (1) year, a lease shall be offered again in accordance with the procedures of subsections (A) – (D), so long as both the landlord and tenant wish to continue the rental relationship. If, however, either the landlord or tenant does not wish to continue the rental relationship, then there shall be no obligation for the landlord to offer, or for the tenant to accept, any renewal of the lease, unless required by state law. This subsection shall not apply to a rental unit that is rented subject to a written lease of less than one (1) year.

F. Applicability. This section shall not apply to:

1. A unit which is rented on or before the effective date of this section, provided that:

- a. if the unit is rented subject to a written lease with a minimum term of at least one (1) year, when the lease in effect for such unit expires, the ordinance codified in this chapter shall then apply; and

- b. if the unit is rented without a written lease, the landlord shall offer a written lease to the tenant in accordance with this section, at the time of lease renewal or any rent increase.

2. Transient hotel occupancy as defined in Section 3.12.020.

3. Housing accommodations in a nonprofit hospital, religious facility, extended care facility, licensed residential care facility for the elderly (as defined in Health and Safety Code section 1569.2) or an adult residential facility (as defined in Chapter 6 of Division 6 of Title 22 of the Manual of Policies and Procedures published by the State Department of Social Services).

4. Dormitories owned and operated by an institution of higher education or a kindergarten and grades 1 to 12, inclusive, school.

5. Rental units in which the tenant shares bathroom or kitchen facilities with the owner who maintains their principal residence at the residential real property.

6. Single-family owner-occupied residences, including a residence in which the owner-occupant rents or leases no more than two units or bedrooms, including, but not limited to, an accessory dwelling unit or a junior accessory dwelling unit.

7. A duplex in which the owner occupies one of the units as the owner's principal place of residence at the beginning of the tenancy, so long as the owner continues in occupancy.

8. Housing that has been issued a certificate of occupancy within the previous 15 years.

9. Residential real property that is alienable separate from the title to any other dwelling unit, provided that the owner is not any of the following: (a) A real estate investment trust, as defined in Internal Revenue Code section 856; (b) A corporation, or (c) A limited liability company in which at least one member is a corporation.

10. Housing restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for persons and families of very low, low, or moderate income, as defined in Health and Safety Code section 50093, or subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in Health and Safety Code section 50093 or comparable federal statutes.

11. A rental unit where the tenancy is an express condition of, or consideration for, employment under a written rental agreement or contract; or

12. A rental unit leased to an entity other than a natural person or persons.

Section 7.70.030 Landlord and Tenant Dispute Resolution.

A. Mandatory discussion of rental housing disputes. All landlords and tenants shall participate in the conciliation and mediation of rental unit disputes as provided in this section. A rental unit dispute means a fact-based grievance raised by any tenant or landlord regarding the occupancy or use of a rental unit limited to rental rate increases, deposits, repairs and maintenance, utilities, occupants, parking and storage facilities, privacy, quiet enjoyment, or use of common areas.

B. Procedure.

1. Any tenant or landlord may request mandatory discussion of a rental unit dispute by filing a written request for dispute resolution within twenty-one days of learning the facts that give rise to the dispute. The request must be filed with the City Manager and/or his or her designee, and must provide enough factual information to outline the basic issue or issues being raised.

2. Within seven days of receiving a written request for dispute resolution, the City Manager and/or his or her designee will notify both tenant and landlord if a case has been opened and will provide a copy of the request to the responding party. The City

Manager and/or his or her designee will also initiate a conciliation process before mediation is scheduled, by engaging in a confidential telephone call or other contact to attempt to resolve the dispute.

3. The City Manager and/or his or her designee will not open dispute resolution, or will order dispute resolution closed, when it is clear from the written request that there is no substantial factual basis for the dispute, or when the dispute involves the actions or behavior of persons, or conditions, that are not within the control or responsibility of the parties; or when the dispute is frivolous, malicious or vexatious; or when further proceedings are not, in the sole judgment of the City Manager and/or his or her designee, likely to be productive.

4. The City Manager and/or his or her designee will promptly assign the request to a mediator who will contact all relevant parties to mediate the dispute. The City Manager and/or his or her designee shall have the authority to combine different disputes or different parties in the interest of efficiently addressing the disputes, provided that any party may, for reasons of confidentiality or otherwise, opt out of a combined mediation involving more than one tenant or landlord by notifying the City Manager and/or his or her designee. All communications between the City Manager and/or his or her designee and the parties as well as between the mediator and the parties shall be confidential and subject to the confidentiality guarantees set forth in California Evidence Code Sections 703.5 and 1115 – 1128, as may be amended.

5. No mediation will be scheduled until at least fourteen days after the parties are notified in order to allow time for conciliation efforts before mediation. Unless all parties agree in writing to waive the time limit, the initial mediation session will be conducted within twenty-eight days of the date the written request for dispute resolution is filed.

6. If a mediation session is held, the mediator shall provide the parties with an opening statement explaining the nature of the process and the ground rules. Thereafter the mediator will determine the manner and course of the session.

7. The landlords and/or tenants involved in the dispute shall be obligated to personally appear at a mediation session scheduled by a mediator. All parties must participate in the mediation session until completion of the mediator's opening statement. All parties appearing must have the legal authority to resolve disputes arising under this chapter. Participation in mediation shall be voluntary in all respects after the opening statement. The mediator may, with the consent of all parties, schedule additional sessions as needed.

8. No party shall be obligated to reach any specific agreement, or to reach any agreement at all, as a result of participating in conciliation or mediation communications. If an agreement is reached, it will be stated in writing by the mediator

or by the parties. The City shall not be a party to or be obligated in any way under any agreement between a landlord and tenant.

Section 7.70.040 Notice Requirements.

A. Form. Landlords shall provide all tenants with notice summarizing the rights afforded by this section.

1. The notice regarding minimum lease terms shall be provided prior to entering any lease, written or oral, and shall contain substantially the following language:

The Half Moon Bay Municipal Code may provide you with the right to minimum lease terms. In certain situations, landlords must offer tenants the option to enter into a one (1) year written lease. It is the tenant's choice whether to enter into such a written lease with a landlord. Further information is available on the City's website or from the Community Development Director.

2. The notice regarding the mediation program shall be provided prior to entering any lease, written or oral, and shall contain substantially the following language:

The Half Moon Bay Municipal Code may provide you the right to mediation of disputes between landlord and tenant. You must request mediation within 21 days of learning about the facts that created the dispute. Further information is available on the City's website or from the Community Development Director.

B. Language. Landlords shall provide these notifications in English, Spanish, any other languages determined necessary by the City Manager or his or her designee.

C. Manner. All notices shall be in writing, shall provide the name, address and phone number of the landlord and shall be personally delivered to the tenant, mailed to the tenant at the address of the tenant's residential property, or transmitted by email. Service by mail shall be presumed complete within five (5) days of mailing. This presumption may be rebutted by the tenant. All notifications shall be in bold text and at least twelve (12) point font.

Section 7.70.050 Tenant Remedies

A. Defense to Action to Recover Possession. Failure of a landlord to comply with any of the provisions of sections 7.70.020 to .040 shall provide the tenant with a defense in any legal action brought by the landlord to recover possession of the rental unit.

B. Defense to Action to Collect Rent. Failure of a landlord to comply with any of the provisions of sections 7.70.020 to .040 shall provide the tenant with a defense in any legal action brought by the landlord to collect rent.

C. Injunctive Relief and Damages. A tenant may seek injunctive relief and/or damages on his or her own behalf and on behalf of other affected tenants to enjoin the landlord's violation of this chapter.

D. Remedies are Nonexclusive. The remedies provided for in this section shall be cumulative and not exclusive and shall not preclude a tenant from any other remedy or relief to which it otherwise would be entitled under law or equity.

E. Nonwaiver. Any waiver or purported waiver by a tenant of his or her rights under sections 7.70.020 to .040 prior to the time when such rights may be exercised, except a rejection of a one-year lease offered in accordance with section 7.70.020, shall be void as contrary to public policy.

Section 7.70.060 City Enforcement

A. Landlord's Obligation. Compliance with sections 7.70.020 to .040 is the obligation of the landlord of a rental unit.

B. City Action. The City Attorney shall be authorized to enforce the provisions sections 7.70.020 to .040 by civil action and any other proceeding or method permitted by law.

C. Remedies are Nonexclusive. The remedies provided for in this section shall be cumulative and not exclusive and shall not preclude the City from any other remedy or relief to which it otherwise would be entitled under law or equity.

Section 7.70.070 Retaliation Prohibited

Commencement of eviction proceedings against a tenant for exercising his or her rights under this Chapter shall be considered a retaliatory eviction. Under Civil Code Section 1942.5, as may be amended, it is illegal for a landlord to retaliate against a tenant for lawfully and peaceably exercising his or her legal rights.

1186002.2

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 17, 2019**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Jessica Blair, Communications Director / City Clerk
Jonathan Roisman, Deputy City Clerk

TITLE: **MADDY ACT 2020 LOCAL APPOINTMENTS LIST FOR CITY BOARDS,
COMMISSIONS, AND COMMITTEES**

RECOMMENDATION:

By motion, receive and file the annual appointments list of City boards, commissions, and committees for 2020.

FISCAL IMPACT:

There is no fiscal impact associated with this action.

STRATEGIC ELEMENT:

This action supports the Inclusive Governance element of the Strategic Plan.

BACKGROUND:

California Government Code Section 54970, known as “The Maddy Act,” was established to inform and promote opportunities for citizens to serve on local government boards, committees, and commissions. The Maddy Act requires that on or before December 31 of each year, City staff prepare a list, known as the Local Appointments List, of all regular and ongoing boards, commissions, and committees that includes the qualifications for each position and appointive terms which will expire during the next calendar year.

The City Clerk will post the Local Appointments List (Exhibit 1) outside of City Hall.

DISCUSSION:

Each legislative body is required to prepare a list of all regular and ongoing Citizen Boards, Commissions, and Committees annually and post a copy of the list outside of City Hall. Notable changes in 2019 include the dissolution of the General Plan Action Committee and the creation of the Architectural Advisory Committee. It is recommended that the City Council approve the attached list of Citizen Boards, Commissions, and Committees.

ATTACHMENTS:

1. "Maddy Act" Boards, Commissions, and Committees Local Appointments List for 2020



City of Half Moon Bay
501 Main Street
Half Moon Bay, CA 94019
CITY COMMISSION & COMMITTEES LIST

	Date Appointed	Council Nominated	Term Ending
PLANNING COMMISSION			
Sara Polgar	01/15/2019	Brownstone	2022
Steve Ruddock	01/15/2019	Penrose	2022
Rick Hernandez	01/15/2019	Ruddock	2022
James Benjamin	01/17/2017	Rarback	2020
Brian Holt	01/17/2017	Eisen	2020
PARKS & RECREATION COMMISSION			
Amy Allshouse	05/16/2017	Eisen	2020
Patricia Black	01/15/2019	Brownstone	2022
Paulette Eisen	01/15/2019	Penrose	2022
Evelyn Erickson	01/15/2019	Ruddock	2022
Ellen Clark	12/04/2018	Rarback	2020

ARCTITECURAL ADVISORY COMMITTEE – Appointed by the City Council September 17, 2019

Chad Hooker
Steve Kikuchi
Linda Poncini

BICYCLE / PEDESTRIAN ADVISORY COMMITTEE - Appointed by the City Council April 18, 2017 for Four-Year Terms

Elizabeth Brown	Paul Gater	Carlene Foldenauer (Cabrillo Unified School District Rep)
Michelle Dragony	Bill Murray	Les Deman (Planning Commission Rep.)
Adrienne Etherton	Mario Rendon	Paulette Eisen (Parks & Recreation Committee Rep.)
Vacant (Youth Rep.)		

MAIN STREET BRIDGE ADVISORY COMMITTEE - Appointed by the City Council April 2019 for one year

Ruth Jurow Brown	Steve Hyman
Dave Cresson	Jennifer Lee Segale
Brian Douglas	Kati Martin
David Eblövi	Guy Rabbat
Jerry Steinberg	Rick Hernandez (Planning Commission Rep.)

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT – Appointed by the City Council April 21, 2015 and Reappointed March 7, 2017. Term expires December 31, 2020.

Kati Martin

To apply for future vacancies, or for further information, please contact the City Clerk at jblair@hmbcity.com

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 17, 2019**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Jessica Blair, Communications Director / City Clerk
John Doughty, Public Works Director

TITLE: **APPOINTMENT OF A YOUTH REPRESENTATIVE TO THE BICYCLE AND PEDESTRIAN ADVISORY COMMITTEE**

RECOMMENDATION:

Appoint Anna McMillan as the youth representative to the Bicycle and Pedestrian Advisory Committee (BPAC).

FISCAL IMPACT:

There is no fiscal impact associated with this action.

STRATEGIC ELEMENT:

This action supports the Inclusive Governance Element of the Strategic Plan.

BACKGROUND:

On March 7, 2017, the City Council affirmed the formation of a Bicycle and Pedestrian Advisory Committee and provided direction that the Committee consist of 10 members, including the following:

1. One (1) walking enthusiast;
2. One (1) commute dependent cyclist;
3. One (1) recreational cyclist;
4. One (1) avid cyclist;
5. One (1) at-large community member;
6. One (1) senior representative;
7. One (1) youth representative;
8. One (1) member of the Parks and Recreation Commission chosen by its membership;
9. One (1) member of the Planning Commission chosen by its membership; and
10. One (1) representative of the Cabrillo Unified School District appointed by the District.

On June 27, 2019, Max Paik resigned his position as the body's youth representative after graduating high school.

DISCUSSION:

Staff conducted outreach for a youth representative through Half Moon Bay Community eNews, the Half Moon Bay Review for two publications, and through the City website. One student submitted a “Willing to Serve” Form to the Communications Director / City Clerk (see Attachment 2).

Anna McMillan is an eighth grader at Cunha Middle School. She is a graduate of the City’s 2019 inaugural class of the Future Leaders Civics Academy and an American Youth Soccer Organization (AYSO) referee. She is interested in improving the City’s bike and pedestrian trails.

ATTACHMENT:

Willing to Serve Form and Resume

Jonathan Roisman

From: Jessica Blair
Sent: Tuesday, December 3, 2019 10:12 AM
To: Jonathan Roisman
Subject: Re: Online Form Submittal: Willing to Serve

Follow Up Flag: Follow up
Flag Status: Completed

On Nov 15, 2019, at 9:22 PM, "noreply@civicplus.com" <noreply@civicplus.com> wrote:

Willing to Serve

Thank you for your willingness to participate in making Half Moon Bay a better place! This "Willing to Serve" form can be used to apply to serve on one of the City's Commissions or Committees. Please note that information provided on this form is considered public information and may be made available to other applicants, members of the media, or the general public.

Commission or Committee for which you are applying: Bicycle and Pedestrian Advisory Committee

Name Anna McMillan

Address

City Half Moon Bay

Zip code 94019

Phone 1

Phone 2

Email

Occupation student

Current employer *Field not completed.*

Employer address *Field not completed.*

City	Field not completed.
Zip code	Field not completed.
How long have you lived in Half Moon Bay?	11 years
Educational background	8th grader at Cunha
Professional experience	Student
Civic activities and community involvement	Future leaders civic academy and Refereeing AYSO soccer
Are you able to attend:	Either night or daytime meetings
Why are you seeking to be appointed to a City commission or committee?	To make the bike and pedestrian trails better.
Have you attended any meetings of the City Council or other Half Moon Bay commissions or committees?	No
How did you become aware of this opportunity to serve?	Paulette Eisen told me about an open position on the committee.
Today's date	11/15/2019
Signature	Checking this box constitutes your signature and confirms that the information provided is accurate

Email not displaying correctly? [View it in your browser.](#)

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 17, 2019**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: John Doughty, Public Works Director
Maz Bozorginia, City Engineer

**TITLE: ACCEPTANCE OF PUBLIC IMPROVEMENTS FOR PHASE III OF THE PACIFIC RIDGE
SUBDIVISION**

RECOMMENDATION:

Adopt a resolution granting initial acceptance of public improvements for Phase III of the Pacific Ridge Subdivision, subject to one-year warranty period and release of securities in the form of a Deed of Trust (AKA Pacific Ridge at Half Moon Bay, Unit 3).

FISCAL IMPACT:

There is no fiscal impact associated with this action. All costs associated with this subdivision are covered by the various development fee payments.

STRATEGIC ELEMENT:

This action supports the Infrastructure and Environment, Healthy Communities and Public Safety Elements of the Strategic Plan.

BACKGROUND:

On December 5, 2017, the City Council approved a subdivision improvement agreement with Ailanto Properties, Inc. for Phases II and III of Pacific Ridge (Pacific Ridge at Half Moon Bay, Subdivision Units 2 and 3). The agreement covered the construction of public improvements, including streets, curb, sidewalk, paths, storm drainage, and utility systems for the two remaining phases of the subdivision.

On April 18, 2018, the City and Subdivider entered into Amendment No. 1 to the Subdivision Improvement Agreement, which authorized the Subdivider to use a deed of trust for Unit 2 and Unit 3 as securities rather than bonds or cash.

On May 7, 2019, the City Council adopted a resolution granting initial acceptance of public improvements for Phase II of the Pacific Ridge Subdivision, subject to a one-year warranty period. Final acceptance of Phase II will be brought to City Council in Spring 2020.

The public improvements for Phase III (Pacific Ridge Subdivision Unit 2) have been completed by the Subdivider per the approved improvement plans and are now ready for initial acceptance and ownership by the City in accordance with the agreement. The Subdivider's securities for the faithful performance and labor and materials bonds will be released upon the City's receipt of a Warranty Bond in the amount of \$291,335.15 from the Subdivider, which is 25 percent of the value of the improvements, in accordance with the agreement.

DISCUSSION:

The public improvements for Phase III of the Pacific Ridge Subdivision were inspected and completed to the satisfaction of the City Engineer and initial acceptance is ready to be granted to the Subdivider. After initial acceptance is granted, the Subdivider and City will enter into a one-year bonded warranty period in which the Subdivider will guarantee or warranty the improvements against any defective work or labor done or defective materials furnished.

At the conclusion of the one-year warranty period, staff will bring an item to council to release the warranty bond period and accept the Phase III (Pacific Ridge, Unit 3) public improvements into the City-maintained system. Phase III includes a total of 18 residential lots.

ATTACHMENTS:

1. Resolution
2. Copy of Agreement Securing Performance and Deed of Trust for Unit 3

Resolution No. C-2019-_____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY
TO APPROVE THE INITIAL ACCEPTANCE OF PUBLIC IMPROVEMENTS AND RELEASE OF
SECURITIES, FAITHFUL PERFORMANCE BOND, AND LABOR AND MATERIALS BONDS, AND
ACCEPTANCE OF WARRANTY BOND FOR PHASE III OF THE PACIFIC RIDGE SUBDIVISION**

WHEREAS, the Public Improvement Plans for Phase III of Pacific Ridge of Half Moon Bay were approved on December 5, 2017, under and pursuant to the provisions of the Subdivision Development Agreement (“agreement”) between the City of Half Moon Bay and Ailanto Properties, Inc. (“Subdivider”); and

WHEREAS, on April 18, 2018, the City and Subdivider entered into Amendment No. 1 of the Subdivision Improvement Agreement, authorizing the use of a deed of trust for Unit 3 (Phase III) as securities; and

WHEREAS, Ailanto Properties executed and posted securities conditioned upon the faithful performance and labor and materials provisions of the agreement; and

WHEREAS, the Public Improvements for Pacific Ridge Phase III project have been completed; and

WHEREAS, the agreement provides that the security shall extend for a period of one year after the date of acceptance of Public Improvements to cover the warranty period of said improvements under the agreement; and

WHEREAS, the City Council is willing to release the securities for the faithful performance and labor and materials upon receipt of a warranty bond; and

WHEREAS, the City Engineer has made a final inspection of the Public Improvements for the Pacific Ridge Phase III project and recommends that the City Council accept the Public Improvements as constructed in accordance with the approved plans and specifications.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Half Moon Bay hereby finds, determines and resolves as follows:

1. The City Council has considered the full record before it, which may include but is not limited to such things as the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to it. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.
2. Those certain Public Improvements installed by Phase III of the Pacific Ridge project, are hereby accepted as constructed in accordance with the approved plans and specifications upon recommendation of the City Engineer.

3. The penal sum of that certain Security furnished by the above-named Subdivider in connection with the agreement may be released by the City upon receipt of a warranty bond from the Subdivider in the amount of \$291,335.15. Said warranty bond shall apply from the date of completion and acceptance of said improvements and to extend for the balance of the term of one year of said security. Provided however, that nothing herein contained shall in any way be deemed to be a waiver, release or relinquish by City any obligations imposed upon the Subdivider or his/its surety, or sureties, by law or by the agreement, save and except as expressly set forth herein.

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 17th of December 2019 by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST:

APPROVED:

Jessica Blair, City Clerk

Harvey Rarback, Mayor

APN:

RECORDING REQUESTED BY

Escrow No:

WHEN RECORDED MAIL TO

Old Republic Title
851 Cherry Avenue #32
San Bruno CA 94066

2017-117509

10:45 am 12/29/17 AG Fee: NO FEE

Count of Pages 47

Recorded in Official Records

County of San Mateo

Mark Church

Assessor-County Clerk-Recorder



* \$ R 0 0 0 2 5 0 1 7 7 4 \$ *

SPACE ABOVE THIS LINE FOR RECORDER'S USE

477

Agreement - Securing Performance

Title of Document

CC/np

AGREEMENT SECURING PERFORMANCE

2017
This Agreement Securing Performance (“**Agreement Securing Performance**”) is made as of Dec. 27th (the “**Effective Date**”) by Ailanto Properties, Inc., a California corporation (“**Ailanto**”), in favor of the City of Half Moon Bay (“**City**”).

RECITALS

A. Concurrently herewith, Ailanto and City entered into a Subdivision Improvement Agreement, titled “Improvement Plan Pacific Ridge—Phase III at Half Moon Bay”, under the terms of which Ailanto is obligated to construct, warrant and maintain, as the case may be, certain improvements required for Phase III of the Pacific Ridge at Half Moon Bay Subdivision located in the City (the “**Phase III Improvement Agreement**”). A copy of the Phase III Improvement Agreement is attached hereto as **Exhibit A**.

B. The Phase III Improvement Agreement set forth certain obligations of Ailanto to construct, maintain and warrant certain improvements on the Pacific Ridge at Half Moon Bay Subdivision in the City (the “**Phase III Subdivision Improvements**”).

C. The Phase III Improvement Agreement requires Ailanto to construct, maintain or warrant the Phase III Subdivision Improvements and to pay the City certain fees and expenses in connection therewith (the “**Obligations**”).

D. The Phase III Improvement Agreement requires that Ailanto secure the Obligations required for issuance of the Phase III Final Map as defined in the Phase III Improvement Agreement by means of a first deed of trust on the property commonly known as the Pacific Ridge at Half Moon Bay, Unit 3 (the “**Deed of Trust**”), a copy of which is attached hereto as **Exhibit B**. The Deed of Trust may be replaced by bonds or other security reasonably acceptable to the City as provided in the Phase III Improvement Agreement.

E. Any capitalized terms not defined in this Agreement Securing Performance will have the meaning set forth in the Phase III Improvement Agreement.

NOW, THEREFORE, in accordance with its obligations under the Phase III Improvement Agreement, Ailanto agrees to grant the Deed of Trust in favor of the City securing the Obligations required for the Phase III Final Map under the Phase III Improvement Agreement on the following terms and conditions.

Section 1. Agreement Securing Performance.

1.1 Unconditional Agreement Securing Performance. In consideration of the foregoing, Ailanto hereby irrevocably, absolutely and unconditionally guarantees to the City the prompt and complete performance when due of all of its Obligations as set forth in the Phase III Improvement Agreement.

1.2 Pledge of Security. By execution of the Deed of Trust, Ailanto grants to the City a first security interest in the Real Property Security, to secure Ailanto's performance of the Obligations required for the Phase III Final Map as provided herein.

1.3 Rights of City Upon Ailanto Default Under Phase III Improvement Agreement: In the event that Ailanto fails to perform any of the Obligations required for the Phase III Final Map under the Phase III Improvement Agreement, City may demand payment of an amount equal to all of such Obligations remaining outstanding under the Phase III Improvement Agreement and, if said amount is not paid within thirty (30) days of the City's demand (or such longer cure period permitted under the Phase III Improvement Agreement or the Deed of Trust, if and as applicable), the City may proceed to foreclose on its Real Property Security under the terms of the Deed of Trust. The amount due shall be all of the then outstanding Obligations required for the Phase III Final Map plus all accrued and unpaid costs, attorney fees, and other expenses to which the City is entitled under the terms of the Phase III Improvement Agreement.

Section 2. Representations and Warranties. Ailanto hereby represents and warrants that:

(a) Ailanto (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of California; (ii) is duly qualified to do business and is in good standing in every jurisdiction where the nature of its business requires it to be so qualified (except where the failure to so qualify would not have a material adverse effect on Ailanto's condition, financial or otherwise, or on Ailanto's ability to pay or perform the obligations hereunder); and (iii) has all requisite power and authority to execute and deliver this Agreement Securing Performance and any and all documents executed and delivered by Ailanto pursuant to the Phase III Improvement Agreement or this Agreement Securing Performance and to perform its obligations thereunder and hereunder.

(b) The execution, delivery and performance by Ailanto of this Agreement Securing Performance (i) are within Ailanto's powers and have been duly authorized by all necessary action; (ii) do not contravene any law or any contractual restriction binding on or affecting Ailanto or by which Ailanto's property may be affected; (iii) do not require any authorization or approval or other action by, or any notice to or filing with, any governmental authority or any other Person under any indenture, mortgage, deed of trust, lease, agreement or other instrument to which Ailanto is a party or by which Ailanto or any of its property is bound, except such as have been obtained or made; and (iv) do not result in the imposition or creation of any lien upon any property of Ailanto, other than the lien of the Deed of Trust.

(c) This Agreement Securing Performance is a valid and binding obligation of Ailanto, enforceable against Ailanto in accordance with its terms, except as the enforceability thereof may be subject to or limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws relating to or affecting the rights of creditors generally.

(d) Ailanto's Obligations hereunder are not subject to any offset or defense against the City known to Ailanto as of the date of this Agreement Securing Performance.

(e) The incurrence of Ailanto's obligations under this Agreement Securing Performance will not cause Ailanto to (i) become insolvent; (ii) be left with unreasonably small capital for any business or transaction in which Ailanto is presently engaged or plans to be engaged; or (iii) be unable to pay its debts as such debts mature.

(f) Ailanto covenants, warrants, and represents to the City that all representations and warranties contained in this Agreement Securing Performance shall be true at the time of Ailanto's execution of this Agreement Securing Performance, and shall continue to be true so long as this Agreement Securing Performance remains in effect except as otherwise specifically set forth herein. Ailanto expressly agrees that any misrepresentation or breach of any warranty whatsoever contained in this Agreement Securing Performance shall be deemed material.

Section 3. General Waivers. Ailanto waives:

(a) Any right to require the City to (i) proceed against any other person; (ii) proceed against or exhaust any security, or (iii) pursue any other remedy. The City may exercise or not exercise any right or remedy it has against any obligor or any security it holds (including the right to foreclose by judicial or nonjudicial sale) without affecting Ailanto's liability hereunder.

(b) Any rights to participate in any security held by the City.

Section 4. Reinstatement. The liability of Ailanto hereunder shall be reinstated and revived and the rights of the City shall continue if and to the extent that for any reason any payment by or on behalf of Ailanto is rescinded or must be otherwise restored by the City, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as though such amount had not been paid. The determination as to whether any such payment must be rescinded or restored shall be made by the City in its sole good-faith discretion; *provided, however*, that if the City chooses to contest any such matter at the request of Ailanto, Ailanto agrees to indemnify and hold harmless the City from all costs and expenses (including, without limitation, reasonable attorneys' fees) of such litigation. To the extent any payment is rescinded or restored to Ailanto, Ailanto's obligations hereunder shall be revived in full force and effect without reduction or discharge for that payment. Ailanto's obligations under this Section 4 shall survive termination of this Agreement Securing Performance.

Section 5. No Waiver; Amendments. No failure on the part of the City to exercise, no delay in exercising and no course of dealing with respect to, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. This Agreement Securing

Performance may not be amended or modified except by written agreement between Ailanto and the City, and no consent or waiver hereunder shall be valid unless in writing and signed by the City.

Section 6. Compromise and Settlement. No compromise, settlement, release, renewal, extension, indulgence, change in, waiver or modification of any of the Obligations shall release or discharge Ailanto from this Agreement Securing Performance or the performance of the obligations hereunder without the written consent of the City.

Section 7. Notice. Any notice or other communication herein required or permitted to be given shall be in writing and may be delivered in person or sent by facsimile transmission (with proof of transmission), overnight courier, or by United States mail, registered or certified, return receipt requested, postage prepaid and addressed as follows:

If to Ailanto:	Ailanto Properties, Inc. 1939 Harrison Street, Suite 711 Oakland, CA 94612 Attention: Albert Fong Telephone No.: (510) 465-8888 Facsimile No.: (510) 465-5704
If to the City:	City of Half Moon Bay 501 Main Street Half Moon Bay, CA 94019 Attention: Director of Public Works Telephone No.: (650) 726-8260 Facsimile No.: _____
with copies to:	City of Half Moon Bay 501 Main Street Half Moon Bay, CA 94019 Attention: City Attorney Telephone No.: (650) 726-8260 Facsimile No.: _____

or at such other address as may be substituted by notice given as herein provided. Every notice, demand, request, consent, approval, declaration or other communication hereunder shall be deemed to have been duly given or served on the date on which personally delivered or sent by facsimile transmission or three (3) Business Days after the same shall have been deposited in the United States mail. If sent by overnight courier service, the date of delivery shall be deemed to be the next Business Day after deposited with such service.

Section 8. Severability. If any provision of this Agreement Securing Performance is held to be unenforceable under applicable law for any reason, it shall be adjusted, if possible, rather than voided in order to achieve the intent of Ailanto and the City to the extent possible. In

any event, all other provisions of this Agreement Securing Performance shall be deemed valid and enforceable to the full extent possible under applicable law.

Section 9. Payment of Expenses. Ailanto shall pay, promptly on demand, all Expenses reasonably incurred by the City in defending and/or enforcing this Agreement Securing Performance. For purposes hereof, “**Expenses**” shall mean costs and expenses (including reasonable fees and disbursements of any law firm or other external counsel and the allocated cost of internal legal services and all disbursements of internal counsel) for defending and/or enforcing this Agreement Securing Performance (including those incurred in connection with appeals or proceedings by or against any Ailanto under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief).

Section 10. Assignment; Governing Law. This Agreement Securing Performance shall be binding upon and inure to the benefit of Ailanto and the City and their respective successors and assigns, except that Ailanto shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the City, which may be granted or withheld as provided in the Phase II Improvement Agreement. Any purported assignment by Ailanto that is not allowed under the Phase II Improvement Agreement shall be void. This Agreement Securing Performance shall be governed by, and construed in accordance with, the laws of the State of California without regard to principles thereof regarding conflict of laws.

Section 11. Personal Jurisdiction. Ailanto hereby irrevocably agrees that any legal action or proceeding with respect to this Agreement Securing Performance or any of the agreements, documents or instruments delivered in connection herewith may be brought in the state court located in the State of California, County of San Mateo, and, by execution and delivery hereof, Ailanto accepts and consents to, generally and unconditionally, the jurisdiction of the aforesaid courts and agrees that such jurisdiction shall be exclusive, unless waived by the City in writing, with respect to any action or proceeding brought by Ailanto against the City. Ailanto hereby waives, to the full extent permitted by law, any right to stay or to dismiss any action or proceeding brought before said courts on the basis of forum non conveniens.

Section 12. Waiver Of Jury Trial. EACH OF THE CITY AND AILANTO HEREBY WAIVES, TO THE FULL EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT SECURING PERFORMANCE. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HERETO HAVE AGREED TO ENTER INTO THIS AGREEMENT SECURING PERFORMANCE AND ANY RELATED INSTRUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 12.

Section 13. Time. Time is of the essence of all the terms and conditions of this Agreement Securing Performance.

Section 14. Counterparts. This Agreement Securing Performance may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and such counterparts together shall constitute only one original.

IN WITNESS WHEREOF, this Agreement Securing Performance has been executed by Ailanto as of the day and year first above written.

AILANTO PROPERTIES, INC.,
a California corporation

By: Albert Fong
Albert Fong
Its: President

SEE ATTACHED

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Alameda

On 12/27/2017 before me, Shakush Kattel (Notary Public)
(insert name and title of the officer)

personally appeared Albert Fong
who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~
subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in
his/~~her/their~~ authorized capacity~~(ies)~~, and that by his/~~her/their~~ signature~~(s)~~ on the instrument the
person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature  (Seal)

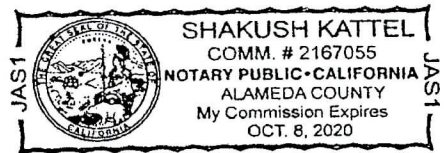


EXHIBIT A

Copy of Phase III Improvement Agreement commences on next page

**CITY OF HALF MOON BAY
SUBDIVISION IMPROVEMENT AGREEMENT**

THIS SUBDIVISION IMPROVEMENT AGREEMENT (the "Agreement") is made and effective as of December 5, 2017 (the "Effective Date"), by and between the **CITY OF HALF MOON BAY**, a municipal corporation of the State of California, hereinafter referred to as "CITY", and **AILANTO PROPERTIES, INC.**, hereinafter referred to as "SUBDIVIDER". In consideration of the approval and recordation by CITY of the phased final maps of the subdivision described below and the mutual covenants and agreements contained herein, CITY and SUBDIVIDER agree as follows:

RECITALS

This Agreement is made with respect to the following facts which each party acknowledges as true and correct:

Overall Property/Vesting Tentative Map no. (referred to as "SUBDIVISION" or "Property"):

PACIFIC RIDGE AT HALF MOON BAY ("Phase III")

Vesting Tentative Map Resolution of Approval No.: 38-90

Title of Improvement Plan: IMPROVEMENT PLAN PACIFIC RIDGE — PHASE 2 & 3
AT HALF MOON BAY

Surety Company Name, Address, and Contact Person: _____

Estimated Cost of Improvements for Phase III:

Streets — Public/Private	\$509,960.96
Storm Drain	\$ 87,779.62
Sewer	\$140,460.00
Utilities	\$ 316,200.00
Contingencies (10%)	\$ 105,440.06

Estimated Total Cost of Improvements for Phase III **\$ 1,159,840.64**

Faithful Performance Bond and Labor & Materials Bond Amount: \$1,159,840.64

Estimated Total Cost of Monumentation: **\$5,500.00**

Monumentation Bond No.: **\$5,500.00**

A. On August 7, 1990, the City Council of the City of Half Moon Bay adopted Resolution No.38-90 (the "Resolution of Approval"), approving the vesting tentative map of the SUBDIVISION. The Resolution of Approval was made subject to (1) the Subdivision Laws, (2) the requirements and conditions contained in the Resolution of Approval (the "Conditions of Approval"), and (3) the "Settlement Agreement Between Ailanto Properties, Inc., the City of Half Moon Bay, and the California Coastal Commission" (the "Settlement Agreement"), which are binding on the CITY and SUBDIVIDER with respect to the development of the SUBDIVISION. The Resolution of Approval and the Settlement Agreement are on file in the Office of the City Clerk and are incorporated into this Agreement by reference. A copy of the approved vesting tentative map, as modified by the Settlement Agreement, is attached hereto as Exhibit A. The Conditions of Approval dated August 7, 1990, as modified by the Settlement Agreement, are attached hereto as Exhibit B. SUBDIVIDER agreed to construct the SUBDIVISION in phases and to obtain two or more final subdivision maps for the Property (each a "Final Map" and collectively the "Final Maps"). All improvements, construction and work to be performed for each Final Map shall be referred to herein as a "Phase".

B. Complete Improvement Plans for the construction, installation and completion of the improvements for Phase III have been prepared by SUBDIVIDER and approved by the City Engineer. The subdivision improvements required by the Conditions of Approval are set forth in Exhibit C. Exhibit C includes a proposed phasing matrix which identifies which subdivision improvements are required for each Phase. The phasing matrix may be modified by SUBDIVIDER after consultation with City and prior approval of the City Engineer. The Improvement Plans for Phase III are on file in the office of the City Engineer and are incorporated into this Agreement by this reference. All references in this Agreement to the Improvement Plans shall include reference to any specifications for the improvements as approved by the City Engineer.

C. SUBDIVIDER has presented to CITY for approval and recordation the Phase III Final Map of the SUBDIVISION pursuant to provisions for the Subdivision Map Act of the State of California and CITY ordinances and regulations relating to the filing, approval and recordation of subdivision maps. The Subdivision Map Act and CITY ordinances and regulations relating to the filing, approval and recordation of subdivision maps are collectively referred to in this Agreement as the "Subdivision Laws".

D. SUBDIVIDER has submitted the Phase III Final Map without having completed the required improvements under the Phase III Improvement Plan, and therefore SUBDIVIDER desires to enter into this Agreement pursuant to Government Code Section 66462(a)(1), whereby SUBDIVIDER promises to install and complete, at SUBDIVIDER'S own expense, all the public improvement work required by CITY in connection with Phase III of the SUBDIVISION. SUBDIVIDER has secured this Agreement by improvement security required by the Subdivision Laws and approved by the City Attorney. SUBDIVIDER is securing the Phase III Final Map with a lien as provided in Section 3 below, which shall be replaced by bonds as specified in Section 3.2.1 or by another security reasonably acceptable to CITY as specified in Section 3.3 prior to the commencement of construction for Phase III.

E. Within thirty (30) days after completion of the required improvements and their acceptance by CITY, it is necessary that certain monuments and stakes as specified on each Final Map for the SUBDIVISION be installed.

F. CITY and SUBDIVIDER desire to enter into this Agreement to guarantee the completion of the improvements for Phase III of the SUBDIVISION, as required by the Phase III Improvement Plan, and to ensure satisfactory performance by SUBDIVIDER of SUBDIVIDER'S obligations to satisfy the Conditions of Approval pertaining to the improvements.

NOW, THEREFORE, in consideration of the approval and recordation by the City Council of the Phase III Final Map of the SUBDIVISION, SUBDIVIDER and CITY agree as follows:

1. SUBDIVIDER'S Obligations to Construct Improvements. For Phase III, SUBDIVIDER shall comply with the following:

- a. Comply with all the requirements of the Conditions of Approval.
- b. Construct and install at SUBDIVIDER'S own expense all the public improvement work required for Phase III in conformance with the Phase III Improvement Plan and CITY standards.
- c. For Phase III, commence the construction and installation of the improvements required for the Phase within one (1) year from the recordation of the Phase III Final Map and complete said work within one (1) year from the date of commencement of construction of the improvements for Phase III. The City Manager may extend the time for completion of the improvements for any Phase as provided in Section 20 below.
- d. Acquire and dedicate, or pay the cost of acquisition by CITY, of all rights-of-way, easements and other interests in real property for construction or installation of the public improvements, free and clear of all liens and encumbrances. SUBDIVIDER'S obligations with regard to acquisition by CITY of off-site rights-of-way, easements and other interests in real property shall be subject to a separate agreement between SUBDIVIDER and CITY.
- e. SUBDIVIDER shall also be responsible for obtaining any public or private drainage easements or authorizations to accommodate the SUBDIVISION.

2. Acquisition and Dedication of Easements or Rights-of-Way. If any of the public improvement and land development work contemplated by this Agreement is to be constructed or installed on land not owned by SUBDIVIDER, no construction or installation shall be commenced before:

- a. The offer of dedication to CITY of appropriate rights-of-way, easements or other interest in real property, and appropriate authorization from the property owner to allow construction or installation of the improvements or work, or
- b. The dedication to, and acceptance by, CITY of appropriate rights-of-way, easements or other interests in real property, as determined by the City Engineer, or
- c. The issuance by a court of competent jurisdiction pursuant to the State Eminent Domain Law of an order of possession. SUBDIVIDER shall comply in all respects with the order of possession.
- d. Nothing in Section 2 shall be construed as authorizing or granting an extension of time to SUBDIVIDER.

3. **Security.** SUBDIVIDER shall at all-times guarantee SUBDIVIDER'S performance of this Agreement by furnishing to CITY, and maintaining, good and sufficient security as required by the Subdivision Laws on forms approved by CITY for the purposes and in the amounts as follows:

3.1. **Lien.**

a. Following approval of the Phase III Final Map, and concurrently with the recordation thereof SUBDIVIDER shall grant CITY a lien upon the Property within the Phase III Final Map as security for completion of the improvements required for the Phase III Final Map pursuant to Government Code section 66499(e). CITY agrees to accept a lien upon the Property within the Phase III Final Map as full and complete security required by Government Code section 66499 for the recordation of the Phase III Final Map. Notwithstanding the foregoing, as a condition precedent to construction of the improvements for the Phase III Final Map, SUBDIVIDER agrees to provide, and CITY agrees to accept, replacement security in the form of bonds or other security reasonably acceptable to CITY, in the amounts provided in Section 3.2 below. Upon SUBDIVIDER providing such replacement security, CITY shall release the lien provided hereby from record title to SUBDIVIDER's property.

b. SUBDIVIDER hereby covenants and agrees for the benefit of CITY, to perform all of the obligations to construct and install the improvements required for the Phase III Final Map pursuant to this Agreement ("**Covenant**"). This Covenant shall run with the Property within the Phase III Final Map (the "**Property**") and be binding upon and inure to the benefit of the future owners, encumbrances, successors, heirs, personal representatives, transferees and assigns of the respective parties.

c. SUBDIVIDER agrees that SUBDIVIDER's duties and obligations under this Covenant are a lien upon the Property. Upon notice and opportunity to respond, CITY may add to the tax bill of the Property any past due financial obligation owing to CITY by way of this Covenant. Unless a substitute security reasonably acceptable to the City is provided by SUBDIVIDER, this lien shall attach to all real property within the Phase III Final Map and, except

as otherwise provided in Section 8(b) herein, shall have the priority of a lien in the amount necessary to complete the Phase III improvements required by this Agreement.

d. If either party is required to incur costs to enforce the provisions of this Covenant, the prevailing party shall be entitled to full reimbursement of all costs, including reasonable attorneys' fees, from the other party.

e. Failure of SUBDIVIDER to comply with the terms of this Covenant shall constitute consent to the filing by CITY of a Notice of Violation of Covenant.

f. Upon SUBDIVIDER's satisfactory completion of SUBDIVIDER's duties and obligations to construct the Phase III improvements contained herein, SUBDIVIDER may request and CITY shall execute a Satisfaction of Covenant or other documents reasonably requested by a title company to remove the lien. In the event SUBDIVIDER provides replacement security, CITY shall remove the lien from the Property as provided in Section 3.2.1(d) below.

g. Until such time as bonds or other acceptable security is posted for Phase III as set forth in Section 3.2.1 below, SUBDIVIDER shall not sell, lease or convey fee title to any individual residential lot in the Phase III property. Any such conveyance shall be a default hereunder. This section 3.1(g) shall not prohibit the bulk sale of the Property or the sale of the SUBDIVISION.

3.2 Bonds Required. The SUBDIVIDER shall present to the CITY for each Phase of the project surety bonds issued by a company authorized to issue surety bonds in the State of California as follows:

3.2.1 Phase III Bonds.

a. **Phase III Performance Bonds.** For Phase III, prior to commencement of construction of the improvements required by this Agreement for Phase III, SUBDIVIDER shall provide a performance bond in the amount of \$1,159,840.64 to secure the Phase III improvements which amount is equal to one hundred percent (100%) of the estimated cost of the improvements required for such Phase. The estimated costs of improvements for each Phase is set forth in Exhibit C, attached hereto, provided however, the City Engineer may require SUBDIVIDER to furnish increased amounts as necessary to compensate for any increase in construction costs as determined by the City Engineer.

b. **Phase III Labor and Materials Bond.** For Phase III, prior to commencement of construction of the improvements required by this Agreement for Phase III, a bond in the amount of \$1,159,840.64 to secure payment to any contractor, subcontractor, persons renting equipment, or furnishing labor and materials for the improvements required to be constructed or installed in Phase III which amount is equal to one hundred percent (100%) of the estimated cost of the improvements for such Phase.

c. **Site grading.** Prior to commencement of construction of the improvements required by this Agreement for Phase III, a bond in the amount of 25% of the estimated cost of site grading for the entire SUBDIVISION.

d. **Release of Lien.** Upon posting the bonds required above for Phase III, the lien shall be released by the CITY, and all provisions of Section 3.1 above shall terminate and be of no further force or effect. Upon posting the bonds (or acceptable alternate security), CITY shall quitclaim the lien, and execute such other documents reasonably requested by a title company, to remove the lien from record title to the Property.

3.2.2 Warranty Bond/Monumentation. Before the CITY accepts the improvements for any Phase, the following bonds shall be presented:

a. **Warranty.** In order to guarantee or warranty the work done pursuant to this Agreement for a period of one (1) year following acceptance of the improvements for Phase III against any defective work or labor done or defective materials furnished, SUBDIVIDER shall provide a warranty bond in the amount of 25% of the estimated cost of the improvements for such Phase. This bond shall remain in effect for one (1) year after the date of acceptance by the CITY of the improvements in such Phase required by this Agreement. The warranty bonds for each Phase shall be released one year after acceptance of the improvements in such Phase by the CITY.

b. **Monument.** SUBDIVIDER shall also furnish to CITY good and sufficient security in the amount of 100% of the estimated cost of setting subdivision monuments for Phase III.

3.3 Alternate Security. The securities required by this Agreement shall be kept on file with the City Clerk. In lieu of the bonds required, SUBDIVIDER may elect to utilize alternative security in a form reasonably approved by the City Engineer. If any security is replaced by another approved security, the replacement shall be filed with the City Clerk and, upon filing, shall be deemed to have been made a part of and incorporated into this Agreement. Upon filing of a replacement security with the City Clerk, the former security may be released.

4. Inspection. SUBDIVIDER shall at all times maintain proper facilities and safe access for inspection of the public improvements by CITY and to the shops wherein any work is in preparation. Upon completion of the work, the SUBDIVIDER may request a final inspection by the City Engineer or the City Engineer's authorized representative. If the City Engineer or the designated representative determines that the work has been completed in accordance with this Agreement, then the City Engineer shall certify the completion of the public improvements to the City Council. No improvements shall be finally accepted unless all aspects of the work have been inspected and determined to have been completed in accordance with the Improvement Plans and CITY standards. SUBDIVIDER shall bear all costs of plan check, inspection and certification.

5. Completion of Work. After SUBDIVIDER (a) completes the work for Phase III in accordance with the Phase III Improvement Plan and the terms and conditions of this Agreement, and (b) repairs any public property (other than public roads and streets) damaged as a result of the work or pays the full cost of such repair to the public owner whose property was damaged, SUBDIVIDER will provide CITY with a written notice of completion.

6. **Release of Securities.** Subject to approval by the City Council of CITY, the securities required by this Agreement shall be released as follows:

a. Security given for faithful performance of any act, obligation, work or agreement shall be released upon the final completion and acceptance of the act or work for Phase III, subject to the provisions of subsection (b) hereof. The CITY may not refuse to release any bond for a Phase on the grounds that the SUBDIVIDER has defaulted on another Phase.

b. The City Engineer may release a portion of the security given for faithful performance of improvement work as the improvement progresses upon application therefore by the SUBDIVIDER; provided however, that no such release shall be for an amount less than 25% of the total improvement security given for faithful performance of the improvement work for Phase III. In no event shall the City Engineer authorize a release of the improvement security which would reduce such security to an amount below that required to guarantee the completion of the improvement work for Phase III.

c. Security given to secure payment to the contractor, his or her subcontractors and to persons furnishing labor, materials or equipment shall, six (6) months after the completion and acceptance of the work, be reduced to an amount equal to the total claimed by all claimants for whom liens have been filed and of which notice has been given to the legislative body, plus an amount reasonably determined by the City Engineer to be required to assure the performance of any other obligations for Phase III secured by the security. The balance of the security shall be released upon the settlement of all claims and obligations for which the security was given.

d. No security given for the guarantee or warranty of work shall be released until the expiration of the warranty period and until any claims filed during the warranty period have been settled. As provided in Section 9, the warranty period shall not commence until final acceptance of all the work and improvements by the City Council.

e. CITY may retain from any security released an amount sufficient to cover costs and reasonable expenses and fees, including reasonable attorneys' fees caused by the default of SUBDIVIDER hereunder.

7. **Injury to Public Improvements, Public Property or Public Utilities Facilities.** SUBDIVIDER shall replace or have replaced, or repair or have repaired, as the case may be, in a timely manner, all public improvements, public utilities facilities and surveying or subdivision monuments which are destroyed or damaged as a result of any work under this Agreement. SUBDIVIDER shall bear the entire cost of replacement or repairs of any and all public or public utility property damaged or destroyed by reason of any work done under this Agreement, whether such property is owned by the United States or any agency thereof, or the State of California, or any agency or political subdivision thereof, or by CITY or any public or private utility corporation or by any combination of such owners. Any repair or replacement shall be to the satisfaction, and subject to the approval, of the City Engineer.

8. **Permits.** SUBDIVIDER shall, at SUBDIVIDER'S expense, obtain all necessary permits and licenses for the construction and installation of the improvements, give all necessary notices and pay all fees and taxes required by law.

9. **Default of SUBDIVIDER.**

a. **Conditions Constituting Default.** Default of SUBDIVIDER shall include, but not be limited to, SUBDIVIDER'S failure to timely commence construction of this Agreement pursuant to the terms of this Agreement; SUBDIVIDER'S failure to timely complete construction of the improvements pursuant to the terms of this Agreement; SUBDIVIDER'S failure to timely cure any defect in the improvements pursuant to the terms of this Agreement; SUBDIVIDER'S failure to perform substantial construction work for a period of twenty (20) days after commencement of the work (all of the foregoing subject to extension for delay as provided in Paragraph 20 herein); SUBDIVIDER'S insolvency, appointment of a receiver, or the filing of any petition in bankruptcy, either voluntary or involuntary, which SUBDIVIDER fails to discharge within thirty (30) days; the commencement of a foreclosure action against the SUBDIVISION or a portion thereof, or any conveyance in lieu or in avoidance of foreclosure; SUBDIVIDER's conveyance of interest pursuant to Section 3.1(g); or SUBDIVIDER'S failure to perform any other obligation under this Agreement.

b. **Phase III Default/Failure To Commence Construction of Phase III Improvements.** In the event SUBDIVIDER fails to commence construction of the Phase III improvements in the time provided herein, (subject to extension for delay as provided in Section 20 below), CITY'S sole remedy under this Agreement shall be termination of this Agreement and Reversion to Acreage of the Subdivision Phase with incomplete improvements. SUBDIVIDER shall reimburse the City its costs related to such Reversion to Acreage. The parties acknowledge that in the event SUBDIVIDER fails to commence construction of the Phase III improvements within the time required by this Agreement, the Property remains unchanged, in its unimproved and undeveloped state, and the parties remain in substantially the same position as prior to the execution of this Agreement. It is the intent of this Section 8(b) that if the SUBDIVIDER defaults by failing to commence construction of the Phase III improvements in the time required by this Agreement, SUBDIVIDER (or any successor in interest to the Property) would be able to re-submit an application for a subdivision improvement agreement and provide security in the amounts required by the CITY Engineer in order to construct the Phase III improvements at any time prior to the expiration of the tentative map (as modified by the Settlement Agreement). Notwithstanding any termination of this Agreement, the provisions of Section 3.1(g) (prohibiting the sale, lease or conveyance of individual, residential lots by SUBDIVIDER) shall remain in full force and effect unless and until adequate security is provided pursuant to another subdivision improvement agreement acceptable to CITY. In the event the Tentative Map (as modified by the Settlement Agreement) expires pursuant to its terms, CITY shall be entitled to revert the Phase III property to acreage pursuant to section 8(h) below.

c. **Default Following Commencement of Construction of Phase III.** Except as otherwise expressly provided herein, CITY reserves to itself all remedies available to it at law or in equity for breach of SUBDIVIDER'S obligations under this Agreement. Except as

otherwise provided in Section 8(b) above, CITY shall have the right, subject to this section, to draw upon or utilize the appropriate security to mitigate CITY damages in the event of default by SUBDIVIDER. The right of CITY to draw upon or utilize the security is additional to and not in lieu of any other remedy available to CITY pursuant to this Agreement, except as otherwise provided in Section 8(b) above. It is specifically recognized that the estimated costs and security amounts may not reflect the actual cost of construction or installation of the improvements and, therefore, CITY damages for SUBDIVIDER'S default shall be measured by the cost of completing the required improvements. The sums provided by the improvement security may be used by CITY for the completion of the public improvements in accordance with the Improvement Plans and specifications contained herein.

d. **Cure Period.** In the event of SUBDIVIDER'S default under this Agreement, CITY shall give written notice of such default to SUBDIVIDER. SUBDIVIDER shall have twenty (20) days following receipt of CITY's written notice, or a longer period if both parties mutually agree to an extension, for SUBDIVIDER to fully and completely remedy, to CITY'S satisfaction, the conditions constituting the default under this Agreement. If SUBDIVIDER fails to remedy the conditions constituting default within the cure period, except as otherwise provided in Section 8(b) above, CITY may at its option, construct and install such improvements or perform such act. If upon SUBDIVIDER'S default and failure to cure within the cure period, CITY undertakes to complete the construction and installation of the improvements or any other act required by this Agreement, except as otherwise provided in Section 8(b) above, CITY shall be entitled to recover the full costs and expenses incurred by CITY in completing such improvements or performing such acts from SUBDIVIDER or from any security furnished by SUBDIVIDER. In such event, CITY may take over the work and prosecute the same to completion, by contract or by any other method CITY may deem advisable, for the account and at the expense of SUBDIVIDER, and SUBDIVIDER'S Surety shall be liable to CITY for any excess cost or damages occasioned CITY thereby; and, in such event, CITY, without liability for so doing, may take possession of, and utilize in completing the work, such materials, appliances, plant and other property belonging to SUBDIVIDER as may be on the site of the work and necessary for performance of the work.

e. **Payment of Costs and Expenses.** Except as otherwise provided in Section 8(b) above, in the event that SUBDIVIDER fails to perform any obligation hereunder, SUBDIVIDER agrees to pay all costs and expenses incurred by CITY in securing performance of such obligations, including costs of suit and reasonable attorneys' fees.

f. **No Waiver.** The failure of CITY to take an enforcement action with respect to a default, or to declare a breach, shall not be construed as a waiver of that default or breach or subsequent default or breach of SUBDIVIDER.

g. **Final Maps/Damages To CITY.** Except as otherwise provided in Section 3.1(g) and 8(b) herein, SUBDIVIDER recognizes that by approval of each Final Map for each Phase of the SUBDIVISION, CITY has conferred substantial rights upon SUBDIVIDER, including the right to sell, lease, or finance lots within the SUBDIVISION, and has taken the final act necessary to subdivide the Property within each Phase of the SUBDIVISION. As a result, CITY will be damaged to the extent of the cost of installation of the improvements for Phase III

by SUBDIVIDER'S failure to perform its obligations under this Agreement, including, but not limited to, SUBDIVIDER'S obligation to complete construction of the improvements for Phase III by the time established in this Agreement. CITY shall be entitled to all remedies available to it pursuant to this Agreement in the event of a default by SUBDIVIDER.

h. **Reversion To Acreage.** Notwithstanding anything to the contrary herein, CITY shall not have the remedy of rescinding the tentative map approval or reverting to acreage the portion of SUBDIVISION not in default of this Agreement, or any other remedy inconsistent with the Settlement Agreement, unless and until the tentative map expires pursuant to the terms of the Settlement Agreement.

10. **Warranty.** For each Phase, SUBDIVIDER shall guarantee or warranty the work done pursuant to this Agreement for a period of one (1) year after final acceptance by City Council of the work and improvements against any defective work or labor done or defective materials furnished. If within the warranty period any work or improvement or part of any work or improvement done, furnished, installed, constructed or caused to be done, furnished, installed or constructed by SUBDIVIDER fails to fulfill any of the requirements of this Agreement or the improvement plans and specifications referred to herein, SUBDIVIDER shall without delay and without any cost to CITY, repair or replace or reconstruct any defective or otherwise unsatisfactory part or parts of the work or structure. Should SUBDIVIDER fail to act promptly or in accordance with this requirement and fails to cure a default following written notice thereof from CITY within the time required by Section 8(d) above (and notice to SUBDIVIDER'S surety), SUBDIVIDER hereby authorizes CITY, at CITY'S option, to perform the work immediately upon SUBDIVIDER'S failure to cure within the time required by Section 8(d) and agrees to pay the cost of such work by CITY. Should CITY determine that an urgency requires repairs or replacements to be made before SUBDIVIDER can be notified, CITY may, in its sole discretion, make the necessary repairs or replacements or perform the necessary work and SUBDIVIDER shall pay to CITY the cost of such repairs.

11. **SUBDIVIDER Not Agent of CITY.** Neither SUBDIVIDER nor any of SUBDIVIDER'S agents or contractors are or shall be considered to be agents of CITY in connection with the performance of SUBDIVIDER'S obligations under this Agreement.

12. **Injury to Work.** Until such time as the improvements are accepted by CITY, SUBDIVIDER shall be responsible for and bear the risk of loss to any of the improvements constructed or installed. Until such time as all improvements required by this Agreement are fully completed and accepted by CITY, SUBDIVIDER will be responsible for the care, maintenance of and any damage to such improvements. CITY shall not, nor shall any officer or employee thereof, be liable or responsible for any accident, loss or damage, regardless of cause, happening or occurring to the work or improvements specified in this Agreement prior to the completion and acceptance of the work or improvements. All such risks shall be the responsibility of and are hereby assumed by SUBDIVIDER.

13. **Other Agreements.** Nothing contained in this Agreement shall preclude CITY from expending monies pursuant to agreements concurrently or previously executed between the parties, or from entering into agreements with other subdividers for the apportionment of costs of water and sewer mains, or other improvements, pursuant to the provisions of CITY ordinances providing therefor, nor shall anything in this Agreement commit CITY to any such apportionment.

14. **SUBDIVIDER'S Obligation to Warn Public During Construction.** Until final acceptance of the improvements, SUBDIVIDER shall give good and adequate warning to the public of each and every

dangerous condition existent in said improvements, and will take all reasonable actions to protect the public from such dangerous condition.

15. **Vesting of Ownership.** Upon acceptance of the work on behalf of CITY and recordation of the Notice of Completion, ownership of the improvements constructed pursuant to this Agreement shall vest in CITY.

16. **Indemnity/Hold Harmless.**

a. CITY or any officer, agent, or employee thereof shall not be liable for any injury to persons or property occasioned by reason of the acts or omissions of SUBDIVIDER, its agents or employees in the performance of this Agreement. SUBDIVIDER further agrees to protect and hold harmless CITY, its officials and employees from any and all claims, demands, causes of action, liability or loss of any sort, including, but not limited to, attorneys' fees and litigation expenses, because of, or arising out of, acts or omissions of SUBDIVIDER, its agents or employees in the performance of this Agreement, including all claims, demands, causes of action, liability, or loss because of, or arising out of, in whole or in part, the design or construction of the improvements. This indemnification and agreement to hold harmless shall extend to injuries to persons and damages or taking of property resulting from the design or construction of said SUBDIVISION, and the public improvements as provided herein, and in addition, to adjacent property owners as a consequence of the diversion of waters from the design or construction of public drainage systems, streets and other public improvements. CITY shall promptly notify the SUBDIVIDER of any claim, action or proceeding and shall cooperate fully in any defense. Notwithstanding the foregoing, or anything herein to the contrary, SUBDIVIDER shall not have any indemnity obligation for claims arising out of the CITY's sole negligence or willful misconduct.

b. Acceptance by CITY of the improvements shall not constitute an assumption by CITY of any responsibility for any damage or taking covered by this paragraph. CITY shall not be responsible for the design or construction of the SUBDIVISION or the improvements pursuant to the approved Improvement Plans or map, regardless of any negligent action or inaction taken by CITY in approving the plans or map, unless the particular improvement design was specifically required by CITY over written objection by SUBDIVIDER submitted to the City Engineer before approval of the particular improvement design, which objection indicated that the particular improvement design was dangerous or defective and suggested an alternative safe and feasible design. Except as may be provided above, CITY shall not be liable for any negligence, nonfeasance, misfeasance or malfeasance in approving, reviewing, checking, or correcting any plans or specifications or in approving, reviewing or inspecting any work or construction. Nothing contained in this paragraph is intended to or shall be deemed to limit or waive any protections or immunities afforded by law to CITY, its officials, agents and employees, by virtue of CITY's approval of the plan or design of the improvements, including without limitation the protections and immunities afforded by Government Code Section 830-6. After acceptance of the improvements, SUBDIVIDER shall remain obligated to eliminate any defect in design or dangerous condition caused by the design or construction defect; however, SUBDIVIDER shall not be responsible for routine maintenance. Provisions of this paragraph shall remain in full force and effect for ten (10) years following the acceptance by CITY of the improvements. It is the intent of this paragraph that SUBDIVIDER shall be

responsible for all liability for design and construction of the improvements installed or work done pursuant to this Agreement and that CITY shall not be liable for any negligence, nonfeasance, misfeasance or malfeasance in approving, reviewing, checking, or correcting any plans or specifications or in approving, reviewing or inspecting any work or construction. The improvement security shall not be required to cover the provisions of this paragraph. Notwithstanding the foregoing, or anything herein to the contrary, SUBDIVIDER shall not have any liability, obligation or responsibility for claims arising out of the CITY's sole negligence or willful misconduct.

17. Insurance. SUBDIVIDER shall maintain Comprehensive Liability Insurance protecting the CITY from incidents as to bodily injury liability and property damage liability that may occur as a result of the work and construction of the SUBDIVISION and Improvements, as well as additional warranty repairs. SUBDIVIDER shall provide a certificate of insurance to CITY before any work on Phase III commences. The insurance policy shall contain, or be endorsed to contain, the following provisions:

- a. The CITY, its officers, officials, employees, consultants and agents are to be covered as additional insureds as respects liability arising out of activities performed by or on behalf of SUBDIVIDER. The coverage shall contain no special limitations on the scope of protection afforded to the CITY, its officers, officials, employees, consultants and agents.
- b. The amounts of public liability and property damage coverage shall not be less than \$1,000,000 per occurrence for bodily injury, personal injury and property damage.
- c. The insurance shall be maintained in full force until Phase III has been completed to the satisfaction of the City Engineer.
- d. The insurance policy shall provide for 30 days notice of cancellation to the CITY. The policy shall not be cancelled earlier than nor the amount of coverage be reduced earlier than 30 days after the CITY receives, notice from the insurer of the intent of cancellation or reduction.
- e. Any failure to comply with the reporting provisions of the policy shall not affect the coverage provided to the CITY, its officers, officials, employees, consultants and agents.
- f. SUBDIVIDER'S insurance coverage shall be the primary insurance as respects the CITY, its officers, officials, employees, consultants and agents. Any insurance or self-insurance maintained by the CITY, its officers, officials, employees, consultants or agents shall be in excess of SUBDIVIDER'S insurance and shall not contribute to it. If commercially available, the insurance policy shall contain a waiver of subrogation for the benefit of the CITY.

In the event that SUBDIVIDER'S insurance is cancelled, SUBDIVIDER shall provide replacement coverage or all work must cease as of the cancellation date until replacement insurance coverage is provided.

18. Worker's Compensation Insurance. SUBDIVIDER shall provide, or cause to be provided, Workers' Compensation insurance as required by law, and shall cause its contractors and their subcontractors, agents and representatives to also maintain Workers' Compensation insurance as required by law. No work on Phase III shall commence until such Workers' Compensation insurance is obtained and in full force and effect.

19. Time of the Essence. Time is of the essence of this Agreement.

20. **Time for Commencement of Work/Time Extensions.** SUBDIVIDER shall commence substantial construction of the improvements required by this Agreement as provided in Section 1(c) above. In the event good cause exists as determined by the City Manager, the time for commencement of construction or completion of the improvements in Phase III hereunder may be extended. The request for extension shall be made in writing to the City Manager. The approval of the extension shall be executed by the City Manager. Any such extension may be granted without notice to SUBDIVIDER'S Surety and shall not affect the validity of this Agreement or release the Surety or Sureties on any security given for this Agreement. The City Manager shall be the sole and final judge as to whether or not good cause has been shown to entitle SUBDIVIDER to an extension. Delay due to strikes, boycotts, similar actions by employees or labor organizations, inclement weather, acts of terrorism, applicable restrictions imposed or mandated by governmental or quasi-governmental entities (including, without limitation, new or supplementary environmental regulations, coastal development permit requirements or moratoriums), litigation, or for other reason beyond the control of the SUBDIVIDER which prevent the conducting of work, and which were not caused by or contributed to by SUBDIVIDER, shall constitute good cause for an extension of the time for commencement of construction and/or completion. As a condition of such extension, the City Manager may require SUBDIVIDER to furnish new security guaranteeing performance of this Agreement as extended in an increased amount as necessary to compensate for any increase in construction costs as determined by the City Engineer. Any extension of time for such delay shall be given only for the period of time commencing on the date the delay actually prevents SUBDIVIDER from performing its obligations hereunder and ending on the date when such delay ceases to prevent SUBDIVIDER from performing its obligations hereunder. In the event the City Manager rejects an extension request from SUBDIVIDER, SUBDIVIDER may appeal such decision and seek an extension from the City Council.

21. **Notices.** All notices required or provided for under this Agreement shall be in writing and delivered in person or sent by mail, postage prepared, and addressed as provided in this section. Notice shall be effective on the date it is delivered in person or, if mailed, on the date of deposit in the United States Mail. Notices shall be addressed as follows, unless a written change of address is filed with CITY.

CITY: City Engineer
 City of Half Moon Bay
 501 Main Street
 Half Moon Bay, California 94019

SUBDIVIDER:

^{a7}
1939 Ailanto Properties, Inc.
1901 Harrison Street, Suite 1430 711 ^{a7}
Oakland, CA 94612
Attn: Albert Fong, President

22. **Litigation or Arbitration.** In the event that suit or arbitration is brought to enforce the terms of this Agreement, the prevailing party shall be entitled to litigation costs and reasonable attorneys' fees.

23. **Incorporation of Recitals.** The Recitals to this Agreement are hereby incorporated into the terms of this Agreement.

24. **Entire Agreement.** This Agreement, and the Settlement Agreement, constitute the entire agreement of the parties with respect to the subject matter. All modifications, amendments, or waivers of the terms of this Agreement must be in writing and signed by the appropriate representatives of the parties. In the case of CITY, the appropriate party shall be the City Manager.


25. **Drafting.** The provisions of this Agreement shall be construed as to the fair meaning and not for or against any party based upon any attribution of such party as the sole source of the language in question.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the effective date first written above.

SUBDIVIDER:

AILANTO PROPERTIES, Inc.

By:


Albert Fong
President

CITY:

CITY OF HALF MOON BAY:

By:


Magda González, City Manager

(Proper Notarization of SUBDIVIDER'S signature is required and shall be attached)

ATTEST:

By:


Jessica Blair, City Clerk

APPROVED AS TO FORM:

By:


City Attorney

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA


COUNTY OF Alameda

SS.

On 12/20/2017, before me, Pratistha Rai,
Notary Public, personally appeared Albert Fong, who proved to me
on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed
to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in
his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the
instrument the person(s), or the entity upon behalf of which the person(s) acted, executed
the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California
that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

(Signature)  (Seal)

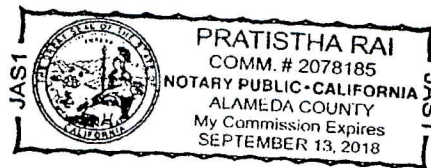


EXHIBIT A
Vesting Tentative Map

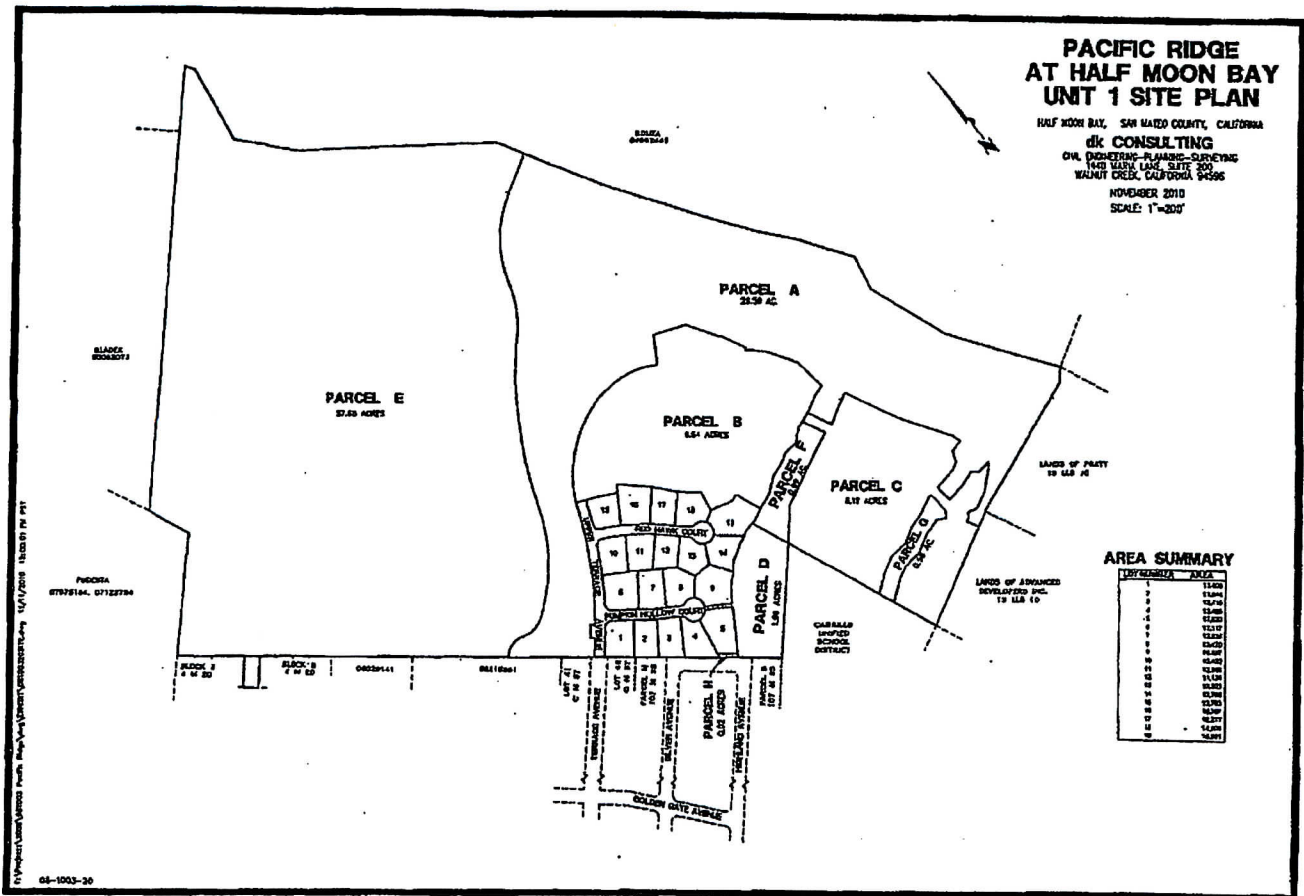


EXHIBIT B
Conditions of Approval

EXHIBIT B
LIST OF INAPPLICABLE VESTING TENTATIVE MAP CONDITIONS

A. The Parties agree that the following conditions attached to the City's approval of the VTM on August 7, 1990 (Half Moon Bay City Council Resolution No. 38-90), are inconsistent with the terms and conditions of the Settlement Agreement including the modified Approval of the CDP specified therein. As such, the following conditions (or portions thereof as shown below in strike-through text) no longer apply to the Project.

1. Vesting Tentative Map Condition 11:

~~That fire flow and all other applicable Fire Code Regulations shall be to the satisfaction of the Fire District. That the applicant shall agree to participate in the formation of a special service zone to assist in funding the additional manpower required to service the project. As additional fire service zones are developed, the assessment may be adjusted as necessary to reflect the proportionate contribution of each area for fire protection services. Prior to the issuance of building permits, the applicant shall execute an agreement with the Fire District which shall provide for fully funding the first year's assessment at a date set forth in the agreement.~~

[Given the greatly reduced density of the Project, there is no need for the formation of a special service zone/fire assessment district. Further, the roads serving the subdivision will be of adequate dimensions with turn-arounds to accommodate emergency services vehicles, fire hydrants will be provided with adequate fire flow, and all Project homes will be equipped with sprinklers.]

2. Vesting Tentative Map Condition 21:

~~That subdivider shall dedicate land for park and recreation purposes pursuant to Chapter 17.16 of the Half Moon Bay Municipal Code. Any land to be dedicated for this purpose shall be shown and dedicated on the Final Map.~~

[VTM Condition 21 will be satisfied by Allanto's compliance with Commission Special Conditions 3(A) and 3(H).]

3. Vesting Tentative Map Condition 22:

~~Unless previously addressed as a part of the Terrace Avenue Assessment District, the subdivider shall be subject to standard storm drainage improvement fees, which shall be collected prior to approval of the Final Map, in accordance with Chapter 17.08 of the Half Moon Bay Municipal Code.~~

[As of April 3, 1998, Allanto paid in full all storm drainage improvement fees as part of the Terrace Avenue Assessment District. The total amount of fees paid was \$955,014.31.]

Exhibit 1
A-1-HMB-99-022-A1
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4. Vesting Tentative Map Condition 25:

A public utilities easement, having a minimum width of 4 feet, shall be provided on each side of all streets except Foothill Blvd ~~the street serving lots 1-3 where the public utilities easement may be provided on one side of the street.~~ The public utilities easements shall be outside the street right-of-way but shall be adjacent to and contiguous with the street right-of-way. ~~The public utility easements on Foothill Blvd, one on either side of the roadway, shall be within the right-of-way.~~

[The proposed amendments strike a reference to the Foothill Boulevard right-of-way, which would conflict with Paragraphs 5(E) and 7 of the Settlement Agreement and which the City has initiated proceedings to eliminate from its General Plan. The proposed amendments would also clarify that the street serving the flag lots 1-3 need only have a public utilities easement on one side of the road.]

5. Vesting Tentative Map Condition 35:

~~That no more than 100 dwelling units may be constructed prior to the connection of Foothill Boulevard to Highway 1. The Half Moon Bay Fire Protection District shall approve an all-weather emergency access road to the development prior to the issuance of any permits for the first 50 dwellings in the event that building permits are requested prior to any connection to Highway 1 being completed.~~

[The deletion is necessary as the condition refers to the Foothill Boulevard right-of-way, which would conflict with Paragraphs 5(E) and 7 of the Settlement Agreement and which the City has initiated proceedings to eliminate from its General Plan. An emergency access road is inconsistent with Commission Special Condition 6 which only allows for one stream crossing each of Streams 1, 2, and 3 to access the Project homes. Further, such a road is not required given: (1) the significantly reduced density of the Project, (2) the fact that adequate fire hydrants with necessary fire flow will be provided per VTM Conditions 11 and 20, (3) that the roads within the subdivision will be of adequate dimensions with turn-arounds to accommodate emergency services vehicles, and (4) that all Project homes will be equipped with sprinklers and have lighted addresses so as to be easily visible to approaching emergency vehicles.]

6. Vesting Tentative Map Condition 36:

~~That the subdivider will be subject to standard traffic mitigation fees, which shall be collected prior to approval of the Final Map, which can be used in the future for any signals or intersection improvements that need to be installed in the vicinity if cumulative impacts warrant those signals or improvements to the satisfaction of the Director of Public Works. Any previous financial commitment from the developer to the City pertaining to roadway improvements shall be credited toward the required fees.~~

[Allanto's payment of the in lieu CTMC fee and funding of signalization and widening at the intersection of Highway J and Terrace Avenue per Paragraphs 5(D) and 5(E) of the Settlement Agreement satisfies in full the Project's traffic mitigation obligations.]

7. Vesting Tentative Map Condition 37:

~~That unless the subdivider can provide the City with proof of title or interest in that portion of the adjacent parcel (056-310-150 - Cabrillo Unified School District) within 40.00 feet of the centerline of Foothill Blvd. prior to submitting a Final Map, then the subdivider shall submit an Amended Vesting Tentative Map with the Foothill Blvd. right-of-way wholly within the Dykstra Ranch Subdivision.~~

[The deletion is necessary as the condition refers to the Foothill Boulevard right-of-way, which would conflict with Paragraphs 5(E) and 7 of the Settlement Agreement and which the City has initiated proceedings to eliminate from its General Plan.]

8. Vesting Tentative Map Condition 38: the street names referenced in this condition will not apply to the modified Project. The design standards for the curbs, sidewalks, and streets specified therein shall otherwise remain in effect.

9. Vesting Tentative Map Condition 39:

~~That prior to the recordation of any Final Map for this development, the Planning Director shall review said map or maps to ensure that guest parking bays are provided in the right-of-way at a ratio of not less than one space for each unit. Said guest parking bays shall be located to provide close and convenient parking areas to support the adjacent residences.~~

[Due to the fewer homes and larger driveways, it is unnecessary to provide guest parking bays in the public right-of-way.]

B. The Parties further agree that the following sections of the Dykstra Ranch Planned Unit Development Plan (Chapter 18.16 of the Half Moon Bay Zoning Ordinance), referenced in Vesting Tentative Map Conditions 1, 13, 30, and 40, are inconsistent with the terms and conditions of the Settlement Agreement including the modified Approval of the CDP specified therein, and do not therefore apply to the Project: §§ 18.16.015, 18.16.035(C)(6) (provision authorizing increased rear yard setback area), 18.16.035(F), 18.16.035(G)(1) and (2), 18.16.040, 18.16.045, 18.16.050, 18.16.055, and 18.16.070(A), (B) (requirement for parking bays), (E), and (F).

[The above-referenced provisions of the Dykstra Ranch PUD Plan are inconsistent with the terms of the Settlement Agreement and/or the Commission's Special Conditions as follows:

- Section 18.16.015 (Phasing of Development) is replaced by Paragraph 14 of the Settlement Agreement.

- Allanto will comply with the minimum rear yard setback of 20 feet set forth in Section 18.16.035(C)(6). The provision authorizing the Planning Commission to increase the rear yard setback for development abutting a required habitat buffer zone or other environmentally sensitive area shall not apply, however, since it is inconsistent with Commission Special Condition 6 and Paragraph 13 of the Settlement Agreement.
- Due to the larger homes to be authorized by the modified Approval of the CDP, 3-car garages as opposed to 2-car garages per Section 18.16.035(F) will be provided. Guest parking bays (referenced in §§18.16.035(F) and 18.16.070(B)) will be unnecessary given the larger driveways accompanying the 3-car garages which allow for off-street guest parking.
- The prohibition on perimeter fences and restrictions on privacy fencing (*see*, 18.16.035(G)(1) and (2)) is inconsistent with the requirement of Commission Special Conditions 2 and 5.A.7 for a perimeter fence separating the developed area from the open space area and is further impracticable given the lots sizes (*i.e.*, approximately 10,000 square feet).
- All of the recreational facilities to be provided in conjunction with the Project are outlined in Commission Special Condition 3. Thus, Section 18.16.040 does not apply.
- Sections 18.16.045 (Development Adjacent to Sensitive Habitat), 18.16.050 (Preservation of Streams, Wetlands Habitats, and Lake) and 18.16.055 (Preservation of the Pond) are inconsistent with Commission Special Conditions 1 (Revised Subdivision Plan), 2 (Open Space and Conservation Easement - Habitat Protection), 5 (Habitat Management Plan) and 6 (Riparian Corridor Protection).
- Section 18.16.070(A) and (E) reference the Foothill Boulevard right-of-way which would conflict with Paragraphs 5(E) and 7 of the Settlement Agreement and which the City has initiated proceedings to eliminate from its General Plan.
- The project will not include gated entrances. Therefore, the specifications contained in 18.16.070(F) regarding gated entrances are inapplicable.]

EXHIBIT C

**Pacific Ridge at Half Moon Bay
Phasing Matrix**

dk Consulting
08-1003-20
May 4, 2011

	Grading	Phase 1 Lots 1-19	Phase 2 Lots 20-45	Phase 3 Lots 46-63
Mass Grading	X			
Pad Grading	X			
Erosion Control	X	X	X	X
Water Improvements within street including laterals and hydrants		X	X	X
Sewer Improvements within street including structures and laterals		X	X	X
Storm Drain Improvements within streets and lots including structures		X	X	X
Dry utilities including CATV, Elec, Gas, Tele		X	X	X
Street Improvements (street section, curb, gutter, sidewalk, DG step out)		X	X	X
Irrigation system		X	X	X
Street Lights including wiring		X	X	X
Retaining Walls	X	X	X	X
Trailing Parking		X		
CDS unit		X		X
Open Space Trail in Parcel A	X	X		
Park site including Bioswale	X			
Bridge				X
Super Span Culvert				X
Water main jack and bore under creek		X		X
Sewer jack and bore under creek		X		
Storm Drain Outfalls including rip rap	X	X	X	X

EXHIBIT B

Copy of Deed of Trust commences on next page

RECORDING REQUESTED BY:

WHEN RECORDED MAIL TO:

City of Half Moon Bay
501 Main Street
Half Moon Bay, CA 94019
Attention: Director of Public Works

SPACE ABOVE THIS LINE FOR RECORDER'S USE

DEED OF TRUST

THIS DEED OF TRUST is made as of Dec. 20, 2017, between Ailanto Properties, Inc., a California corporation ("**Trustor**"), and the City of Half Moon Bay, a California political subdivision ("**City**" or "**Beneficiary**"), and Old Republic Title Company ("**Trustee**").

Recitals

A. Concurrently herewith, Trustor and City entered into a Phase III Subdivision Improvement Agreement under the terms of which Trustor is obligated to construct, warrant and maintain, as the case may be, certain improvements required for Phase III of the Pacific Ridge at Half Moon Bay subdivision located in the City (the "**Phase III Improvement Agreement**") and an Agreement Securing Performance for Phase III (the "**Agreement Securing Performance**").

B. The Phase III Improvement Agreement requires that Trustor secure the performance of its obligations under the Phase III Improvement Agreement by means of cash, bond, letter of credit or a first deed of trust on the property commonly known as Pacific Ridge at Half Moon Bay, Unit 3 (the "**Real Property Security**").

C. By execution of the Agreement Securing Performance, Trustor elected to secure all of its Obligations as that term is defined in the Agreement Securing Performance, with the Real Property Security, subject to the provisions of Section 3 of the Phase III Improvement Agreement, which allows for substitution of certain bonds or other replacement security reasonably acceptable to the City.

D. Any capitalized terms not defined in this Deed of Trust will have the meaning set forth in the Agreement Securing Performance.

Agreement

TRUSTOR HEREBY irrevocably grants, transfers, and assigns to Trustee, in trust, with power of sale, that property in the County of San Mateo, State of California, legally described on

Exhibit A and further depicted on **Exhibit B**, both of which Exhibits are attached hereto and incorporated herein by this reference.

The above real property (the "**Property**") consists of approximately 8.20 acres and is commonly known as Phase III of Pacific Ridge at Half Moon Bay, in Half Moon Bay, California, and is identified as a portion of San Mateo County Assessor's Parcel Number 056-350-050.

Trustor grants, transfers and assigns the Property, together with the rents, issues and profits thereof, subject, however, to the Phase III Improvement Agreement, and also to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits, for the purpose of securing (1) performance of its Obligations under the Agreement Securing Performance, and (2) the performance of each agreement of Obligor and Trustor incorporated by reference or contained herein or reciting it is so secured.

Subject to the provisions of the Phase III Improvement Agreement, upon the sale, transfer, hypothecation, assignment, refinancing or encumbrance, whether voluntary, involuntary or by operation of law, of all or any part of the Property or any interest therein while this Deed of Trust remains in effect, Trustor shall offer Beneficiary alternative security including cash, letter of credit, bond or a deed of trust in other real property owned by the Trustor (collectively, "**Substitute Security**") provided that such Substitute Security shall have a value not less than \$1,165,500.00 as of December 2017, increased at an annual rate of 5% to the date that such Substitute Security is accepted by Beneficiary. In the event that the Beneficiary does not receive Substitute Security that is reasonably satisfactory hereunder, the Beneficiary may, at its sole option, by ninety (90) days' prior written notice to Trustor, declare the entire amount of the Obligations immediately due and payable, except to the extent such acceleration by Beneficiary is prohibited by law. Trustor will notify Beneficiary promptly in writing of any transaction or event which may give rise to a right of acceleration hereunder. In addition to other damages and costs resulting from Trustor's breach of Trustor's obligations under this paragraph, Trustor acknowledges that failure to give such notice may damage Beneficiary in an amount equal to not less than the difference between the interest payable on the obligations hereby secured and the interest which Beneficiary could obtain on said sum on the date when the event of acceleration occurred. Trustor will pay to Beneficiary all damages Beneficiary sustains by reason of the breach of the covenant of notice set forth herein.

All costs and expenses reasonably incurred by Trustee and Beneficiary in pursuit of any remedies provided in the Agreement Securing Performance and herein upon the default of Trustor including, without limitation, court costs, and reasonable attorneys' fees and costs, whether incurred in litigation or not, will bear interest at the maximum rate allowed by law, from the date of expenditure until such sums have been paid in full. All such sums will be secured hereby and Beneficiary will be entitled to bid, at the sale of the Property held pursuant to the terms hereof, all such costs, expenses, and interest in addition to the amount of other obligations hereby secured as a credit bid, the equivalent of cash.

A. TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR AGREES, SUBJECT TO THE PROVISIONS OF THE PHASE III IMPROVEMENT AGREEMENT:

(1) **Maintenance and Repair.** To keep the Property in good condition and repair; not to remove or demolish any buildings on the Property; to complete or restore promptly and in good and workmanlike manner any building that may be constructed, damaged, or destroyed on the Property; to pay when due all claims for labor performed and materials furnished for the Property; to comply with all laws affecting the Property or requiring any alterations or improvements to be made on the Property; not to commit or permit waste of the Property; not to commit, suffer, or permit any act on the Property in violation of law; and to cultivate, irrigate, fertilize, fumigate, prune, and do all other acts that from the character or use of the Property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) **Defense of Security.** To appear in and defend any action or proceeding purporting to affect the security of this Deed of Trust or the rights or powers of Beneficiary, or Trustee; and to pay all costs and expenses reasonably incurred, including cost of evidence of title and attorneys' fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed of Trust or otherwise to enforce its rights hereunder and/or under the Agreement Securing Performance.

(3) **Payment of Liens and Taxes.** To pay, before delinquency, all taxes and assessments affecting the Property, including assessments on appurtenant water stock; all encumbrances, charges, and liens, with interest, on the Property or any part of the Property, which appear to be prior or superior to this Deed of Trust; and all costs, fees, and expenses of this Trust.

If Trustor fails to make any payment or to do any act as provided in this Deed of Trust, then Beneficiary or Trustee may (but is not obligated to) make the payment or do the act in the required manner and to the extent reasonably deemed necessary by Beneficiary or Trustee to protect the security of this Deed of Trust. The performance by Beneficiary or Trustee of such an act shall not release Trustor from any obligation under this Deed of Trust. Beneficiary or Trustee shall also have the following related rights and powers: to enter on the Property for the foregoing purposes; to appear in and defend any action or proceeding purporting to affect the security of this Deed of Trust or the rights or powers of Beneficiary or Trustee; to pay, purchase, contest, or compromise any encumbrance, charge, or lien that in the judgment of either appears to be prior or superior to this Deed of Trust; to employ counsel; and to pay necessary expenses and costs, including attorneys' fees. Neither Beneficiary nor Trustee shall take any action permitted under this paragraph until written notice has first been given by Beneficiary to Trustor and Trustor has been allowed a period of not less than thirty (30) days to cure the failure that is the subject of the written notice.

(4) **Reimbursement of Costs.** To pay immediately and without demand all sums reasonably expended by Beneficiary or Trustee pursuant to this Deed of Trust, with interest from date of expenditure at the amount allowed by law in effect at the date of this Deed of Trust, and to pay any amount permitted hereunder and reasonably demanded by Beneficiary (up to the

maximum allowed by law at the time of the demand) for any statement regarding the obligation secured by this Deed of Trust.

B. THE PARTIES AGREE THAT:

(1) Intentionally Omitted.

(2) Waiver of Late Payments or Performance. By accepting payment of any sum, or performance of any obligation, secured by this Deed of Trust after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured, or prompt performance of all other obligations so secured, or to declare default for failure to pay any indebtedness or to perform any obligations secured by this Deed of Trust.

(3) Trustee's Power. On written request of Beneficiary and presentation of this Deed of Trust, Trustee may (a) reconvey all or any part of the Property; (b) consent to the making and recording, or either, of any map or plat of all or any part of the Property; (c) join in granting any easement on the Property; or (d) join in or consent to any extension agreement or any agreement subordinating the lien, encumbrance, or charge of this Deed of Trust. Trustee need not provide Trustor with notice before taking any of the foregoing actions, and shall not be liable for the proper performance of the act. The exercise by Trustee of any of the foregoing powers shall not affect the personal liability of any person for payment of the indebtedness secured by this Deed of Trust, or the lien of this Deed of Trust on the remaining property as security for the repayment of the full amount secured by this Deed of Trust.

(4) Full Reconveyance. On written request of Beneficiary and surrender of this Deed of Trust to the Trustee for cancellation and retention, and payment of Trustee's fees and charges, Trustee shall reconvey, without warranty, the Property then subject to this Deed of Trust. The recitals in the reconveyance shall be conclusive proof of the truthfulness of the recitals. The grantee in the reconveyance may be described as "the person or persons legally entitled thereto." Five years after issuance of the full reconveyance, Trustee may destroy this Deed of Trust, unless directed in the request to retain them.

(5) Default in Foreclosure. On default by Trustor in the performance of any obligation secured by this Deed of Trust, Beneficiary may declare Trustor to be in default hereunder by delivering to Trustee a written declaration of default and demand for sale and a written notice of default and election to sell the Property. In no event shall Beneficiary deliver such written declaration of default and demand for sale to Trustee until Beneficiary has first delivered written notice of Trustor's default to Trustor and allowed Trustor not less than thirty (30) days after receipt of such notice to cure the default. Trustee shall cause the notice of default and election to sell to be recorded. Beneficiary also shall deposit with Trustee this Deed of Trust and all documents evidencing any additional expenditures secured by this Deed of Trust.

After the required time period has lapsed following the recordation of the notice of default, and after notice of sale has been given as required by law, Trustee, without demand on Trustor, shall sell the Property at the time and place specified in the notice of sale, either as a whole or in separate parcels, and in any order determined by Trustee, at public auction to the highest bidder

for cash in lawful money of the United States, payable at the time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at the time and place of sale, and from time to time thereafter may postpone the sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to the purchaser at the auction its deed conveying the Property sold, but without any covenant or warranty, express or implied. The recital in the deed of any matter or fact shall be conclusive proof of the truthfulness of the recital. Any person, including Trustor, Trustee, or Beneficiary, may purchase at the sale.

After deducting all reasonable costs, fees, and expenses of Trustee and Beneficiary under this paragraph, including costs of procuring evidence of title incurred in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms of this Deed of Trust, not then repaid, with accrued interest at the amount allowed by law in effect at the date of this Deed of Trust; all other sums then secured by this Deed of Trust; and the remainder, if any, to the person or persons legally entitled to the remaining proceeds.

(6) General Provisions. This Deed of Trust applies to, inures to the benefit of, and binds all parties to this Deed of Trust and their heirs, legatees, devisees, administrators, executors, successors, and assigns. The term "Beneficiary" shall mean the holder and owner, including pledgee, of obligee of the Agreement Securing Performance and the Phase III Improvement Agreement, whether or not named as a beneficiary in this Deed of Trust, and the heirs, legatees, devisees, administrators, executors, successors, and assigns of any such person. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

(7) Acceptance by Trustee. Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party to this Deed of Trust of pending sale under any other deed of trust or of any action or proceeding in which Trustor, Beneficiary, or Trustee shall be a party unless brought by Trustee.

(8) Substitution of Trustee. Beneficiary, or any successor in ownership of any indebtedness secured by this Deed of Trust, may from time to time, by written instrument, substitute a successor or successors to any Trustee named in or acting under this Deed of Trust. The substitution instrument shall set forth the following: the date of recordation of this Deed of Trust; the name of the Trustor; the book and page where this Deed of Trust is recorded; and the name of the new Trustee. When executed by Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where the Property is situated, the substitution instrument shall be conclusive proof of proper substitution of the successor Trustee or Trustees. Any successor Trustee or Trustees shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers, and duties.

(9) Cumulative Provisions and Remedies. The powers and remedies conferred in this Deed of Trust are concurrent and cumulative to all other rights and remedies provided in this Deed of Trust or given by law. These powers and remedies may be exercised singly, successively, or together, and as often as deemed necessary.

(10) **Recitals.** The recitals contained in any reconveyance, trustee's deed, or any other instrument executed by the Trustee from time to time under the authority of this Deed of Trust or in the exercise of its powers or the performance of its duties under this Deed of Trust, shall be conclusive evidence of their truth, whether stated as specific and particular facts, or in general statements or conclusions. Further, the recitals shall be binding and conclusive on the Trustor, the Trustor's heirs, executors, administrators, successors, and assigns, and all other persons.

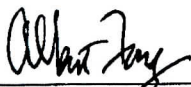
(11) **Attorney's Fees.** If any action is brought for the foreclosure of this Deed of Trust or for the enforcement of any provision of this Deed of Trust (whether or not suit is filed), the prevailing party agrees to pay all reasonably incurred costs and expenses of the other, including reasonable attorney's fees.

In accordance with California Civil Code Section 2924b, the undersigned Trustor requests that a copy of any notice of default and of any notice of sale under this Deed of Trust be mailed to Trustor at:

Ailanto Properties, Inc.
1939 Harrison Street, Suite 711
Oakland, CA 94612
Attn: Albert Fong, President

TRUSTOR:

AILANTO PROPERTIES, INC.,
a California corporation

By:  _____
Albert Fong
Its: President

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Alameda

On 12/20/2017 before me, Pratistha Rai, Notary Public
(insert name and title of the officer)

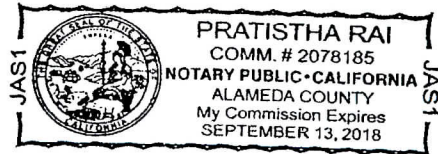
personally appeared Albert Fong x
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

Pratistha



(Seal)

EXHIBIT A

Legal Description of the Property

(see attached legal description consisting of one page)

EXHIBIT "A"
LEGAL DESCRIPTION
PACIFIC RIDGE AT HALF MOON BAY UNIT 3

ALL THAT REAL PROPERTY, SITUATE, LYING AND BEING IN THE CITY OF HALF MOON BAY, COUNTY OF SAN MATEO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

A PORTION OF PARCEL "C" AS DELINEATED ON THE FINAL MAP ENTITLED "PACIFIC RIDGE AT HALF MOON BAY" RECORDED OCTOBER 17, 2011 IN BOOK 137 OF MAPS AT PAGE 82, SAN MATEO COUNTY RECORDS, STATE OF CALIFORNIA. ALL OF PARCEL "C" EXCEPTING THEREFROM THE PORTION OF PARCEL "C" DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST NORTHERLY CORNER OF SAID PARCEL "C", SAID POINT BEING THE BEGINNING OF CURVE CONCAVE TO THE WEST HAVING A RADIUS OF 4800.99 FEET, A RADIAL LINE TO THE BEGINNING OF SAID CURVE BEARS NORTH 64°43'54" EAST; THENCE ALONG THE EXTERIOR BOUNDARY OF SAID PARCEL "C" SOUTHEASTERLY 90.49 FEET ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 1°04'48"; THENCE LEAVING SAID EXTERIOR BOUNDARY SOUTH 66°08'13" WEST 37.00 FEET TO THE EXTERIOR BOUNDARY OF SAID PARCEL "C", SAID POINT BEING THE BEGINNING OF CURVE CONCAVE TO THE WEST HAVING A RADIUS OF 4763.99 FEET, A RADIAL LINE TO THE BEGINNING OF SAID CURVE BEARS NORTH 65°48'33" EAST; THENCE ALONG SAID EXTERIOR BOUNDARY OF SAID PARCEL "C" NORTHWESTERLY 93.45 FEET ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 1°07'26"; THENCE NORTH 70°41'25" EAST 37.20 FEET TO THE POINT OF BEGINNING.



DANIEL DRUMMOND

L.S. 6333

12/20/17

DATED



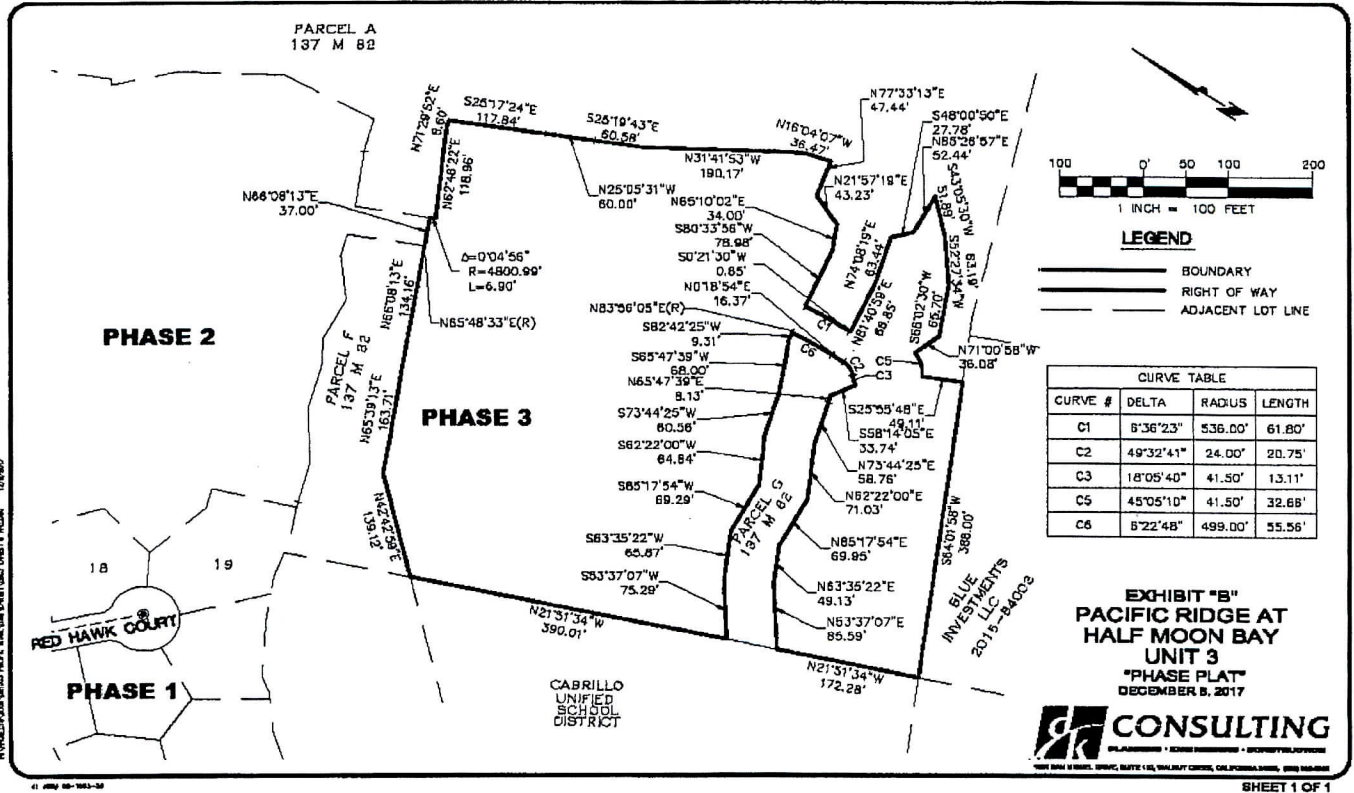
EXHIBIT B

Depiction of the Property

(see attached phase plat consisting of one page)

EXHIBIT B

Depiction of the Property



BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

FOR MEETING OF: December 17, 2019

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Lisa Lopez, Administrative Services Director
Corie Stocker, Management Analyst

**TITLE: AGREEMENT WITH CPS HR FOR CITY-WIDE CLASSIFICATION AND
COMPENSATION STUDY**

RECOMMENDATION:

Adopt a resolution authorizing the City Manager to execute an agreement with CPS HR for a citywide classification and compensation study.

FISCAL IMPACT:

Estimated costs were incorporated into the Fiscal Year 2019-20 Adopted Budget. The cost of the citywide classification and compensation study is approximately \$46,000.

STRATEGIC ELEMENT:

This recommendation supports the Infrastructure and Environment and Fiscal Sustainability Elements of the Strategic Plan.

BACKGROUND:

During 2018 Labor Negotiations for employee Memorandums of Understanding (MOU) and Employee Compensation and Benefit plans, one of the items negotiated by Represented Management Team Members (MOU Section 3.7) was to conduct a Citywide Classification and Compensation Study.

Per the Represented Management Team Members Memorandum of Understanding, Section 3.7: *Citywide Classification and Compensation Study*, the City's intent establishes a City-wide compensation philosophy and engages a consultant to conduct a classification and compensation study. As such, the consultant CPR HR, recently conducted a classification and compensation study for the existing Senior Maintenance Worker and Maintenance Worker I/II classifications.

The City requested proposals from two (2) companies; Koff and Associates and CPS HR. Both proposals were reviewed thoroughly and included follow-up discussions with each company. Ultimately, CPS HR was selected due to their comprehensive approach to the study and previous experience with and knowledge of the City.

While the Represented Management Team was the sole group to negotiate the classification and compensation study in their MOU, the City also agreed to include International Union of Operating Engineers Stationary Local 39, AFL_CIO in the study. This decision was made to promote equity within classifications and be most cost effective.

The Administrative Services Director and related staff will serve as main points of contact with CPS HR. They will coordinate the efforts between departments and CPS HR, as well as update the City Manager on all progress.

Results of the study will be reviewed by the department heads and City Manager, prior to bringing to the Council.

ATTACHMENT:

Resolution

RESOLUTION NO. 2019 _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY
AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH CPS HR FOR
CLASSIFICATION AND COMPENSATION STUDY SERVICES**

WHEREAS, Authorize the City Manager to execute an agreement with CPS HR for classification and compensation study services for a citywide classification and compensation study for an amount up to \$46,000; and

WHEREAS, Per the Represented Management Team Memorandum of Understanding, Section 3.7 Citywide Classification and Compensation Study, the City's intent establishes a City-wide compensation philosophy and engages a consultant to conduct classification and compensation studies; and

WHEREAS, the City requested proposals from two companies (1) Koff and Associates and (2) CPS HR in which the City selected CPS HR due to their comprehensive approach to the study and previous experience and knowledge with the City; and

WHEREAS, while the Represented Management Team Members was the sole group to negotiate the classification and compensation study in their MOU, the City also agreed to include International Union of Operating Engineers Stationary Local 39, AFL_CIO in the study; and

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Half Moon Bay authorizes the City Manager to execute an agreement with CPS HR for classification and compensation study services for a citywide classification and compensation study

* * * *

I, the undersigned, hereby certify that the foregoing resolution was duly passed and adopted on the 17th day of December 2019 by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST:

Jessica Blair, City Clerk

APPROVED:

Harvey Rarback, Mayor

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 17, 2019**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Matthew Chidester, Deputy City Manager

TITLE: FIFTH AMENDMENT TO LEASE AGREEMENT WITH KATHY OLER FOR THE USE OF 730 MILL STREET AS A PUBLIC PARKING LOT

RECOMMENDATION:

Adopt a resolution authorizing the City Manager to execute the Fifth Amendment to the Lease Agreement with Kathy Oler, for the use of 730 Mill Street as a public parking lot through December 31, 2024.

FISCAL IMPACT:

There is sufficient funding in the FY 2019-20 Adopted Budget for the initial year's base rent of \$24,452.64.

STRATEGIC ELEMENT:

This action supports the Infrastructure and Environment Element of the Strategic Plan.

BACKGROUND:

Since 1998, the City has leased the property at 730 Mill Street for use a downtown public parking lot. In 2009, the City made improvements to the property by paving and striping the lot, installing signage, and adding a second entrance/exit on Johnston Street. Under the terms of the current lease, which expires on December 31, 2019, the City pays \$1,900 per month as well as the water connection and usage fees. The current lease also requires the City to remove the improvements and restore the property to a vacant lot if the lease expires or is otherwise cancelled.

To help offset the costs of the lease, the City has subleased portions of the parking lot to local businesses for a trash enclosure and reserved parking. Those uses would also cease upon expiration of the agreement.

In 2018, the City surveyed downtown businesses to gauge interest in maintaining public parking at the Mill Street lot and to see if more businesses would be willing to contribute to help offset the ongoing cost to the City. Although most businesses agreed that the lot was important to

their patrons in the downtown, especially on busy weekends or during special events, none were willing to contribute. In summer and fall 2019, the City performed a downtown parking study, and determined that although the parking lot is heavily used, there are sufficient on-street parking spaces along Johnston and Purissima Streets, only a few blocks away. Staff has met with the Chamber of Commerce/Visitors Bureau as well as the Downtown Business Association. Both believe that the lot is important for public parking during busy weekends and special events like the Night of Lights, Fourth of July Parade, and Pumpkin Festival. Increased use of Carter Park, Mac Dutra Plaza and other downtown activities would also benefit from this lot being available.

Staff believes that the desire of the Chamber and businesses to maintain this important lot, an increased City focus on the downtown, as well as the cost and impact of removing the improvements and restoring the vacant lot, an extension of the lease that also removes the restoration requirement would be in the best interest of the City and community. The landlord has agreed to an extension.

DISCUSSION:

The City has negotiated a Fifth Amendment to Lease Agreement, which extends the Term for an additional five years, increases the base rent by the Consumer Price Index to \$2,037.72 per month from January through December 2020, with 3% annual increases thereafter, and deletes the site restoration section. Upon the expiration of the agreement, the City will consider future extensions of the use, but will no longer be required to remove the improvements.

The City will maintain its current subtenants and seek additional sources of offsetting revenues while maintaining public access to the lot.

ATTACHMENT:

Resolution authorizing the City Manager to execute the Fifth Amendment to the Lease with Kathy Oler, for the use of the Mill Street parking lot through December 31, 2024.

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY
AUTHORIZING THE CITY MANAGER TO EXECUTE THE FIFTH AMENDMENT TO THE LEASE
AGREEMENT WITH KATHY OLER, FOR THE USE OF 730 MILL STREET AS A PUBLIC PARKING LOT
THROUGH DECEMBER 31, 2024.**

WHEREAS, since 1998 the City of Half Moon Bay has leased a vacant property located at 730 Mill Street (Property), from Kathy Oler (Landlord), for use as a downtown public parking lot; and

WHEREAS, in 2009 the City made improvements to the property including pavement, striping, signage and a secondary entrance and exit; and

WHEREAS, under the terms of the current lease, the City is required to remove the improvements and restore the property to a vacant lot if the lease expires or is otherwise cancelled; and

WHEREAS, the current lease expires on December 31, 2019, and the City and Landlord agree that an extension of the agreement and continued use of the Property as a public parking lot is in the best interest of the City and community; and

WHEREAS, the City and Landlord have negotiated a Fifth Amendment to Lease Agreement, which extends the Term for an additional five years, increases the base rent, and deletes the site restoration section.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Half Moon Bay hereby authorizes the City Manager to execute the Fifth Amendment to the Lease with Kathy Oler, for the use of 730 Mill Street as a parking lot through December 31, 2024.

* * * *

I, the undersigned, hereby certify that the foregoing resolution was duly passed and adopted on the 17th day of December, 2019 by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST:

APPROVED:

Jessica Blair, City Clerk

Mayor

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 17, 2019**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Councilmember Deborah Penrose
Jessica Blair, Communications Director / City Clerk

TITLE: RESOLUTION IN SUPPORT OF TRANSFORMING PACIFIC GAS & ELECTRIC INTO A CUSTOMER-OWNED UTILITY

RECOMMENDATION:

Adopt a resolution that supports transforming Pacific Gas & Electric into a private, customer- owned utility, maintaining the utility's current service area.

FISCAL IMPACT:

There is no fiscal impact associated with this action.

STRATEGIC ELEMENT:

This action supports the Inclusive Governance element of the Strategic Plan.

BACKGROUND:

Californians have experienced a number of devastating wildfires and blackouts that have displaced hundreds of thousands of residents and disrupted the daily lives and livelihoods of millions more. Pacific Gas & Electric (PG&E) has chronically underinvested in basic maintenance and safety while distributing billions to shareholders, tens of millions to executives, and millions more to lobbying efforts. Residents and businesses need a utility company focused on providing reliable, safe, and affordable power, and placing customers' interests above the interests of shareholders.

More than two dozen mayors and several dozen other local leaders across Northern and Central California - collectively representing more than six million residents - have publicly urged the California Public Utilities Commission (CPUC) to consider the exploration of a customer-owned utility. A customer-owned utility would benefit from dramatically lower capital costs than PG&E does today, due in part to its lack of obligation to pay dividends to shareholders and federal taxes. By saving billions in interest payments, a customer-owned utility could devote more of its resources to improving the company's maintenance, infrastructure, and service.

It remains important to distinguish this proposal from those suggestions that the State of California should take over the utility, or that the City should municipalize it. A customer-owned utility remains a private company, just as other customer-owned companies, such as mutual insurance companies and credit unions, remained free of government ownership. Any State takeover of the utility would likely run afoul of the California Constitution, result in a downgrade of the State's bond ratings, and would cost taxpayers far more than PG&E's assets are worth.

Rather, we urge that ratepaying customers supplant shareholders as owners of equity in the company. This model is not a new one to the utility industry, as several hundred customer-owned utilities exist in the United States, and several generate billions of dollars in revenues.

The future structure of PG&E currently lies in the hands of a bankruptcy court, with competing plans for PG&E's emergence from Chapter 11 bankruptcy. Governor Gavin Newsom has threatened that if the competing hedge funds cannot come up with satisfactory plans to put the company on stable footing, the State will intervene. The CPUC already has responsibility under federal law for approving any Plan of Reorganization for PG&E that emerges from bankruptcy court, particularly where that Plan requires rate increases or access to the Wildfire Fund. Accordingly, there are multiple points of influence to push for a more sustainable corporate structure for the company.

To ensure safer, more reliable power for our community, we must communicate our support to the CPUC and the U.S. Bankruptcy Court for their consideration of a proposal to transform PG&E into a customer-owned utility.

ATTACHMENT:

Resolution supporting the transformation of PG&E into a customer-owned utility

RESOLUTION NO. 2019 _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY CALLING FOR THE CALIFORNIA PUBLIC UTILITIES COMMISSION AND THE U.S. BANKRUPTCY COURT TO FULLY CONSIDER A PROPOSAL TO TRANSFORM PACIFIC GAS & ELECTRIC INTO A CUSTOMER-OWNED UTILITY

WHEREAS, Californians have experienced a dystopia of alternating wildfires and blackouts that have displaced hundreds of thousands of residents, and disrupted the daily lives and livelihoods of millions more; and

WHEREAS, devastating blazes such as the Kincade Fire and the Camp Fire appear to have resulted from failed Pacific Gas & Electric (PG&E) infrastructure, following a decade in which the company distributed \$7 billion to shareholders, but chronically underinvested in basic maintenance and safety; and

WHEREAS, rate payers—including businesses and residents—critically need a utility company focused on placing the provision of reliable, safe, and affordable power above the interests of its shareholders; and

WHEREAS, any solution to this crisis will require access to tens of billions of dollars in capital markets to invest in maintenance, capital upgrades, and grid hardening; and

WHEREAS, a customer-owned utility would benefit from dramatically lower capital costs than PG&E does today, due in part to its lack of obligation to pay dividends to shareholders nor federal taxes; and

WHEREAS, by saving billions in interest payments, a customer-owned utility could devote more of its resources to improving the company's maintenance, infrastructure, and service; and

WHEREAS, the federal bankruptcy code and state law vest the California Public Utilities Commission (CPUC) with the responsibility for approving any Plan of Reorganization for PG&E that emerges from bankruptcy court, particularly where that Plan requires rate increases or access to the Wildfire Fund; and

WHEREAS, the bankruptcy court is considering two plans before it developed in the Chapter 11 proceeding by two sets of hedge funds with competing Reorganization Plans that reflect their proponents' interests in extracting investor value—through short-term financial gain—that will leave the company underinvesting in critical maintenance, safety, and infrastructure improvements; and

WHEREAS, Mayors and other local leaders across Northern and Central California—collectively representing more than 6 million residents—have publicly urged the CPUC to consider the exploration of a customer-owned utility; and

WHEREAS, hundreds of utility cooperatives—several with billions in revenues—

currently serve more than 40 million customers in the U.S., at much lower costs of capital than investor-owned utilities; and

WHEREAS, while investor-owned utilities can offer a successful model in many contexts, the growing crisis of wildfires and increasing frequency of large, multi-billion-dollar losses demands a more sustainable ownership model for the company’s operations.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Half Moon Bay hereby calls for the California Public Utilities Commission and the U.S. Bankruptcy Court to fully consider a proposal to transform Pacific Gas & Electric into a customer-owned utility.

* * * *

I, the undersigned, hereby certify that the foregoing resolution was duly passed and adopted on the 17th day of December 2019 by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST:

APPROVED:

Jessica Blair, City Clerk

Harvey Rarback, Mayor

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 17, 2019**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Jill Ekas, Community Development Director

TITLE: **2019 HERITAGE MAIN STREET INTERIM URGENCY ORDINANCE EXTENSION
PROHIBITING SPECIFIED NEW USES ON THE 300, 400, 500, AND 600 BLOCKS OF
MAIN STREET**

RECOMMENDATION:

Receive a presentation, conduct a public hearing, and take the following actions: 1) Extend an Interim Urgency Ordinance, "2019 Heritage Main Street Interim Urgency Ordinance," for 10 months, 15 days to provide adequate time for Coastal Commission certification of follow up zoning text amendments; and 2) Direct staff to bring forward zoning text amendments as recommended by the Planning Commission.

FISCAL IMPACT:

There is no fiscal impact with extension of the interim urgency ordinance. The urgency ordinance will be trailed by zoning text amendments applicable to Chapter 18.37 of the Municipal Code (Commercial Land Use C-D and C-R) that are already in development. City Attorney and Community Development Department staff will complete and enforce both the urgency ordinance and follow-up code amendments within established budgets.

STRATEGIC ELEMENT:

This action supports the Infrastructure and Environment, Healthy Communities and Public Safety, Fiscal Sustainability, and Inclusive Governance Elements of the Strategic Plan.

BACKGROUND:

At a special meeting on December 5, 2019, City Council adopted the 2019 Heritage Main Street Interim Urgency Ordinance. Council adopted the interim urgency ordinance as a precautionary measure to restrict new uses on the ground floor of the 300, 400, 500, and 600 blocks of Main Street (between Pilarcitos Creek and Correas Street) to retail, restaurants, galleries, and certain personal service uses such as barber shops. The interim urgency ordinance distinguishes these four Main Street blocks as especially important from a historic perspective and representative

of the heritage development pattern of downtown Half Moon Bay. These blocks are defined as “Heritage Main Street.”

“Heritage Main Street” means the 300, 400, 500, and 600 blocks of Main Street between Pilarcitos Creek and Correias Street.”

On Heritage Main Street, the Interim Urgency Ordinance requires that new uses conform to the following definition for active ground-floor dependent uses:

“Active ground-floor dependent use” means a commercial or public space that is reliant on pedestrian foot traffic, generally open to the public, generates a high volume of customer or visitor traffic, provides ground floor display windows to promote views into the business, and sells goods that are typically consumed on premises or carried away by customers or services of a personal or recreational nature. Inactive uses are typically not open to the general public, generate a lower volume of customer or visitor traffic, tend to have screened windows to maintain privacy (such as offices and residential uses) and are thereby not oriented to pedestrian foot traffic.”

The interim urgency ordinance prohibits new professional and business offices, medical offices, and other uses that are not active and ground-floor dependent from locating on the ground floor of Heritage Main Street while the ordinance is in effect. Such uses may continue to locate on upper floors of Heritage Main Street, as well as throughout the remainder of the commercial and mixed-use portion of Downtown. The urgency ordinance is effective for no more than 45 days and will expire on January 19, 2020. Urgency ordinances may be extended for ten months and 15 days for a total of one year; at which time, they may be extended for another year.

On December 10, 2019, the Planning Commission reviewed the draft follow-up zoning amendments. The proposed amendment, “Mixed-Use Districts and Parking Standards” ordinance addresses ground floor uses on Heritage Main Street as well as other standards in the City’s mixed-use districts, including residential use regulations and parking requirements. The Planning Commission held a public hearing, deliberated, directed staff to bring back suggestions regarding frontage depth for active ground-floor dependent uses, and continued the item to a date certain (January 14, 2020). Staff will also take advantage of the continuance to look into some of the concerns brought up during the public hearing. Despite the continuance, the Planning Commission made clear that they support the proposed zoning amendments as proposed, including regulations for Heritage Main Street uses. After the Planning Commission makes a recommendation on the amendments, they will be brought forward to City Council, with an earliest possible hearing date in February 2020.

DISCUSSION:

Government Code provides for a legislative body of a city to adopt as an urgency measure an interim ordinance prohibiting any uses that may be in conflict with a contemplated zoning proposal that the City intends to study within a reasonable time. At a special meeting on December 5, 2019, City Council made findings associated with the urgency of protecting

Heritage Main Street from further transition from active ground-floor dependent uses. The Planning Commission held a study session in July 2019 contemplating similar use restrictions on the ground-floor of Main Street between Pilarcitos Creek and Correas Street. As noted above, the Planning Commission has already held a hearing on the associated zoning amendments and the City is therefore proceeding in a timely manner.

At the December 5, 2019 special meeting, City Council directed staff to prepare an extension of the Heritage Main Street Interim Urgency Ordinance for consideration on December 17, 2019. The extended ordinance is provided in Attachment 1, background documents are provided in Attachment 2 (December 5, 2019 staff report) and Attachment 3 (Heritage Main Street Ground Floor Uses Inventory). The December 5, 2019 staff report includes an analysis supporting initial adoption of the Heritage Main Street Interim Urgency Ordinance. The analysis is applicable to ordinance extension for ten months and 15 days. The extension would be effective through December 4, 2020. Staff anticipates that the follow up zoning amendments can be adopted by City Council and certified by the Coastal Commission within three to six months.

CEQA:

This interim urgency ordinance is exempt pursuant to CEQA Guidelines sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) because it has no potential for resulting in physical change in the environment, directly or indirectly; it prevents changes in the environment. Further, this action is exempt under CEQA Guidelines section 15061(b)(3) (the amendments are exempt because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment).

ATTACHMENTS:

1. 2019 Heritage Main Street Interim Urgency Ordinance Extension
2. 2019 Heritage Main Street Interim Urgency Ordinance adoption, City Council report, December 5, 2019
3. Heritage Main Street Ground Floor Uses Inventory

ORDINANCE NO. C-2019-06

AN UNCODIFIED INTERIM URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY PROHIBITING THE ESTABLISHMENT OF USES ON THE 300, 400, 500, AND 600 BLOCKS OF MAIN STREET (HERITAGE MAIN STREET) THAT ARE NOT ACTIVE GROUND FLOOR DEPENDENT

THE CITY COUNCIL OF THE CITY OF HALF MOON BAY DOES ORDAIN AS FOLLOWS:

Section 1. Findings. The City Council finds and declares as follows:

- (a) The City of Half Moon Bay is located fully within the California Coastal Zone; and
- (b) The City of Half Moon Bay's certified Local Coastal Program includes an implementation which is in part comprised on the Zoning Ordinance; and
- (c) The City established the C-D and C-R zoning code to designate appropriate uses and development standards for Downtown and to implement the requirements of the policies of the Local Coastal Program as required by the California Coastal Act; and
- (d) The California Coastal Act and the certified Local Coastal Program prioritize visitor-serving uses, including those identified as most appropriate for the ground floor of development within the historic Downtown Area; and
- (e) The City adopted the Downtown Specific Plan on June 5, 1995; and
- (f) Both Chapter 18.07 of the Municipal Code and the Downtown Specific Plan include statements of intention to support the historic Downtown area of Half Moon Bay centered on Main Street for visitor-serving and pedestrian-oriented uses; and
- (g) Both Chapter 18.07 of the Municipal Code and the Downtown Specific Plan provide use regulations and development standards affecting the historic Downtown area of Half Moon Bay centered on Main Street; however, neither Chapter 18.07 nor the Downtown Specific Plan establish limits on the amount of uses that are not visitor-serving or pedestrian-oriented uses, including office uses; and
- (h) The 300, 400, 500, and 600 blocks of Downtown Main Street between Pilarcitos Creek is evident though entries in the City's historic resources inventory and zoning requirements as the heart of historic Downtown Half Moon Bay and are referred to herein as "Heritage Main Street;" and
- (i) This portion of Downtown Main Street, including the Heritage Main Street blocks, is further identified in the City's certified Local Coastal Program as part of "Old Downtown;" and Old Downtown is defined as a visual resource area in the certified Local Coastal Program and subject to visual resource standards requiring the

preservation and enhancement of scale, style, continuity of building lines, design, and land uses; and

- (j) As of December 2019, more than 40 percent of the frontage uses on the Heritage Main Street blocks are comprised of uses that are not visitor-serving and are not pedestrian-oriented; and
- (k) Because the current codes and regulations are permissive, and the economic environment is demonstrating that the real estate market is favoring office uses over retail, restaurants and other uses that are visitor-serving or pedestrian-oriented; and
- (l) In 2019, the two most recent new uses on the Heritage Main Street blocks are office uses that have moved into vacant ground-floor storefronts, and several ground-floor vacancies remain; and
- (m) Considering the above, Heritage Main Street storefronts and sites are vulnerable to additional long-term conversion to uses that are not visitor-serving or pedestrian-oriented; and
- (n) Prohibiting such uses, including business and professional offices, certain personal and personal improvement services, and other uses that are not visitor-serving or pedestrian-oriented, is necessary to protect against this threat while the City evaluates potential modifications to its existing C-D zoning regulations; and
- (o) The Planning Commission has considered such provisions at a study session on July 23, 2019 and City staff has been studying and preparing revisions to the C-D zoning regulations to accomplish such a prohibition for a defined area; and
- (p) City staff have researched provisions in other jurisdictions that limit uses on ground floor frontages in similar traditional downtown districts to those that are determined to be pedestrian-oriented, active, and ground-floor dependent uses; and
- (q) City staff have determined that active ground-floor dependent uses are consistent with visitor-serving uses and provide a pedestrian-oriented environment as intended through the City's Local Coastal Program and Downtown Specific Plan; and
- (r) The City Council has received public testimony from Downtown business and property owners about the need to prioritize protection of Heritage Main Street from further encroachment of uses that are not active or ground-floor dependent; and
- (s) Government Code section 65858(a) provides that, without following the procedures otherwise required prior to adoption of a zoning ordinance, to protect the public health, safety, and welfare, the legislative body of a city may adopt as an urgency measure an interim ordinance prohibiting any uses that may be in conflict with a contemplated zoning proposal that the city intends to study within a reasonable time.

- (t) Considering the public health, safety, and welfare threat posed by long-term conversion of ground floor uses to those that are not active and ground-floor dependent, the City has been contemplating amendments to its zoning code. The City intends to study those potential amendments within a reasonable time. This urgency ordinance will allow City staff time to complete necessary studies and reports for the contemplated amendments.
- (u) In recognition of the foregoing, on December 5, 2019, the City Council adopted Ordinance 19-06U, an uncodified interim urgency ordinance prohibiting the establishment of uses on the 300, 400, 500 and 600 blocks of Main Street (Heritage Main Street) that are not active ground floor dependent. Pursuant to Government Code section 65858(a), Ordinance 19-06U will expire on January 19, 2020 unless it is extended.
- (v) Government Code section 65858(a) provides that the City Council may, after notice pursuant to Government Code section 65090 and a public hearing, extend an interim urgency ordinance for an additional ten (10) months and fifteen (15) days beyond its expiration date.
- (w) Because it has not yet been possible for City staff to complete the potential amendments to the City's zoning code with respect to active ground floor dependent uses in Heritage Main Street, the purpose of this Ordinance 19-06 is to extend Ordinance 19-06U until December 4, 2020.

Section 2. Definitions. For the purposes of this ordinance, the following terms have the definitions set forth below:

“Active ground-floor dependent use” means a commercial or public space that is reliant on pedestrian foot traffic, generally open to the public, generates a high volume of customer or visitor traffic, provides ground floor display windows to promote views into the business, and sells goods that are typically consumed on premises or carried away by customers or services of a personal or recreational nature. Inactive uses are typically not open to the general public, generate a lower volume of customer or visitor traffic, tend to have screened windows to maintain privacy (such as offices and residential uses) and are thereby not oriented to pedestrian foot traffic.”

“Heritage Main Street” means the 300, 400, 500, and 600 blocks of Main Street between Pilarcitos Creek and Correas Street.

Section 3. Prohibition. For the period of this ordinance and any extension thereof, any new uses on the ground floor of properties and buildings with frontage on Heritage Main Street shall be prohibited unless the use is determined to be an active ground-floor dependent use. Examples of prohibited uses include, but are not limited to, law offices, real estate offices,

medical offices, and personal and professional services that do not meet the definition of an active ground-floor dependent use.

Section 4. Severability. If any section, sentence, clause or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance and adopted this Ordinance and each section, sentence, clause or phrase thereof, irrespective of the fact that any one or more section, subsections, sentences, clauses or phrases be declared invalid or unconstitutional.

Section 5. Local Coastal Program and General Plan. The ordinance is consistent with the certified Local Coastal Program and General Plan.

Section 6. CEQA. The City Council finds that this ordinance is not subject to the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines (Title 14 of the California Code of Regulations) Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) because it has no potential for resulting in physical change in the environment, directly or indirectly; it prevents changes in the environment. Further, this action is exempt from CEQA under CEQA Guidelines section 15061(b)(3) (the amendments are exempt because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment).

Section 7. Publication. The City Clerk shall publish a summary of this Ordinance in a newspaper of general circulation for the City of Half Moon Bay within fifteen days after its adoption.

Section 8. Effective date and extension. This ordinance is an extension of Ordinance 19-06U which was adopted by a four-fifths vote (4-0-1, Vice Mayor Eisen absent) of the City Council. This ordinance shall continue in effect until December 4, 2020, which is ten (10) months and fifteen (15) days after the expiration date of Ordinance 19-06U (January 19, 2020), and shall thereafter be of no further force and effect unless the City Council extends it for an additional period of time pursuant to California Government Code Section 65858.

Following a duly noticed public hearing, the foregoing ordinance was adopted at a regular meeting of the City Council of the City of Half Moon Bay, California, held on the 17th of December 2019, by vote at least four-fifths vote of the City Council as follows:

Ayes, Councilmembers: _____
Noes, Councilmembers: _____
Absent, Councilmembers: _____
Abstain, Councilmembers: _____

ATTEST:

APPROVED:

Jessica Blair, City Clerk

Harvey Rarback, Mayor

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 5, 2019**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Jill Ekas, Community Development Director

TITLE: **2019 HERITAGE MAIN STREET URGENCY INTERIM ORDINANCE PROHIBITING SPECIFIED NEW USES ON THE 300, 400, 500, AND 600 BLOCKS OF MAIN STREET**

RECOMMENDATION:

Receive a presentation, conduct a public hearing, and take the following actions: 1) Adopt an Urgency Ordinance, "2019 Heritage Main Street Urgency Ordinance," for an initial 45 day period to limit new uses on the 300, 400, 500, and 600 blocks of Main Street (between Pilarcitos Creek and Correas Street) to restaurants, retail, and other qualifying uses that are active ground-floor dependent uses; 2) Direct staff to prepare follow-up zoning text amendments subject to on-going community input, oversight of the Planning Commission, adoption by City Council and conveyance to the California Coastal Commission for certification; and 3) Direct staff to return to Council on December 17, 2019 so it may consider extending the 2019 Heritage Main Street Urgency Ordinance for up to 10 months, 15 days to provide adequate time for Coastal Commission certification of the follow up zoning text amendments.

FISCAL IMPACT:

There is no fiscal impact with adoption of the urgency ordinance. The urgency ordinance will be trailed by zoning text amendments applicable to Chapter 18.37 of the Municipal Code (Commercial Land Use C-D and C-R) that are already in development. City Attorney and Community Development Department staff will complete and enforce both the urgency ordinance and follow-up code amendments within established budgets.

STRATEGIC ELEMENT:

This action supports the Infrastructure and Environment, Healthy Communities and Public Safety, Fiscal Sustainability, and Inclusive Governance Elements of the Strategic Plan.

BACKGROUND:

Main Street between Pilarcitos Creek and Correas Street has long been recognized as the heart of Half Moon Bay's visitor-serving and pedestrian-oriented historic Downtown. Traditional building forms taking direct access from the public sidewalk contribute to Downtown's heritage

development pattern. The Commercial – Downtown Zoning District covers this area. Chapter 18.07, Commercial Land Use (C-D, C-R), of the Zoning Ordinance regulates uses and development standards in both the Commercial Downtown (C-D) and Commercial -Residential (C-R) Zoning Districts. Other Chapters of the Zoning Ordinance, including Chapter 18.36 (Parking Standards), also provide implementing regulations for this part of the City.

The intent of the C-D Zoning District, cited by 18.07.015.A, is:

“...to implement the provisions of the downtown specific plan calling for the establishment of development standards and a range of uses that would maintain and be consistent with the historic patterns and pedestrian scale of development within the historic downtown area. Of special importance is the visual quality of the historic downtown area.”

Section 18.07.015.A.1 continues:

*“This district is intended to provide for visitor serving commercial uses such as restaurants and art galleries, certain public uses, and other retail and service commercial uses and professional offices that serve the local residents **on a daily basis.**”* (emphasis added)

The C-D use regulations emphasize and encourage visitor-serving uses on the ground floor of Main Street buildings with sidewalk frontage. These uses include a variety of retail and eating and drinking establishments. Per section 18.07.015.A.2:

*“Retail and visitor serving commercial uses are encouraged on the ground or first floor, with **professional offices on the upper floors.** This policy is **not intended to be used to preclude professional offices on the ground floor,** particularly in single story buildings.”* (emphasis added)

The challenge with implementing 18.070.015.A.2 is that there is not enough support in the code language to prohibit offices and other uses that are not visitor-serving or pedestrian-oriented because of the somewhat conflicting language. The regulatory language is permissive to such uses without requiring any performance measures, per 18.07.025 Use regulations:

A-21 a. Business or Professional. In the C-D district, business and professional offices are encouraged on the upper floors of multiple story structures. This does not preclude the establishment of business and professional offices on the ground floor. In the C-R district, business and professional offices shall be limited to small scale, low intensity uses.

Also, the Downtown Specific Plan, “encourages” restaurant and retails uses, but does not put forth any requirements or prohibitions with respect to ground floor uses. It is possible for most of the ground floor uses on Main Street to be office or other uses that do not fulfill the purpose

of the Zoning District and the Downtown Specific Plan, and furthermore undermine the intent of the certified Local Coastal Program and California Coastal Act.

DISCUSSION:

The most recent new uses on Main Street are office uses that have moved into vacant ground-floor storefronts. They include a law office and a real estate office. In particular, the law office cannot be found to be visitor-serving or pedestrian-oriented. It is further concerning to the community that this business is located immediately adjacent to Mac Dutra Plaza. The prospective buyer and their real estate representative identified that the use is principally permitted in the CD Zoning District, even in this ground-floor location. Further south on Main Street, a real estate office very recently signed a lease and can move forward with its ground-floor location. Fortunately, this business owner is sensitive to the fragility of Main Street and this new use will include some form of walk-in opportunities, and will utilize goods and services of adjacent galleries and retailers.

After the law office located at 508 Main Street, staff began preparing zoning amendments to prohibit such uses from locating on the ground floor of Main Street on the 300, 400, 500 and 600 blocks (between Pilarcitos Creek and Correas Street), referred to in the forthcoming draft code amendments as “Heritage Main Street.” The Planning Commission considered these policy points at a study session on July 23, 2019 as part of a suite of potential zoning text amendments. In whole, the amendments have been crafted to strengthen the visitor-serving and pedestrian-oriented environment of Downtown while also providing for improved regulations that will facilitate mixed-use and single-use residential development to bring forth a more vibrant Downtown neighborhood.

A commonality of visitor-serving and pedestrian-oriented uses is that they are active use and dependent on a ground-floor storefront location because the primary customer base is foot traffic. Retail, eating and drinking establishments, galleries, and some personal service uses such as barber shops are active ground-floor dependent uses found throughout Downtown. However, a number of uses that are not active or ground-floor dependent, such as professional and medical offices, have long been part of the Main Street mix of ground floor uses. For the most part, these have been flanked by active uses, and pedestrian foot traffic typically traverses these gaps in the streetscape. However; the two recent conversions are exacerbating the current prevalence of office uses, parking lots, and both long-term and recently vacated buildings. Leases are often many years long. In the case of the attorney’s office, the business owner is also the property owner. Without further action to phase out nonconforming uses, the City may not see a change of use of that space for many years.

The following table summarizes the current uses on the east and west sides of the 300, 400, 500 and 600 blocks of Main Street. Additional information is presented in Attachment 2. The data clearly indicates that more than 40 percent of the frontage space on these Downtown blocks creates breaks in the fabric of the streetscape, and thereby diminishes, rather than enhances Heritage Main Street. Furthermore, several ground-floor spaces along Main Street, such as the former Pasta Moon site at the northern entrance to Downtown, are currently

vacant. Based on this evidence and supported by Downtown business owner input, staff has identified that at this time, the character and function of historic Downtown, and in particular the heritage blocks of Main Street between Pilarcitos Creek and Correas Street, are vulnerable and threatened.

Historic Main Street Ground Floor Frontage Uses					
Block	West		East		Total
	Active Ground-Floor Dependent	Inactive Ground Floor	Active Ground-Floor Dependent	Inactive Ground Floor	% Inactive Ground Floor
300	225 FT	100 FT	164 FT	186 FT	42%
400	225 FT	75 FT	175 FT	125 FT	33%
500	218 FT	82 FT	146 FT	154 FT	39%
600	100 FT	200 FT	180 FT	120 FT	53%
All	768 FT	457 FT	665 FT	585 FT	42%

Notes: For this table, the following assumptions were made:

- *Active Ground-Floor Dependent Uses: Eating and/or drinking establishments, retail, galleries, salons, banks with teller services, lodging. Parking lots associated with these uses are counted as part of the active use.*
- *Inactive Ground-Floor Uses: Professional offices (e.g. law, real estate, insurance, travel agency, etc.), medical offices, and vacant buildings or sites. Parking lots associated with these uses are counted as part of the use that is inactive or vacant.*

Urgency Ordinance

Government Code Section 65858 allows a jurisdiction to adopt on an urgency basis a zoning ordinance that prohibits any uses that conflict with a contemplated zoning proposal that the City is considering or studying or intends to study within a reasonable time. Unlike permanent land use code amendments that require Planning Commission input, a first and second reading, and an effective date 30 days after the second reading, urgency ordinances take effect immediately upon adoption and do not require Planning Commission review. Furthermore, an urgency ordinance can only be adopted if it is found that that such action is necessary to “protect the public safety, health, and welfare.”

The urgency ordinance requires a four-fifths vote of the City Council for adoption and is effective for no more than 45 days. The City Council may further extend the urgency ordinance for 10 months and 15 days after a noticed public hearing, and may subsequently extend the urgency ordinance for one additional year. Ten days prior to the expiration of the ordinance, the City Council must issue a written report describing the measures taken to alleviate the conditions which led to the adoption of the ordinance. (Note that this report describes those alleviating measures, since the Planning Commission already began this work at its July 23, 2019 study session.)

If City Council agrees with the urgency of the situation, the 2019 Heritage Main Street Urgency Ordinance will provide protection for the duration that it will take to complete the zoning text amendments. Staff intends to bring a simple but effective set of improvements to the C-D and C-R zoning regulations to Planning Commission at a public hearing on December 10, 2019. Following Planning Commission's action, code amendments will be revised and prepared for City Council in early 2020. Because the City Council's first meeting of 2020 is 47 days away (January 21, 2020), if this urgency ordinance is approved, staff would bring forward an extension of the urgency ordinance at the December 17, 2019 City Council meeting.

As proposed, the urgency ordinance and its follow-on zoning text amendments are consistent with existing zoning code that distinguishes the 300, 400, 500 and 600 blocks of Main Street between (Pilarcitos Creek and Correas Street) as especially important from a historic perspective and representative of the heritage development pattern of downtown Half Moon Bay. A key piece of the 2019 Main Street Urgency Ordinance is a new definition for active ground-floor dependent uses:

"Active ground-floor dependent use" means a commercial or public space that is reliant on pedestrian foot traffic, generally open to the public, generates a high volume of customer or visitor traffic, provides ground floor display windows to promote views into the business, and sells goods that are typically consumed on premises or carried away by customers or services of a personal or recreational nature. Inactive uses are typically not open to the general public, generate a lower volume of customer or visitor traffic, tend to have screened windows to maintain privacy (such as offices and residential uses) and are thereby not oriented to pedestrian foot traffic."

A definition for Heritage Main Street is also part of the urgency ordinance and will be included in the forthcoming zoning amendments:

"Heritage Main Street" means the 300, 400, 500, and 600 blocks of Main Street between Pilarcitos Creek and Correas Street."

In other cities, delineating the most sensitive blocks from the rest of a mixed-use Downtown environment is common. It is also typical to restrict uses in main street districts similarly to the proposed urgency ordinance. Many have strict prohibitions on office and other uses that are not reliant on foot traffic; e.g. are not "ground-floor dependent." It is possible to further develop this code beyond what is envisioned for the near-term to incorporate some of the approaches found elsewhere to address other matters. For example, some codes require a minimum percentage of a storefront to be transparent for a specified depth into the space. There are also a number of uses that may be debatable in terms of their contribution to historic Downtown Main Street. City Hall is an example. The base use is office; however, with an open public counter, it does play a part in weekday foot traffic. Banks, travel agencies, and other business professional uses with office settings sometimes also have retail components.

The above considerations can be made at a future time after the Land Use Plan is complete. The City is currently seeking a grant to partially fund preparation of a Town Center plan which could take up these matters. That said, because so many of the uses along the 300-600 blocks of historic Downtown Main Street, or Heritage Main Street, are currently not fully aligned with the intent for the area, staff recommends deliberately stopping the turn-over of these spaces to new uses that are not active ground-floor dependent for at least several years or an economic cycle.

CEQA:

This interim urgency ordinance is exempt pursuant to CEQA Guidelines sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) because it has no potential for resulting in physical change in the environment, directly or indirectly; it prevents changes in the environment. Further, this action is exempt under CEQA Guidelines section 15061(b)(3) (the amendments are exempt because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment).

ATTACHMENTS:

1. 2019 Heritage Main Street Urgency Ordinance
2. Heritage Main Street Ground Floor Uses Inventory

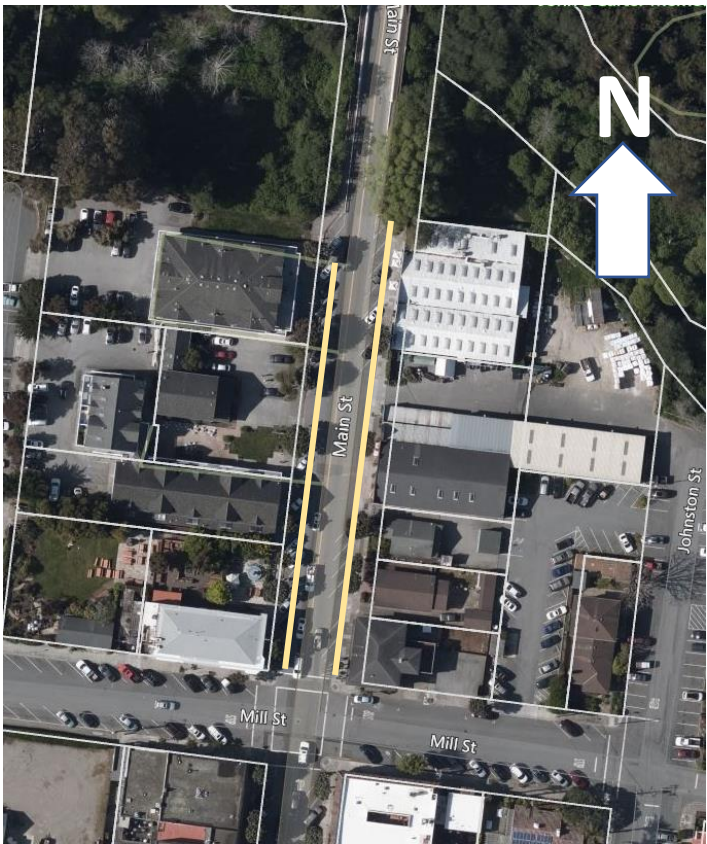
Heritage Main Street Ground Floor Use Inventory – December 2019: Main Street between Pilarcitos Creek and Correas Street

Ground Floor Use Inventory:

City staff compiled this information by surveying the 300, 400, 500, and 600 blocks of Heritage Main Street between Pilarcitos Creek and Correas Street. Ground floor uses were categorized as active ground-floor dependent, office, vacant (buildings and sites), parking lots, and open space (active or inactive). Frontage lengths for all of the uses were estimated through the City's GIS system. A summary of the four Heritage Main Street block frontages is presented in the table below. The following pages present more detail about the uses on each side of the street for the four blocks on Heritage Main Street.

Use	Estimated Frontage Linear Feet
Active Ground-Floor Dependent Use Frontages: Retail/Restaurants/Active Open Spaces/etc.	1,433
Inactive Ground-Floor Use Frontages:	
• Office	438
• Vacant	209
• Parking Lots/Drive Aisle	345
• Inactive Frontage Space	90
Total Inactive Ground-Floor Use Frontages	1,042
Total Heritage Main Street Frontages:	2,475
% Active Ground-Floor Dependent Use Frontages	58%
% Inactive Use Frontages	42%

300 Block



Linear Frontage of Ground Floor Uses:	West	East
Active Ground-Floor Dependent Uses Retail/Restaurant/etc.	225 FT	164 FT
Inactive Ground-Floor Uses:		
• Office		83 FT
• Vacant		63 FT
• Parking lots/drive aisles	50 FT	40 FT
• Other (unprogrammed space)	50 FT	
Total Inactive Ground-Floor Uses	100 FT	186 FT
Total Frontage	325 FT	350 FT
Percent Inactive Frontages	31%	53%

300 Block East Side



300 Block West Side



400 Block



Linear Frontage of Ground Floor Uses:	West	East
Active Ground-Floor Dependent Uses Retail/Restaurant/etc.	225 FT	175 FT
Inactive Ground-Floor Uses:		
• Office	25 FT	
• Vacant		100 FT
• Parking lots/drive aisles	50 FT	25 FT
• Other (inactive open space)		
Total Inactive Ground-Floor Uses:	75 FT	125 FT
Total Frontage	300 FT	300 FT
Percent Inactive Frontages	25%	42%

400 Block East Side



400 Block West Side



500 Block



Linear Frontage of Ground Floor Uses:	West	East
Active Ground-Floor Dependent Uses Retail/Restaurant/etc.	178 FT	146 FT
Activated Open Space	40 FT	
Inactive Ground Floor Uses:		
• Office	62 FT	58 FT
• Vacant		46 FT
• Parking lots/drive aisles	20 FT	50 FT
• Other (unprogrammed space)		
Total Inactive Ground Floor Uses	82 FT	154 FT
Total Frontage	300 FT	300 FT
Percent Inactive Frontages	27%	51%

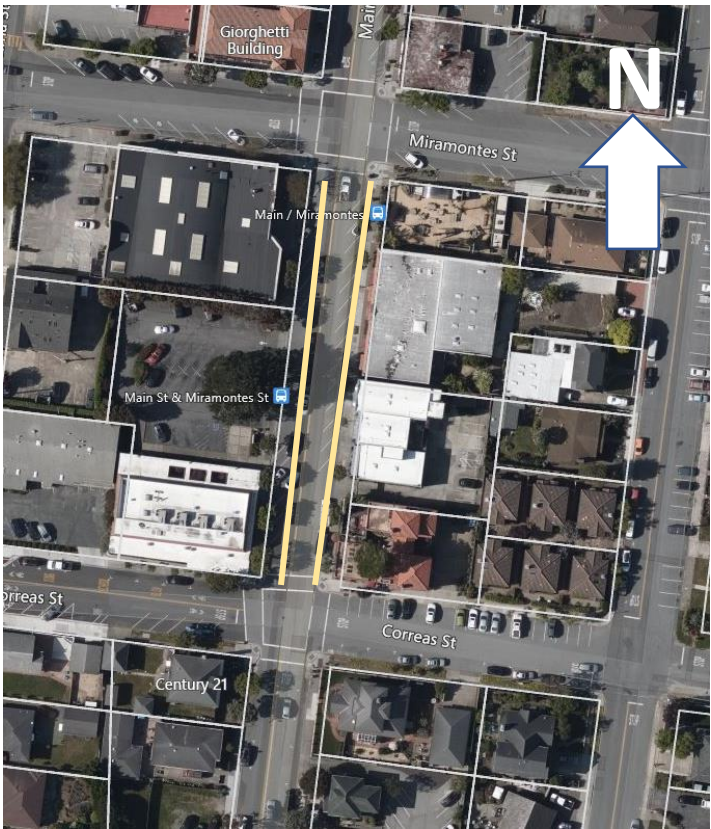
500 Block East Side



500 Block West Side



600 Block



Linear Frontage of Ground Floor Uses:	West	East
Retail/Restaurant/etc.	100 FT	130 FT
Activated Open Space		50 FT
Not Visitor Serving:		
• Office/Bank	100 FT	110 FT
• Vacant		
• Parking lots/drive aisles	100 FT	10 FT
• Other (unprogrammed open space)		
Total Not Visitor Serving	200 FT	120 FT
Total Frontage	300 FT	300 FT
Percent Inactive Frontages	67%	40%

600 Block East Side



600 Block West Side



BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 17, 2019**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Lisa Lopez, Administrative Services Director
Kenneth Stiles, Senior Accountant

**TITLE: COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR
ENDED JUNE 30, 2019**

RECOMMENDATION:

By motion: 1) adopt a resolution receiving the City of Half Moon Bay Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019; and 2) adopt a resolution amending the Investment Policy.

FISCAL IMPACT:

There is no fiscal impact associated with the adoption of these resolutions.

STRATEGIC ELEMENT:

This recommendation supports the Fiscal Sustainability and Inclusive Governance Elements.

BACKGROUND:

The City of Half Moon Bay annually conducts an independent audit of financial transactions and issues the Comprehensive Annual Financial Report (CAFR). The CAFR Report has been prepared in conformity with the Governmental Accounting and Financial Reporting Standards.

An independent audit was conducted by the auditing firm Maze & Associates (Maze) in conformity with General Accepted Auditing Standards. The City received a clean audit opinion on the financial statements.

The City's CAFR presents an easily readable and organized report of the City's financial transactions and provide the users of government financial statements with a wide variety of information needed to help them evaluate the financial condition of the City. The final step in preparing these financial statements is to present them to the City Council for its acceptance.

The CAFR document (Attachment 2) is composed of the following parts:

- Introductory Section including letter of transmittal
- Independent Auditors' Report

- Management Discussion and Analysis
- Basic City-wide and fund level financial statements
- Explanatory notes to financial statements, supplemental schedules
- Supplementary information
- Statistical section

The transmittal letter included in the CAFR provides information on the City's profile, financial planning and budgeting, and the local economy.

DISCUSSION:

Comprehensive Annual Financial Report

The General Fund is the City's primary operating fund. It receives unrestricted revenues and provides general administrative services, law enforcement and animal control services, and land development-related activities such as planning, building, and engineering. The City's General Fund balance at June 30, 2019, was \$10.9 million, of which \$5.1 million was restricted and the balance \$5.8 million was unrestricted. The fund balance at June 30, 2019 shows an increase of \$1 million, or 10%, from the prior year. The increase is primarily due to revenues increasing while expenditures remaining flat.

The Management Discussion & Analysis (MD&A) section of the CAFR summarizes the financial results for the fiscal year ended June 30, 2019 and provides explanations for changes from the prior fiscal year.

The City of Half Moon Bay was the honored recipient of the "Certificate of Achievement for Excellence in Financial Reporting" award presented by the Government Finance Officers Association (GFOA) of the United States and Canada in recognition for the City's 2017-18 CAFR. The City believes that this year's CAFR document continues to conform to the highest standards in government accounting and financial reporting requirements and will qualify for a Certificate of Achievement Program. The document will be submitted to the GFOA for consideration for the award this year.

The CAFR was reviewed by the Finance Committee on December 5, 2019. The Committee recommended moving the CAFR to Council for final adoption.

Investment Policy

As part of Maze's review of City financial operations, the auditors noted that the existing City of Half Moon Bay Investment Policy should be updated to comply with current state law regarding reporting timelines. The existing investment policy identifies that quarterly investment reports shall be submitted to the City Manager and City Council within 45 days after the end of the quarter, rather than 30 days after the end of the quarter as required by state law (Government Code Section 53646(b)(1). Page 7 of Attachment 4 identifies the required modification.

ATTACHMENTS:

1. Resolution accepting the City of Half Moon Bay Comprehensive Annual Financial Report (with Draft Comprehensive Annual Financial Report (CAFR) Fiscal Year Ended June 30, 2019)
2. Resolution approving the City of Half Moon Bay Investment Policy

Resolution No. C-2019-____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY
TO ACCEPT THE CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FISCAL
YEAR ENDING JUNE 30, 2019**

WHEREAS, the City of Half Moon Bay contracted with the audit firm of Maze & Associates to conduct an audit of the City's financial records in accordance with Governmental Accounting Standards Board (GASB) Statement 34; and

WHEREAS, the financial statements for the Fiscal Year ending June 30, 2019 as prepared by said firm have been completed; and

WHEREAS, it is recommended that the City Council accept the financial statements, known as the Comprehensive Annual Financial Report (CAFR);

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Half Moon Bay hereby adopts a resolution to accept the City's Comprehensive Annual Financial Report (CAFR) as prepared by Maze & Associates for the Fiscal Year ending June 30, 2019.

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 17th day of December, 2019 by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

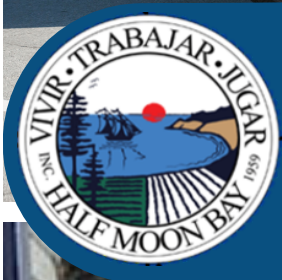
ABSTAIN, Councilmembers:

ATTEST:

APPROVED:

Jessica Blair, City Clerk

Harvey Rarback, Mayor



COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FISCAL YEAR ENDED
JUNE 30, 2019



CITY OF HALF MOON BAY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal year ended June 30, 2019

Prepared by
Finance Department



CITY OF HALF MOON BAY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2019

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INTRODUCTORY SECTION





CITY OF HALF MOON BAY

507-B Purissima Street
Half Moon Bay, CA 94019

November 22, 2019

Honorable Mayor,
Members of the City Council,
And Citizens of Half Moon Bay

It is a pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Half Moon Bay (the City) for the fiscal year ended June 30, 2019. The intent of this report is to provide a full and transparent understanding of the City's financial activities. The report is prepared in compliance with California Government Sections 25250 and 25253, in accordance with Generally Accepted Accounting Principles (GAAP) set by the Governmental Accounting Standards Board (GASB), and continuing disclosure requirements of the Securities and Exchange Commission (SEC) related to the City's debt.

This report consists of management's representations concerning the finances of the City of Half Moon Bay. Consequently, responsibility for both the accuracy of the data and the fairness of this presentation, including all disclosures, rests with the City's management. To present a reasonable basis for making these representations, management personnel of the City have established and maintained a comprehensive internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse; and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgment by management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to represent fairly the financial position and results of operation of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

State statutes require an annual audit by independent certified public accountants. The City's financial statements have been audited by Maze & Associates, a firm of licensed certified public accountants in Pleasant Hill, California. The independent auditor has issued an unmodified (or "clean") opinion on the City's financial statements for the year ended June 30, 2019.

GAAP requires that management provide a narrative of introductions, overview and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). The MD&A can be found immediately following the report of the independent auditors in the financial section. This letter complements the MD&A and should be read in conjunction with it.

PROFILE OF THE CITY

Named San Benito in the 1840's and later Spanishtown, Half Moon Bay received its current name in 1874 and is the oldest settlement in San Mateo County. Considered a rural coastal community, the City is home to approximately 13,000 people. There is a rich culture of different traditions and multi-generational families who have lived in Half Moon Bay for well over 100 years. In any given neighborhood you will find farmers, high tech entrepreneurs, and artists living together. At the crossroads of Highway 1 and Highway 92, Half Moon Bay is approximately 25 miles south of San Francisco and a 45 minute drive from almost anywhere in the Bay Area.

The City and Coastside are a thriving agricultural, fishing and tourism destination. The local and growing organic agricultural community hosts a Saturday farmers' market and many rural roadside stands sell the bounty of the local farms and nurseries. About 3,000 tons of pumpkins are grown on the Coastside every year and the ripening pumpkins are featured in the Art and Pumpkin Festival held each October on the downtown historic Main Street. The annual festival draws more than 200,000 visitors for the two day event.

As a popular tourist destination, Half Moon Bay offers a wide variety of public and private attractions. Main Street is home to shops, art galleries, and fine dining. The Coastal Trail provides recreation for biking, pedestrian and equestrian users. Golf can be enjoyed at two acclaimed golf courses. Half Moon Bay boasts truly unique lodging with breathtaking ocean views, world-class hotels, and quaint cottages. And the enduring natural beauty of the beaches is enjoyed by all.

The City of Half Moon Bay was incorporated in 1959 and operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the governing City Council, which consists of five Councilmembers. Councilmembers are elected to overlapping four-year terms and, from amongst themselves, select a Mayor and Vice Mayor each December. The Council is responsible for passing ordinances, adopting the budget, appointing Planning Commission and Volunteer Committee members and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, providing leadership to the City's programs, overseeing the day-to-day operations of the City, and appointing City staff.

By means of its own employees and through other shared or contract services, the City provides a variety of municipal services including law enforcement; library; disaster preparedness; recreation programs; maintenance of streets, parks and buildings; sanitary sewer utility collection and maintenance; planning, zoning and building inspection; storm drain maintenance; code and parking enforcement; engineering; sanitary sewer utility treatment and distribution; and general

administrative services. Fire protection services are provided by a special district that is not a part of the City's reporting entity.

FINANCIAL OPERATIONS

BUDGET PROCESS

The annual budget serves as the foundation for the City's financial planning and control of expenditures. The City's budget document also reflects the One-Year and Five-Year Capital Improvement Program and the Five-Year Forecast.

The City prepares and adopts its budget in accordance with California Government Sections 29000 and 29143. The Council holds a public hearing on the proposed budget and adopts a final budget by the end of June, the close of the City's fiscal year.

A program budget is used to plan, prioritize and guide municipal operations. The City uses the modified accrual basis of accounting for all Governmental Funds and the accrual basis of accounting for Proprietary Funds and Fiduciary Funds. Budgetary controls ensure compliance with the annual appropriated budget approved by the City Council. The City Council may amend the annual budget by resolution. Transfers of appropriations between departments or programs within the same fund can be approved administratively by the City Manager and Finance Director. Transfers between funds require the approval of the City Council. Accordingly, the lowest level of budgetary control established by the City Council is at the department level.

Budget-to-actual comparisons are presented in the supplementary section of the accompanying financial statements for each individual governmental fund for which an appropriated annual budget has been adopted.

FINANCIAL CONTROL

The Finance Department of the City is responsible for establishing and maintaining an appropriate internal control structure. The internal control system is designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe the City's systems of internal accounting controls adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

The City's Reserve Policy per Resolution C-45-11 states that a reserve equal to 30% of General Fund annual operating expenditures is to be set aside to reduce the risk of financial impacts from catastrophic disasters; respond to the challenges of changing economic environment, including prolonged downturns in the local, state, and national economy; and demonstrate continued prudent fiscal management and creditworthiness.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

A number of important initiatives were delivered in the past year. These projects were a combination of capital and operational improvements, increased engagement with the community, and improvement of infrastructure. Some of the accomplishments include:

1. Completed major Capital Improvement Projects, including:
 - Reconstruction of Correas Street
 - Sidewalk Replacement & Repair (~300 locations, city-wide)
 - Emergency storm water repairs at Poplar Beach
 - Manhole rehabilitations at Redondo Beach, Correas Street, Purissima Street, and Church Street
 - Sewer Point Repair Project (~100 locations, city-wide)
 - Bicycle and Pedestrian Master Plan
 - Sheriff Substation Facility Assessment
 - Electric Vehicle Charging Stations
 - Parks Master Plan
 - Municipal Energy Efficiency Upgrades
 - ADA Transition Plan
2. Major Projects in Progress:
 - Main Street Bridge Rehabilitation
 - Highway 1 North Safety Project
 - Highway 1 South Safety Project
 - Poplar Complete Street Project
 - Poplar Beach Gateways Plan
 - Pacific Coast Bicycle Pedestrian Connectivity Project
 - Carter Park Improvements
 - Ted Adcock Community Center Remodel
 - Canada Verde Vertical Stair Replacement
 - Kelly Avenue Storm Drain Project
 - Ocean Colony Pump Station Rehabilitation
 - Seymour Ditch Erosion & Coastal Stabilization
 - General Plan and Local Coastal Program Update
 - Streetlight Upgrades on Main Street
 - Ocean View Park Permanent Restrooms & Site Improvements
3. Other accomplishments:
 - Continued Restoration and Remediation of Major Homeless Encampment
 - Continued Development of Relationships with County and Non-profits that Serve the Homeless
 - Continued Enterprise Resource Planning Software Implementation
 - Continued Local Coastal Plan Amendment Program Update

- Completed City's first Coastside Community Emergency Preparedness event
- Adopted an Accessory Dwelling Unit Ordinance
- Adopted 25-Year Parks Master Plan
- Adopted District Map and Ordinance to switch from at-large elections to by-district elections

Much of the work focuses on enhancing and beautifying the community, as well as creating processes and organizational improvements which allow Staff to better carry out their core functions in serving the public. The 2019-24 Five-Year Capital Improvement Program (CIP) provides in depth project-by-project information and how it aligns with the City's Strategic Plan.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is best understood when it is considered from the perspective of the environment in which the City operates. During Fiscal Year 2018-19, the City continued to benefit from positive trends in the state and local economy, particularly a continued increase in property values and sustained tourism levels. However, economists are predicting an economic downturn in the next 12-18 months that could last between two to four years. This downturn will likely have a negative impact on City revenues, in particular transient occupancy and sales tax receipts.

Local Economy

Employment in Half Moon Bay is concentrated in three major sectors: professional services; farm and agriculture; and retail/food services. The unemployment rate continues to be at a historical low. The employment rate for California is currently 4.2%, San Mateo County is 1.7%, and the City of Half Moon Bay is 1.6%.

A significant driver of the economy has continued to be the local real estate market, which saw another significant year-over-year increase in assessed value. Half Moon Bay's total assessed value for 2018-19 is \$3.1 billion, which is a 7.9% increase over 2017-18. Housing prices continue to remain strong, unemployment and real estate markets reflect a strong local economy, and as such, we expect continued revenue stability in the short term.

While the local economy is currently robust, there are a number of economic challenges that could affect the City's financial condition in the future. Some of these challenges include a volatile equities market and uncertainty related to interest rates and inflation. Two of the most pressing concerns for the City are its disproportionate reliance on tourism and, as a result, its effect on transient occupancy tax (TOT) and local sales tax revenues; as well as, steadily rising City employee labor costs including pension obligations.

TOT is the City's largest revenue source, and one of the most vulnerable in an economic downturn. TOT revenue in 2018-19 was \$6,853,000, a 6.5% increase over the prior year, and a 102% increase over ten years ago. 94% of revenue collected in this category is from hotels, motels, and lodges; new short-term vacation rental receipts will provide a modest increase to this revenue category. The TOT rate has remained unchanged at 12%.

As a result of past City Council actions, the escalating pension costs facing many CalPERS agencies are not projected to have as severe an impact in Half Moon Bay. Nevertheless, these expenses will still present a challenge for the City as annual Unfunded Pension Liability costs are expected to rise approximately \$275,000 (or over 30%) by 2025. These costs coupled with increased demand for essential City services and enhanced infrastructure investment, to maintain and enhance City assets, will strain City finances. Staff will continue to monitor these conditions moving forward, and make budgetary adjustments as necessary, to ensure the City can sustain long-term financial health.

Long-Term Financial Planning

The long-term financial plan of the City continues to include cost containment strategies and a comprehensive cost recovery program, both designed to ensure the long-term financial health of the City. The City's long-term financial outlook shows stability in General Fund reserves attributable to early retirement of debt, growth in major revenue sources, and efficiencies and cost savings in operating costs. Offsetting these improvements are further requirements for staffing and capital funding as well as other impacts from the State and contractual obligations that may not be fully anticipated in the forecast.

The most recent Five-Year Financial Forecast projects a structural deficit beginning in 2021-22, and reaching a deficit of \$807,000 by 2024-25. With this information, the City Council has committed to continuing to prepare for the future. The existing Contingency Reserve is fully funded at 30% of operating costs as required by existing policy.

In 2019-20, the City Council will consider creation of a new reserve, an Economic Uncertainty Reserve, to smooth the effects of dramatic downturns in the economy that negatively impact revenues. The goal of this new reserve is to retain 20% of budgeted annual operating expenditures, thereby ensuring sufficient funds are available when needed to avoid drastic cuts to services and layoff of employees. This new reserve, coupled with the August 2019 retirement of debt a decade early, will position the City to more effectively weather the next economic downturn.

The City's long term strategic plan, adopted on March 15, 2018, addresses the following four Strategic Elements:

- Fiscal Sustainability
- Healthy Communities and Public Safety
- Inclusive Governance
- Infrastructure and Environment

Based on these Strategic Elements, the City Council adopts strategic initiatives to guide the City's actions, work plans, and efforts on addressing the City's priorities on an annual basis. The Council addresses the City's long-term fiscal sustainability by retiring debt early, improving reserves, investing in infrastructure, and marketing the City to visitors to improve key revenue sources, such as Transient Occupancy and Sales Tax. The City continues to maintain a balance between ongoing revenues and ongoing costs as part of its overall long-range strategic financial planning.

Risk Management

Comprehensive general liability coverage is provided through the Association of Bay Area Governments (ABAG) Plan. The plan consists of a self-insurance pool involving a number of cities in the San Francisco-Oakland area. The cities contract with the Plan through a liability coverage agreement that is very similar to a comprehensive general liability, commercial auto, and public officials' errors and omissions policy. The City's limit in the pool is \$5,000,000 with a \$50,000 per occurrence deductible for which it self-insures.

For Workers' Compensation coverage, the City participates in the Cities Group, created by a joint powers agreement to provide workers compensation coverage of up to \$10,000,000 per occurrence in excess of \$1,000,000 for miscellaneous employees. The Group acts as administrator, claim adjuster and provides other risk management services as required by State law. Each member of the Group pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the Group. Additional information concerning the City's participation in risk pools for liability and workers' compensation is provided in Note 10 to the financial statements.

The City focuses on identification of hazards and dangerous conditions, and provides on-going training in an effort to reduce exposure and ensure public safety and welfare.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Half Moon Bay for its comprehensive annual financial report for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are pleased to submit it to the GFOA to determine its eligibility.

In addition, the City prepared its second Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2017 and received an Award for Outstanding Achievement in Popular Annual Financial Reporting from the GFOA, which is another step towards our ongoing commitment to fiscal responsibility and accountability, transparency and open government.

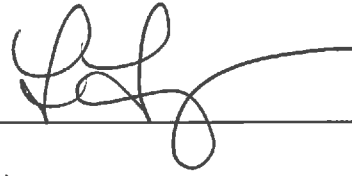
We would like to take an opportunity to thank the Administrative Services Department staff for their efforts during the annual audit process and contribution to this report. We also would like to express deep appreciation to the audit team from Maze and Associates for their professional work and assistance during the audit process and throughout the year.

Finally, we would like to express our appreciation to the City Council, the operating departments, and the Council Finance Committee for their interest and support toward conducting the financial operations of the City in a responsible manner with emphasis on transparency, ethics and fiscal responsibility.

Respectfully submitted,

Signed: 

Bob Nisbet
City Manager



Lisa Lopez
Administrative Services Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Half Moon Bay
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

Half Moon Bay City Limits




Unincorporated
San Mateo County

Unincorporated
San Mateo County

City of
Half Moon Bay



 Map not to Scale



City of Half Moon Bay

City Council



Mayor Harvey Rarback



Vice Mayor Adam Eisen



Councilmember
Debbie Ruddock



Councilmember
Deborah Penrose



Councilmember
Robert Brownstone



City of Half Moon Bay

Executive Team



City Manager
Bob Nisbet



City Attorney
Catherine Engberg



Communications Director/
City Clerk Jessica Blair



Deputy City Manager
Matthew Chidester



Public Works Director
John Doughty



Community Development
Director Jill Ekas

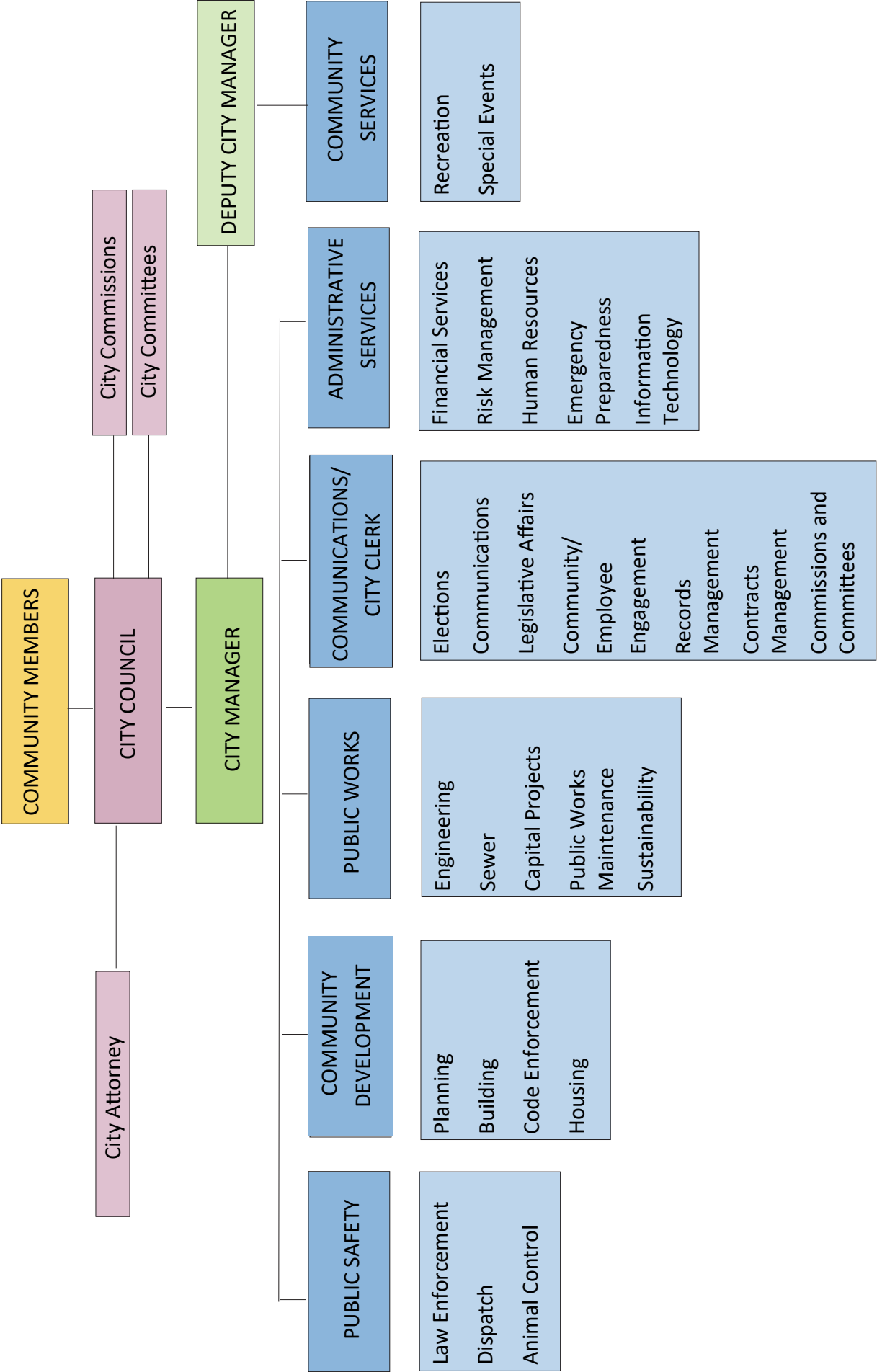


Captain Saul Lopez
San Mateo County Sheriff



Administrative Services
Director Lisa Lopez

City of Half Moon Bay Organizational Chart





FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Half Moon Bay, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Half Moon Bay, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplementary Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
November 22, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF HALF MOON BAY, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Half Moon Bay (the City), we offer readers of the City of Half Moon Bay's financial statements this overview of the financial activities of the City for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have provided in our letter of transmittal and the City's basic financial statements.

Financial Highlights

- The City's government-wide assets exceed its liabilities at June 30, 2019, by \$138.6 million, which is a 6% or \$8 million increase from the prior year. Of this amount, \$39.1 million may be used to meet the City's ongoing obligations to citizens and creditors, which is a 26% increase over the prior year's unrestricted net position of \$31.1 million.
- The City's cash and investments at June 30, 2019 totaled \$61.6 million, of which \$47.6 million is classified as government activities and \$13.9 million as Business-type activity. The City's cash and investments increased by \$2.7 million, or 4.6% compared to the prior year.
- The City had outstanding long-term obligations of \$10.9 million in judgment obligation bond debt (Series B). The City retired this bond in August 2019. The debt service for this final payment was made from an irrevocable escrow trust that was established in July 2013 from an insurance settlement to pay down the Judgment Obligation Bonds on the first available call dates on the bonds. The City Council had made the strategic decision that the best use of these monies was to pay down the Judgment Obligation Bonds early. This debt reduction plan facilitated a complete pay down on the bonds two decades earlier than originally scheduled.
- During the 2014-15 fiscal year, the City implemented the Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pension Plans, an amendment of GASB Statement No. 27, which resulted in adjustments to pension expenses and reporting the City's long-term net pension liability of \$10.8 million on the FY 2018-19 Statement of Net Position. GASB No. 68 is intended to improve accounting and financial reporting by state and local governments that provide pension benefits. The Net Pension Liability decreased slightly by \$17,000 from the \$10.9 million recorded last year.
- City-wide revenues were \$29.7 million, of which \$24.4 million was generated by governmental activities and \$5.3 million by Business-type activities. Revenues decreased by 1% from the prior year primarily due to one-time capital grants and contributions from the prior year.
- City-wide expenditures were \$21.6 million, of which \$17.1 million was incurred by governmental activities and \$4.5 million by Business-type activities. Expenditures decreased slightly by 1% from the prior year.
- The City's General Fund balance as of June 30, 2019 was \$10.9 million, an increase of roughly \$1.0 million as compared to the prior year's amount of \$9.9 million. This increase is primarily due to a slight increase in revenues and a decrease in net transfers out.
- For the fiscal year ended June 30, 2019, Governmental Fund revenues exceeded expenditures and net transfers by \$4.3 million, primarily attributed to a decrease in spending related to capital projects. The governmental funds' combined ending fund balance as of June 30, 2019 is \$69.1 million, a 7% increase from the prior year.

CITY OF HALF MOON BAY, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

This management discussion and analysis section is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains a transmittal letter, other required supplementary information, optional section that presents combining statements for non-major governmental funds and internal service funds, and statistical section.

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. Both are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the City's financial condition.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation and sick leave).

These two statements that comprise the government-wide financial statements both distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-type activities). The governmental activities of the City include its general government, public safety, public works and building regulation, parks and recreation, and planning programs. The sole Business-type activity of the City is the City's sewer utility.

The government-wide financial statements normally include, not only the City of Half Moon Bay itself (known as the primary government), but also a legally separate Community Development Agency of the City of Half Moon Bay for which the City of Half Moon Bay is financially accountable. Although the Agency is an integral part of the primary government, no financial information has been included for this component unit since it has been inactive for over ten years.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Half Moon Bay uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

CITY OF HALF MOON BAY, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Half Moon Bay maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Streets and Roads Fund, and the Judgment Obligation Bond Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the Combining Balance Sheet and Individual Fund Statements of Revenues, Expenditures and Changes in Fund Balances sections of the report.

The City of Half Moon Bay adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison schedule has been provided for each governmental fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26-32 of this report. The budgetary comparison schedule for the General Fund can be found on page 85.

Proprietary Funds

The City of Half Moon Bay maintains two types of proprietary funds: Internal Service funds and Enterprise (Proprietary) funds.

Internal Service Funds

Internal Service funds are used to accumulate resources and allocate costs internally among the City's various functions. The City uses internal service funds to account and reserve for the purchase and maintenance of City vehicles and equipment, to account and reserve for risk management activities, and to stabilize for fluctuations in pension costs. Because these services exclusively benefit the governmental functions, they have been included within governmental activities in the government-wide financial statements.

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily by user charges. The City uses an enterprise fund to account for the financial activity of the City's sewer operation.

CITY OF HALF MOON BAY, CALIFORNIA MANAGEMENT'S DISCUSSION AND ANALYSIS

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. The enterprise funds are also combined into a single, aggregated presentation in the proprietary fund financial statements that can be found on pages 33-35 of this report.

Notes to the Basic Financial Statements

The notes provide additional information essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-74 of this report.

Other Information.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including schedule of proportionate share of the net pension liability, contributions, funding progress for the City's obligation to provide other post-employment benefits to its employees and budgetary comparison schedules for the General Fund and the other funds. Required supplementary information can be found on pages 77-87 of this report.

The combining statements for non-major governmental funds and internal service funds are presented on pages 94-108, and the Statistical Section follows on page 115.

CITY OF HALF MOON BAY, CALIFORNIA MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The following table provides a condensed statement of net position as of June 30, 2019 and 2018:

CITY OF HALF MOON BAY Comparative Statement Statement of Net Position Year Ended June 30, 2019							
	Governmental Activities		Business Type Activities		Total		
	2019	2018	2019	2018	2019	2018	Variance
Current and other assets	\$ 50,450,814	\$ 47,348,670	\$ 20,447,113	\$ 20,646,879	\$ 70,897,927	\$ 67,995,549	4%
Land held for resale	26,823,920	26,823,920			26,823,920	26,823,920	0%
Capital assets	66,527,017	63,168,981	4,566,718	4,490,973	71,093,735	67,659,954	5%
Total Assets	<u>143,801,751</u>	<u>137,341,571</u>	<u>25,013,831</u>	<u>25,137,852</u>	<u>168,815,582</u>	<u>162,479,423</u>	<u>4%</u>
Deferred outflows of resources							
Related to OPEB		2,912				2,912	
Related to pension	2,691,811	3,066,799	57,565	69,159	2,749,376	3,135,958	
	<u>2,691,811</u>	<u>3,069,711</u>	<u>57,565</u>	<u>69,159</u>	<u>2,749,376</u>	<u>3,138,870</u>	<u>-12%</u>
Long-term liabilities outstanding	16,175,020	27,000,256	142,343	146,884	16,317,363	27,147,140	-40%
Other liabilities	15,396,875	5,984,337	153,981	337,540	15,550,856	6,321,877	146%
Total Liabilities	<u>31,571,895</u>	<u>32,984,593</u>	<u>296,324</u>	<u>484,424</u>	<u>31,868,219</u>	<u>33,469,017</u>	<u>-5%</u>
Deferred inflows of resources							
Related to OPEB	880	-	38	-	918	-	
Related to pension	906,741	1,402,436	139,615	155,804	1,046,356	1,558,240	
	<u>907,621</u>	<u>1,402,436</u>	<u>139,653</u>	<u>155,804</u>	<u>1,047,274</u>	<u>1,558,240</u>	<u>-33%</u>
Net position:							
Net investment in capital assets	60,800,162	63,168,981	4,566,718	4,490,973	65,366,880	67,659,954	-3%
Restricted	27,738,822	25,844,530	6,385,095	5,946,230	34,123,917	31,790,760	7%
Unrestricted	25,475,062	17,010,742	13,683,606	14,129,580	39,158,668	31,140,322	26%
Total Net Position	<u>\$ 114,014,046</u>	<u>\$ 106,024,253</u>	<u>\$ 24,635,419</u>	<u>\$ 24,566,783</u>	<u>\$ 138,649,465</u>	<u>\$ 130,591,036</u>	<u>6%</u>

Note: Total assets + deferred outflows – total liabilities – deferred inflows = total net position

Net Position reflects the difference between assets and liabilities. Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Half Moon Bay, assets exceeded liabilities by \$138 million at June 30, 2019, with invested capital assets of \$65 million, \$34 million restricted and an unrestricted net position of \$39 million. Portions of the unrestricted net position may by law or contract be used only for specified purposes and may not necessarily be used for any general governmental purpose.

The net investment in capital assets reflecting the investment in capital assets (e.g. land, buildings, facilities, vehicles, equipment, and infrastructure) is \$65.3 million and represents 47% percent of the City's net position. This portion has decreased by \$2.2 million or 3%, due to depreciation of capital assets. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the net investments in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net position accounts for \$34 million, or 25% percent, of the City's total net position. The restricted net position increased by \$2.3 million or 7% percent in fiscal year 2018-19. This portion of the net position can only be spent for specific purposes stipulated by external resource providers or legislation. This increase is from revenues exceeding expenditures in the non-major governmental funds category.

CITY OF HALF MOON BAY, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The unrestricted net position of \$39 million, or 28% percent of the City's total net position, increased by \$8 million or 26% percent. The increase is from revenues exceeding expenses city-wide. This portion of the net position may be used to meet the government's ongoing obligations to residents and creditors, although portions of the unrestricted net position may by law or contract be only used for specified purposes and may not necessarily be used for any general governmental purpose.

Statement of Activities

The following table provides a condensed statement of activities for the fiscal year ended June 30, 2019, as compared to June 30, 2018:

CITY OF HALF MOON BAY Comparative Statement Statement of Activities Year Ended June 30, 2019								
	Governmental Activities		Business-type Activities		Total		Variance	
	2019	2018	2019	2018	2019	2018		
Program revenues:								
Charges for services	\$ 1,478,683	\$ 2,719,547	\$ 4,533,846	\$ 4,261,126	\$ 6,012,529	\$ 6,980,673		-14%
Operating grants and contributions	1,390,373	932,873			1,390,373	932,873		49%
Capital grants and contributions	5,090,594	6,940,211			5,090,594	6,940,211		-27%
Subtotal	7,959,650	10,592,631	4,533,846	4,261,126	12,493,496	14,853,757		-16%
General revenues:								
Property taxes	3,613,782	3,379,657			3,613,782	3,379,657		7%
Sales and use taxes	2,804,748	2,836,614			2,804,748	2,836,614		-1%
Transient occupancy taxes	6,828,108	6,434,808			6,828,108	6,434,808		6%
Other taxes	1,242,286	1,038,546			1,242,286	1,038,546		20%
Other general revenues	1,960,967	1,602,016	771,733	(173,383)	2,732,700	1,428,633		91%
Subtotal	16,449,891	15,291,641	771,733	(173,383)	17,221,624	15,118,258		14%
Total revenues	24,409,541	25,884,272	5,305,579	4,087,743	29,715,120	29,972,015		-0.9%
Expenses								
General government*	7,506,947	7,634,037			7,506,947	7,634,037		-2%
Public safety	3,975,865	3,878,176			3,975,865	3,878,176		3%
Public works	3,506,195	3,801,624			3,506,195	3,801,624		-8%
Recreation services	1,167,467	926,730			1,167,467	926,730		26%
Interest and fiscal charges	937,704	937,704			937,704	937,704		0%
Sewer utility			4,562,513	4,757,056	4,562,513	4,757,056		-4%
Total expenses	17,094,178	17,178,271	4,562,513	4,757,056	21,656,691	21,935,327		-1%
Increase(Decrease) in net position before transfers	7,315,363	8,706,001	743,066	(669,313)	8,058,429	8,036,688		0%
Transfers	674,430	488,087	(674,430)	(488,087)	-	-		0%
Increase (Decrease) in net position	7,989,793	9,194,088	68,636	(1,157,400)	8,058,429	8,036,688		0%
Net position - As of July 1	106,024,253	96,729,641	24,566,783	25,717,760	130,591,036	122,447,401		
Prior Period Adjustment	-	100,524	-	6,423	-	106,947		
Net position - As of July 1, as restated	106,024,253	96,830,165	24,566,783	25,724,183	130,591,036	122,554,348		7%
Net position - As of June 30	\$ 114,014,046	\$ 106,024,253	\$ 24,635,419	\$ 24,566,783	\$ 138,649,465	\$ 130,591,036		6%

*includes Planning

Governmental Activities

The City's Governmental net position increased by \$7.8 million or 6% in fiscal year 2018-19, primarily due to revenues exceeding expenses.

Revenues Highlights:

- Program revenues decreased by 25% primarily due to one-time contributions for the library project and other grants received in the prior year.
- Total general revenues increased by \$1.1 million or 8% from the prior year, primarily due to increases in other revenues such as investment income and stable growth in property and transient occupancy taxes.

CITY OF HALF MOON BAY, CALIFORNIA MANAGEMENT'S DISCUSSION AND ANALYSIS

- Transient Occupancy Tax (TOT), the City's largest source of general revenue increased \$393K or 6% from prior year.
- Sales Tax, the second largest source of general revenue remained flat with a slight decrease of \$31K or 1% from prior year.
- Property Tax, the third largest source of general revenue, continues to grow with an increase \$234K or 7% from prior year.
- Other General Revenues include investment income and other miscellaneous revenues. The amount from government activities increased by \$358K or 22% from prior year.

Expenses for Government Activities stayed relatively flat with a decrease of \$84K from the prior year.

Business-type Activities

The City's sole Business-type activity is the sewer fund. The City's total Business-type net position increased slightly by \$68K, primarily due to the following factors:

- Total revenues increased significantly with an increase of \$1.2 million or 30% from the prior year. However, revenues from charges for services only increased by \$272K, with the remaining increase coming from other general revenues. Other general revenues include any gain/loss on investment in the Sewer Authority Mid-Coastside (SAM) and interest income.
- The City is a member of the SAM joint power authority and exercises significant influence over SAM's operations; therefore, the share of the City's investment in SAM's net position is reflected in the City's financial statements. In 2018-19 the City recognized a gain on this investment of \$438K, offsetting a \$369K loss in 2017-18.
- Expenses from Business-type Activities decreased by \$194K as compared to fiscal year 2017-18. This is primarily due to slight decreases in salaries, contract services, and repairs.

FUND FINANCIAL ANALYSIS

As noted above, the City uses fund accounting to ensure and demonstrate compliance with governmental finance-related legal requirements.

Governmental Funds

The Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balance of resources that are available for spending. Such information is useful in assessing the City's financial requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the readers determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The following is a schedule of revenues, expenditures, and changes in fund balances for each of the major governmental and aggregate non-major governmental funds recorded on the modified accrual basis of accounting:

CITY OF HALF MOON BAY, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HALF MOON BAY Comparative Statement *Governmental Funds Statement of Revenues, Expenditures and Fund Balance* Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	Variance
Revenues	\$ 23,583,635	\$ 20,110,639	17%
Expenditures	18,868,565	32,567,019	-42%
Transfers (net)	(379,640)	10,467,690	-104%
Net Change in Fund Balances	<u>4,335,430</u>	<u>(1,988,690)</u>	<u>-318%</u>
Fund balances at beginning of year	64,792,091	66,780,781	-3%
Fund balances at end of year	<u>69,127,521</u>	<u>64,792,091</u>	<u>7%</u>
Non-spendable	26,823,920		
Restricted	27,738,822	25,844,530	7%
Committed	6,646,354	31,894,177	-79%
Assigned	1,244,495	2,161,189	-42%
Unassigned	6,673,930	4,892,195	36%
Total fund balances	<u>69,127,521</u>	<u>64,792,091</u>	<u>7%</u>

As of June 30, 2019, the City's governmental funds reported combined fund balances of \$69.1 million, an increase of \$4.3 million in comparison with June 30, 2018, which is primarily attributed to a 42% decrease in expenditures. The governmental funds expenditures were \$18.8 million in fiscal year 2018-19, a \$13.6 million decrease over the prior year, mostly due to the completion of the new library project.

The governmental funds' fund balance is comprised of the following:

- Non-spendable is \$26.8 million (38.8% of total balance) which represents the value of land held by the City. This amount was reported as committed in the prior year but has since been reclassified as non-spendable.
- Restricted is \$27.7 million (40.1% of the total balance), which can only be spent for specific purposes, set by external resource providers or enabling legislation. The balance is primarily for restricted street funds, development fees, and reserves required by debt covenants.
- Committed balance is \$5.1 million (9.6% of the total balance), which can only be spent for specific purposes as determined by formal action of the City Council. This amount is to satisfy the City's general fund reserve policy, which states that 30 percent of budgeted operating expenditures for the following year be committed for contingencies.
- Assigned balance is \$1.2 million (1.8% of the total balance), which indicates City Council's intent to use these funds toward capital improvements in the future. This balance represents funds remaining in the Library capital fund for outstanding expenses paid in FY 19-20.
- Unassigned is \$6.6 million (9.7% of the total balance), which is available for any use.

FINANCIAL ANALYSIS OF CITY'S FUNDS

General Fund

The General Fund is the primary operating fund of the City of Half Moon Bay. All unrestricted revenues such as general taxes, fees and other revenues that are not allocated by law or contractual agreement to some other funds are accounted for in this fund. The General Fund provides for the cost of operating City government and includes the services of the City Attorney, City Clerk, City Council, City Manager, City-

CITY OF HALF MOON BAY, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

wide costs (such as debt service), Finance and Risk Management, Human Resources and Information Technology, Recreation, Building and Planning, Public Works, and Public Safety. In addition, the General Fund expenditures include transfers to fund capital projects and reserve funding.

As of June 30, 2019, the total General Fund balance was \$10.9 million, which includes an unassigned portion of \$4.3 million. The General Fund balance increased by \$993K for the fiscal year ended June 30, 2019.

The following table compares General Fund revenues and expenditures by category:

CITY OF HALF MOON BAY			
Comparative Statement			
<i>General Fund Statement of Revenues, Expenditures and Fund Balance</i>			
Year Ended June 30, 2019			
	<u>2019</u>	<u>2018</u>	<u>Variance</u>
Revenues			
Taxes	\$ 14,448,702	\$ 13,638,171	6%
License and permits	377,873	370,269	2%
Fines and forfeitures	189,415	171,873	10%
Charges for services	1,160,506	1,248,836	-7%
Rents and Leases	75,603	87,536	-14%
Intergovernmental revenues	(40,876)	135,054	-130%
Miscellaneous	799,124	848,009	-6%
Total	<u>17,010,347</u>	<u>16,499,748</u>	<u>3%</u>
Expenditures			
General government	2,320,879	2,473,012	-6%
General administration	1,124,476	1,495,557	-25%
Public safety	3,671,277	3,634,872	1%
Public works	1,723,687	1,449,071	19%
Recreation Services	695,266	644,962	8%
Planning	2,686,309	2,490,216	8%
Total	<u>12,221,894</u>	<u>12,187,690</u>	<u>0%</u>
Net Transfers	(3,794,641)	(5,406,766)	-30%
Net Change in Fund Balances	<u>993,812</u>	<u>(1,094,708)</u>	<u>-27%</u>
Fund Balances at beginning of year	9,962,452	11,057,160	-10%
Fund Balances at end of year	<u><u>\$ 10,956,264</u></u>	<u><u>\$ 9,962,452</u></u>	<u><u>10%</u></u>

General Fund Revenues

General Fund revenues for the year ended June 30, 2019 increased by \$510K or 3%, over the prior year. The preceding chart summarizes revenues into major categories for comparative purposes across two fiscal years.

Total general revenues increased by 3% from the prior year with taxes increasing by \$810K or 6% in FY 2018-19 compared to the prior year indicating positive economic growth. The biggest increase was seen in fines and forfeitures at 10% from the prior year. Due to a classification error, the decrease shown in intergovernmental revenues should be treated as a deduction of taxes received. Net transfers decreased by \$1.6 million primarily due to a decrease in capital projects being funded directly from the General Fund.

CITY OF HALF MOON BAY, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Expenditures

General Fund expenditures for the 2018-19 fiscal year remained flat with a slight increase of \$34K. Due to fluctuating staffing levels, the general administration expenditures decreased by 25%.

General Fund Budgetary Highlights

General Fund balance increased \$993K or 10% from the prior year and exceeded the adopted fiscal year 2018-19 budget projections by \$2.2 million. This is primarily due to the 2018-19 budget anticipating a deficit of \$1.3 million. Revenues exceeded initial projections by \$1.1 million. Operating expenditures were less than anticipated by \$1.2 million.

Other Major Governmental Funds

The following table compares governmental fund balances:

CITY OF HALF MOON BAY			
Comparative Statement			
<i>Governmental Funds Statement of Revenues, Expenditures and Fund Balance</i>			
Year Ended June 30, 2019			
	<u>2019</u>	<u>2018</u>	
Major Governmental Funds:			
General Fund	10,956,264	9,962,452	10%
Streets and Road	3,272,139	4,325,154	-24%
Judgement Obligation Bonds	11,675,887	11,368,713	3%
Library Capital	1,244,495	2,161,189	-42%
Land Asset	26,823,920	26,823,920	0%
Capital Project Fund	2,364,020	2,169,787	9%
Non-Major Governmental Funds	12,790,796	7,980,876	60%
Total Fund Balances	<u>\$ 69,127,521</u>	<u>\$ 64,792,091</u>	<u>7%</u>

Streets and Roads Funds

The Streets and Roads Special Revenue funds provide for all proceeds of Gas Tax funds, Measure A Local Transportation Ordinance Tax funds and other grants. These funds are restricted for the purpose of these taxes and mainly used for streets and road maintenance and improvements.

As of June 30, 2019, the Street and Road Funds had a fund balance of \$3.2 million, a \$1.0 million decrease from the prior year, primarily due to the progress made on street projects.

Judgment Obligation Bond (JOB) Fund

The JOB funds account for debt service on the judgment obligation bonds. As of June 30, 2019, the fund balance was \$11.6 million, which is a \$300K increase from the prior year. This is due to investment earnings from the escrow account established to pay off the Series B Judgement Obligation bond; the payoff was completed in August 2019.

Library Fund

The Library Capital Projects fund is used to account for the design, development, and construction of the new library project which commenced during fiscal year 2017-18. The decrease of \$916K in the fund balance is primarily due to completion of the library project.

CITY OF HALF MOON BAY, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Land Asset Fund

This is a restricted fund which was created in Fiscal Year 2014-15 for the purposes of recording land assets held for resale. The fund balance as of June 30, 2019 is \$26.8 million, which consists of transfers of land assets for Glencree and Beechwood properties from the General Fund and the Judgment Obligation Bond Funds. The Glencree property was donated to the City. The Beechwood property was acquired by the City as part of the settlement of the Yamagiwa litigation in 2007. With the receipt of the insurance settlement payments, the Beechwood properties are no longer required for the Judgment Obligation Bonds. There was no activity in this fund in fiscal year 2018-19.

Non-Major Funds

Non-Major funds are comprised of Special Revenue and Capital Project funds.

Special Revenue funds include:

- Police Grants Fund that accounts for revenues received and expenditures made for police services,
- Storm Drain Operating Fund that accounts for the maintenance of the existing storm drain system,
- Traffic Mitigation Fund that provides for all proceeds from traffic mitigation fees imposed on new development and restricted to defray the cost of constructing improvements to mitigate traffic,
- Affordable Housing Fund that accounts for proceeds of construction and development fees, including in lieu fees with the restricted purpose of the development of affordable housing,
- Parks Development Fund, which accounts for development impact fees, Federal, State and County grants, and is restricted for acquisition, development and capital improvements of the City's parks and trails.

Capital Projects Funds include:

- Public Facilities Fund that accounts for expenditures related to public facilities improvements,
- Storm Drain Improvements Fund that accounts for all proceeds from storm drainage improvement fees assessed against new and remodeled construction and used for drainage improvements.

As of June 30, 2019, the Non-Major Funds had a fund balance of \$12.7 million, a \$4.8 million increase over the prior year. This increase is primarily due to revenues exceeding expenditures by \$2.7 million and a \$2.1 million General Fund transfer in to fund capital projects.

Proprietary Fund Financial Statement Analysis

As of June 30, 2019, the City's Proprietary Fund net position was \$24.6 million (\$4.6 million invested in capital assets; \$6.4 million restricted for investment in Sewer Authority; \$13.6 million in unrestricted net position). Additional information on this investment can be found in Note 6 of the financial statements. Unrestricted net position of \$4.1 million in the Internal Service Funds is primarily reserved for vehicle and equipment replacement, risk management and general liability claims, and pension cost stabilization.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's total net investment in capital assets for its Governmental and Business-type activities (net of accumulated depreciation) as of June 30, 2019, was \$71.1 million, an increase of \$3.4 million as compared to June 30, 2018.

CITY OF HALF MOON BAY, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital assets include land, buildings, equipment, vehicles and infrastructure. The following table presents summarized information on capital assets net of depreciation for fiscal years 2019 and 2018:

CITY OF HALF MOON BAY
Comparative Statement
Capital Assets (net of depreciation)
Year Ended June 30, 2019

	Governmental		Business Type		Total		
	Activities		Activities				
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>Variance</u>
Land	\$ 4,630,615	\$ 4,630,615	\$ -	\$ -	\$ 4,630,615	\$ 4,630,615	0%
Rights of Way	6,723,926	6,723,926			\$ 6,723,926	6,723,926	0%
Construction in progress	3,068,718	24,994,001	405,922	898,785	\$ 3,474,640	25,892,786	-87%
Buildings and improvements	30,143,596	8,119,489	4,089,291	3,510,860	\$ 34,232,887	11,630,349	194%
Machinery and equipment	206,228	289,086	71,505	81,328	\$ 277,733	370,414	-25%
Infrastructure	21,753,934	18,411,864			\$ 21,753,934	18,411,864	18%
Total	<u>\$ 66,527,017</u>	<u>\$ 63,168,981</u>	<u>\$ 4,566,718</u>	<u>\$ 4,490,973</u>	<u>\$ 71,093,735</u>	<u>\$ 67,659,954</u>	<u>5%</u>

Construction in progress decreased by \$22.0 million primarily due to the completion of the new library. Likewise, Buildings and improvements increased by \$22.6 million primarily due to this project completion. Additional information regarding the City's capital assets can be found in Note 4 in Notes to the Basic Financial Statements.

Long-term Obligations

As of June 30, 2019, the City's long-term obligations totaled \$28.7 million, primarily comprised of judgment obligation bonds.

CITY OF HALF MOON BAY
Comparative Statement
Long Term Obligations
Year Ended June 30, 2019

	Governmental		Business-type		Total		
	Activities		Activities				
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>Variance</u>
Judgment Obligation Bonds Series B	\$ 10,915,000	\$ 10,915,000			\$ 10,915,000	\$ 10,915,000	0%
Library Loan	5,726,855	5,726,855			\$ 5,726,855	\$ 5,726,855	0%
Claims liability	903,761	849,394			\$ 903,761	\$ 849,394	6%
Employee compensated absences	303,067	270,996			\$ 303,067	\$ 270,996	12%
Pension Liability	10,742,029	10,754,940	142,343	146,884	\$ 10,884,372	\$ 10,901,824	0%
Total	<u>\$ 28,590,712</u>	<u>\$ 28,517,185</u>	<u>\$ 142,343</u>	<u>\$ 146,884</u>	<u>\$ 28,733,055</u>	<u>\$ 28,664,069</u>	<u>0%</u>

Judgment Obligation Bonds: The City issued \$16.7 million of City of Half Moon Bay Judgment Obligation Bonds, Series A and B in July 2009. The bonds are rated AA by Standard and Poor's, per a rating review dated June 2014. The maximum annual debt service is \$1.2 million. The Bonds were divided into two series. The 2009 Series A Bonds were tax exempt bonds and the 2009 Series B Bonds are federally taxable Build America bonds. The purpose of the bond sale was to meet the judgment settlement relating to Yamagiwa v. City of Half Moon Bay case involving the Cabrillo Highway property.

In the fiscal year ended June 30, 2013 the City received a \$13.2 million insurance settlement payment for the above-mentioned lawsuit. The City Council determined that the best use of these monies was to pay down the Judgment Obligation bonds early. An irrevocable escrow trust was established in July 2013 to apply these monies toward the pay down of the Judgment Obligation Bonds on the first available call dates

CITY OF HALF MOON BAY, CALIFORNIA MANAGEMENT'S DISCUSSION AND ANALYSIS

on the bonds. The 2009 Series A Bonds were completely paid off in the 2014-15 Fiscal Year. Additionally, this debt reduction plan facilitated a complete pay down on the remaining bonds in August 2019.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation. The current debt limitation for the City is approximately \$117 million. At June 30, 2019 the City had a total applicable debt of \$10.9 million which is 9% percent of its legal debt limit.

Additional information about the City's long-term obligations can be found in Note 5 to the Notes to the Basic Financial Statements.

Currently Known Facts, Conditions, and Decisions

Outlined below is key information that is expected to have a significant effect on financial position or results of operations at the time of this report.

The City continues to benefit from the improvement in the local economy and the economic growth throughout San Mateo County, Silicon Valley and the Bay Area. This is reflected in this financial statement for the FY 2018-19 and the financial outlook for FY 2019-20. The major revenues continue to increase at a normal rate and cover the cost of day-to-day operations, services and CIP projects. However, there are a few potential issues that may impact the City's budget and future financial stability. Some of these challenges that the City will face in the future include rising unfunded liabilities as they relate to pension and other post-employment benefits (OPEB); uncertainties with the CalPERS pension pool funding level and retirement assumptions, changes to the CalPERS amortization and smoothing policies, which will drive our CalPERS rates significantly higher; and possibility of another recession and/or economic downturn which would have a detrimental impact on Transient Occupancy Tax.

Fiscal sustainability remains a high priority for Half Moon Bay. To that end, staff will continue to monitor these conditions and seek the most efficient ways to provide services to the public. Staff looks forward to continuing to work with the City Council and the community to address any potential financial challenges that may lay ahead. In addition, staff will continue to identify operational efficiencies, appropriate economic development opportunities and alternative revenue options available to the community to continue delivering services that provide a high quality of life for the residents and visitors of Half Moon Bay.

Requests for Information

This financial report is designed to provide all those with an interest in the government's finances with a general overview of the City of Half Moon Bay financial position and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Half Moon Bay
Finance Department
507-B Purissima Street
Half Moon Bay, CA 94019.

An electronic version of this report is available at the City's website, found at www.hmbcity.com



CITY OF HALF MOON BAY
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (Note 2)	\$47,648,642	\$13,974,205	\$61,622,847
Accounts receivable, net	2,161,607		2,161,607
Interest receivable	213,656	81,101	294,757
Prepays	246,164		246,164
Land held for resale (Note 1i)	26,823,920		26,823,920
Investment in Sewer Authority			
Mid-Coastside (Note 6)		6,385,095	6,385,095
Net OPEB Asset (Note 9)	180,745	6,712	187,457
Capital assets, not depreciated (Note 4)	14,423,259	405,922	14,829,181
Capital assets, depreciated, net (Note 4)	52,103,758	4,160,796	56,264,554
Total assets	143,801,751	25,013,831	168,815,582
Deferred outflows of resources			
Related to pensions (Note 8)	2,691,811	57,565	2,749,376
Total deferred outflows of resources	2,691,811	57,565	2,749,376
Liabilities			
Accounts payable	2,195,254	153,981	2,349,235
Accrued liabilities	245,853		245,853
Deposits payable	390,076		390,076
Unearned revenue	150,000		150,000
Claims liability, due within one year (Note 10)	903,761		903,761
Compensated absences (Note 1j):			
Due within one year	24,245		24,245
Due in more than one year	278,822		278,822
Long-term debt (Note 5):			
Due within one year	11,487,686		11,487,686
Due in more than one year	5,154,169		5,154,169
Net pension liability, due in more than one year (Note 8)	10,742,029	142,343	10,884,372
Total liabilities	31,571,895	296,324	31,868,219
Deferred inflows of resources			
Related to OPEB (Note 9)	880	38	918
Related to pensions (Note 8)	906,741	139,615	1,046,356
Total deferred inflows of resources	907,621	139,653	1,047,274
Net position (Note 7)			
Net investment in capital assets	60,800,162	4,566,718	65,366,880
Restricted for:			
Investment in Sewer Authority		6,385,095	6,385,095
Debt Service	11,675,887		11,675,887
Streets and roads	6,051,264		6,051,264
Affordable housing	2,203,383		2,203,383
Capital projects	3,013,676		3,013,676
Other City projects	4,794,612		4,794,612
Total restricted net position	27,738,822	6,385,095	34,123,917
Unrestricted	25,475,062	13,683,606	39,158,668
Total net position	\$114,014,046	\$24,635,419	\$138,649,465

See accompanying notes to financial statements

CITY OF HALF MOON BAY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Contributions and Grants	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$4,722,479	\$97,755	\$685,124	\$2,209,788	(\$1,729,812)		(\$1,729,812)
Public safety	3,975,865	64,011	148,891		(3,762,963)		(3,762,963)
Public works	3,506,195	392,876	556,358	2,880,806	323,845		323,845
Recreation	1,167,467	630,725			(536,742)		(536,742)
Planning	2,784,468	293,316			(2,491,152)		(2,491,152)
Interest charges	937,704				(937,704)		(937,704)
Total governmental activities	17,094,178	1,478,683	1,390,373	5,090,594	(9,134,528)		(9,134,528)
Business-type Activities:							
Sewer	4,562,513	4,533,846				(\$28,667)	(28,667)
Total	\$21,656,691	\$6,012,529	\$1,390,373	\$5,090,594	(9,134,528)	(28,667)	(9,163,195)
General revenues:							
Taxes:							
Property					3,613,782		\$3,613,782
Sales and Use					2,804,748		2,804,748
Transient occupancy					6,828,108		6,828,108
Franchise					864,413		864,413
Business License Tax					377,873		377,873
Investment income					1,188,804	332,868	1,521,672
Miscellaneous					772,163		772,163
Gain on investment in Sewer Authority Mid-Coastside (Note 6)						438,865	438,865
Transfers (Note 3)					674,430	(674,430)	
Total general revenues and transfers					17,124,321	97,303	17,221,624
Change in Net Position					7,989,793	68,636	8,058,429
Net Position at beginning of year					106,024,253	24,566,783	130,591,036
Net Position at end of year					\$114,014,046	\$24,635,419	\$138,649,465

See accompanying notes to financial statements



CITY OF HALF MOON BAY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Streets and Roads	Judgment Obligation Bonds	Library
Assets				
Cash and investments (Note 2)	\$10,108,931	\$3,408,404	\$11,677,227	\$2,358,983
Receivables:				
Accounts, net	1,941,792	219,710		
Interest	55,830	20,748		13,611
Due from other funds	1,340			
Land held for resale (Note 1i)				
Prepaid expense				
Total assets	<u>\$12,107,893</u>	<u>\$3,648,862</u>	<u>\$11,677,227</u>	<u>\$2,372,594</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$526,517	\$218,358		\$1,128,099
Accrued liabilities	235,036	8,365		
Due to other funds			\$1,340	
Deposits payable	390,076			
Unearned revenue		150,000		
Total Liabilities	<u>1,151,629</u>	<u>376,723</u>	<u>1,340</u>	<u>1,128,099</u>
Fund balances (Note 7):				
Nonspendable				
Restricted		3,272,139	11,675,887	
Committed	6,646,354			
Assigned				1,244,495
Unassigned	4,309,910			
Total fund balances	<u>10,956,264</u>	<u>3,272,139</u>	<u>11,675,887</u>	<u>1,244,495</u>
Total liabilities and fund balances	<u>\$12,107,893</u>	<u>\$3,648,862</u>	<u>\$11,677,227</u>	<u>\$2,372,594</u>

See accompanying notes to financial statements

Land Asset	Capital Projects	Non-major Governmental Funds	Total
	\$2,289,041	\$12,853,732	\$42,696,318
		105	2,161,607
	13,144	66,926	170,259
			1,340
\$26,823,920			26,823,920
	246,164		246,164
<u>\$26,823,920</u>	<u>\$2,548,349</u>	<u>\$12,920,763</u>	<u>\$72,099,608</u>
	\$184,329	\$127,515	\$2,184,818
		2,452	245,853
			1,340
			390,076
			150,000
	184,329	129,967	2,972,087
26,823,920			26,823,920
		12,790,796	27,738,822
			6,646,354
			1,244,495
	2,364,020		6,673,930
<u>26,823,920</u>	<u>2,364,020</u>	<u>12,790,796</u>	<u>69,127,521</u>
<u>\$26,823,920</u>	<u>\$2,548,349</u>	<u>\$12,920,763</u>	<u>\$72,099,608</u>

CITY OF HALF MOON BAY
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2019

Fund balances of governmental funds	\$69,127,521
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets have not been included as financial resources in governmental fund activity:

Capital assets, non depreciable	14,423,259
Capital assets, depreciated, net	51,897,530

Deferred outflows below are not current assets of financial resources and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds.

Deferred outflows of resources	2,691,811
Deferred inflows of resources	(907,610)

Long-term asset and liabilities that have not been included in governmental fund activity

Bonds payable	(16,641,855)
Compensated absences	(303,067)
Net pension liability	(10,742,029)
Net OPEB asset	177,903

Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.

	4,290,583
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Net position of governmental activities	\$114,014,046
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See accompanying notes to financial statements



CITY OF HALF MOON BAY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Streets and Road	Judgment Obligation Bonds	Library
REVENUES				
Taxes	\$14,448,702			
License and Permits	377,873			
Fines and forfeitures	189,415			
Charges for services	1,160,506			
Impact fees/recreation fees				
Investment income	250,030	\$88,579	\$553,339	\$57,022
Rents and leases	75,603			
Intergovernmental revenues	(40,876)	1,323,065		726,000
Miscellaneous	549,094	254,883		
Total Revenues	17,010,347	1,666,527	553,339	783,022
EXPENDITURES				
Current:				
General government	2,320,879			
General administration	1,124,476			
Public Safety	3,671,277			
Public works	1,723,687	357,124		
Recreation services	695,266			
Planning	2,686,309			
Capital outlay		2,323,984		1,699,716
Debt service:				
Principal				
Interest & fees			937,704	
Total Expenditures	12,221,894	2,681,108	937,704	1,699,716
Excess (deficiency) of revenues over (under) expenditures	4,788,453	(1,014,581)	(384,365)	(916,694)
Other financing sources (uses):				
Transfers in (Note 3)	486,754		691,539	
Transfers (out) (Note 3)	(4,281,395)	(38,434)		
Total other financing sources (uses)	(3,794,641)	(38,434)	691,539	
Net change in fund balances	993,812	(1,053,015)	307,174	(916,694)
Fund balances at beginning of year	9,962,452	4,325,154	11,368,713	2,161,189
Fund balances at end of year	\$10,956,264	\$3,272,139	\$11,675,887	\$1,244,495

See accompanying notes to financial statements

Land Asset	Capital Project Fund	Non-Major Governmental Funds	Total
			\$14,448,702
			377,873
			189,415
		\$5,134	1,165,640
		2,700,943	2,700,943
	52,562	223,596	1,225,128
			75,603
	549,161	243,505	2,800,855
		521,499	1,325,476
	601,723	3,694,677	24,309,635
			2,320,879
			1,124,476
		56,025	3,727,302
		66,420	2,147,231
		201,588	896,854
		342	2,686,651
	419,700	584,068	5,027,468
			937,704
	419,700	908,443	18,868,565
	182,023	2,786,234	5,441,070
	12,210	2,026,495	3,216,998
		(2,809)	(4,322,638)
	12,210	2,023,686	(1,105,640)
	194,233	4,809,920	4,335,430
\$26,823,920	\$2,169,787	7,980,876	64,792,091
\$26,823,920	\$2,364,020	\$12,790,796	\$69,127,521

CITY OF HALF MOON BAY
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Changes in fund balances of governmental funds	\$4,335,430
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Amounts reported for governmental activities in the statement of activities are different because:

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expenses, whereas net position decrease by the amount of depreciation expense charged for the year.

Capital outlay	5,027,468
Uncapitalized capital outlay	(450,786)
Depreciation expense	(1,135,788)

The amounts below included in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenue of expenditures in governmental funds (net change).

OPEB expenses	2,820
Compensated absences	(32,071)
Pension expense	133,618

Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The net revenues (expenses) of the internal services funds is reported with governmental activities.

	109,102
Changes in net position of governmental activities	\$7,989,793

See accompanying notes to financial statements

CITY OF HALF MOON BAY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2019

	Sewer Enterprise Fund	Internal Service Funds
Assets:		
Current Assets:		
Cash and investments (Note 2)	\$13,974,205	\$4,952,324
Accounts receivable		
Interest receivable	81,101	43,397
Total Current Assets	14,055,306	4,995,721
Noncurrent Assets:		
Investment in Sewer Authority Mid-Coastside (Note 6)	6,385,095	
Net OPEB Asset (Note 9)	6,712	2,842
Non-depreciable capital assets (Note 4)	405,922	
Depreciable capital assets, net of accumulated depreciation (Note 4)	4,160,796	206,228
Total non-current assets	10,958,525	209,070
Total Assets	25,013,831	5,204,791
Deferred Outflows of Resources		
Related to pensions (Note 8)	57,565	
Total deferred outflows of resources	57,565	
Liabilities:		
Current Liabilities:		
Accounts payable	153,981	10,436
Claims liability (Note 10)		903,761
Total current liabilities	153,981	914,197
Noncurrent liabilities:		
Net pension liability (Note 8)	142,343	
Total Liabilities	296,324	914,197
Deferred Inflows of Resources		
Related to OPEB (Note 9)	38	11
Related to pensions (Note 8)	139,615	
Total deferred inflows of resources	139,653	11
Net Position:		
Net investment in capital assets	4,566,718	206,228
Restricted for investment in Sewer Authority	6,385,095	
Unrestricted	13,683,606	4,084,355
Total Net Position	\$24,635,419	\$4,290,583

See accompanying notes to financial statements

CITY OF HALF MOON BAY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2019

	Sewer Enterprise Fund	Internal Service Funds
Operating revenues:		
Charges for services	\$4,529,634	
Impact fees		\$5,410
Other	4,212	
Total operating revenues	<u>4,533,846</u>	<u>5,410</u>
Operating expenses:		
Salaries and wages	265,518	374,834
Contract services	3,989,573	361,476
Supplies	26,657	58,244
Repairs and maintenance	177,017	139,777
Insurance		207,153
Pensions		551,942
Depreciation	103,748	82,858
Total operating expenses	<u>4,562,513</u>	<u>1,776,284</u>
Total operation income	<u>(28,667)</u>	<u>(1,770,874)</u>
Non-operating revenues:		
Gain on investment in Sewer Authority Mid-Coastside (Note 6)	438,865	
Investment income	332,868	99,906
Total non-operating revenues	<u>771,733</u>	<u>99,906</u>
Income before transfers	<u>743,066</u>	<u>(1,670,968)</u>
Transfers:		
Transfers in (Note 3)		1,780,070
Transfers (out) (Note 3)	(674,430)	
Total transfers	<u>(674,430)</u>	<u>1,780,070</u>
Change in net position	68,636	109,102
Net position at beginning of year	<u>24,566,783</u>	<u>4,181,481</u>
Net position at end of year	<u><u>\$24,635,419</u></u>	<u><u>\$4,290,583</u></u>

See accompanying notes to financial statements

CITY OF HALF MOON BAY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2019

	Sewer Enterprise Fund	Internal Service Funds
Cash flows from operating activities:		
Cash received from department users	\$4,517,748	\$5,410
Cash payments to suppliers for goods and services	(4,376,806)	(1,349,621)
Cash payments to employee services	(274,616)	(374,823)
Net cash provided by operating activities	(133,674)	(1,719,034)
Cash flows from non-capital and related financing activities:		
Cash collected from other funds		1,780,070
Cash paid to other funds	(674,430)	
Net cash (used for) non capital and related financing activities	(674,430)	1,780,070
Cash flows form capital and related financing activities:		
Acquisition of capital assets	(179,782)	
Net cash provided by (used for) capital and related financing activities	(179,782)	
Cash flows from investing activities:		
Interest received on investments	332,868	99,906
Net cash provided by investing activities	332,868	99,906
Net increase in cash and cash equivalents	(655,018)	160,942
Cash and cash equivalents at beginning of year	14,629,223	4,791,382
Cash and cash equivalents at end of year	\$13,974,205	\$4,952,324
Reconciliation of operating income (loss) to net cash provided by (used for)		
Provided by (used for) operating activities:		
Operating income (loss)	(\$28,667)	(\$1,770,874)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	103,748	82,858
Change in assets and liabilities:		
Interest receivable, net	(16,098)	(30,252)
Accounts payable	(183,559)	(55,144)
Deferred outflows of resources	11,594	
Deferred inflows of resources	(16,151)	11
Net pension liability	(4,541)	
Accrued claims payable		54,367
Net cash provided by operating activities	(\$133,674)	(\$1,719,034)
Non-cash transactions:		
Gain on investment in Sewer Authority Mid-Coastside	\$438,865	

See accompanying notes to financial statements

CITY OF HALF MOON BAY
FIDUCIARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>OPEB Trust Fund</u>
Assets:	
Investments:	
Mutual Funds (Note 2)	<u>\$675,460</u>
Total Assets	<u>675,460</u>
Net Position:	
Restricted for OPEB benefits	<u><u>\$675,460</u></u>

See accompanying notes to financial statements

CITY OF HALF MOON BAY
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	OPEB Trust Fund
Additions:	
Investment income:	
Interest	\$41,937
Less: Investments expenses	<u>(1,605)</u>
Total additions	<u>40,332</u>
Net position at beginning of year	<u>635,128</u>
Net position at end of year	<u><u>\$675,460</u></u>

See accompanying notes to financial statements



CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

1. Significant Accounting Policies

The City of Half Moon Bay (the City) is located next to the Pacific Ocean in San Mateo County, approximately twenty-five miles south of San Francisco. The City and coast side area is a thriving agricultural, fishing and tourism destination. In addition, about 3,000 tons of pumpkins are grown on the coast side each year and the ripening pumpkin heralds the Annual Arts and Pumpkin Festival held in October on the downtown historic Main Street. The annual festival draws more than 200,000 visitors for the two-day event.

The City is a general law city operating under the Council-Manager form of government, with a five-member City Council elected for four-year overlapping terms. The City Manager is appointed by the City Council to serve as administrator of the staff and to carry out the Council's policies.

Fire, water, library and certain sewer services are provided by separate districts or authorities which are not controlled by the City.

a) Reporting Entity

The financial statements of the City include the financial activities of the City, as well as the Community Development Agency of the City of Half Moon Bay, which is controlled by and dependent on the City.

b) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been eliminated from these statements to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements for the primary government's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in aggregate for governmental and proprietary funds.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

1. Significant Accounting Policies, continued

b) Government-wide and Fund Financial Statements, continued

The City reports the following major governmental funds:

The *General Fund* (Fund 1) is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The major revenue sources for this fund are transient occupancy tax, property taxes, sales taxes, unrestricted revenues from the State, and interest income. Expenditures are made for public safety, planning, building, engineering, and other general government services.

The *Streets and Roads Special Revenue Fund* was established to account for all proceeds of Gas Tax funds (Fund 10), Measure A Local Transportation Ordinance Tax funds (Fund 12), Main Street Bridge fund (Fund 9) and other grants (Fund 11) that are restricted to purposes of these taxes.

The *Judgment Obligation Bonds* - Debt Service Fund (Fund 77 Series A; Fund 78 Series B) was established to account for the Judgment Obligation Bond Series 2009A and the Judgment Obligation Bond Series 2009B issued on July 14, 2009.

The *Library Capital Projects Fund* (Fund 16) is used to account for the construction and facilities maintenance of the library.

The *Land Asset Capital Projects Fund* (Fund 79) was established to account for the two land parcels held for resale.

The *Capital Projects Fund* (Fund 25) is used to fund Capital Improvement Program projects, including construction, technology, and other infrastructure improvements.

The City reports the following major enterprise fund:

The *Sewer Enterprise Fund* is used to account for the financial activity of the City's sewer utility. The costs of providing these services to the general public are financed or recovered primarily through user charges (Fund 5 is Sewer Operating Fund; Fund 6 is Sewer Capital Fund.)

The City also reports the following fund types:

Internal Service Funds:

Internal Service Funds are used to account for financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City operates an *Equipment Replacement Fund* (Fund 62), *Vehicle Replacement Fund* (Fund 61), a *Risk Management Fund* (Fund 63), and *Pension Stabilization Fund* (Fund 64).

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

1. Significant Accounting Policies, continued

c) Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are not recognized until due. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Property taxes, sales taxes, transient occupancy taxes, and charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues include: 1) charges to members, customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the Sewer Fund and of the government's Internal Service Funds are charges to customers for services. Operating expenses for the Sewer Fund and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

1. Significant Accounting Policies, continued

d) Cash and Investments

Investments are reported in the accompanying statement of net position at fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income, earned by the pooled investments, is allocated to the various funds based on each fund's average cash and investment balance.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Cash invested in the City's investment pools is also considered to be cash equivalents.

e) Cash and Investments with Fiscal Agents

The City has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make.

f) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

1. Significant Accounting Policies, continued

g) Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to "due to/from other funds" (i.e., the current portion of interfund loans).

h) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement is reported at acquisition value rather than fair value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. In addition, the City does not capitalize the allocation of capital costs related segments of projects maintained by other entities. The City utilizes a capitalization threshold of \$5,000.

Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets as follows:

Building and Improvements	40 years
Sewer Mains and Laterals	60 years
Infrastructure	20 to 50 years
Vehicles	5 to 10 years
Equipment	5 to 20 years

i) Land Held for Resale

Lands held for resale are recorded in the Land Asset Capital Projects Fund at the lower of acquisition cost or estimated resale value. Fund balances are reserved in amounts equal to the carrying value of land held for resale since such assets are not available to finance the City's current operations.

Land held for resale of \$26,823,920 at June 30, 2019 is stated at the lower of historical cost or net realizable value.

j) Compensated Absences

Depending upon length of employment, City employees earn 12 to 27 vacation days a year. Sick leave is accrued at the rate of 12 days per year. Employees can carry forward two to three years-worth of earned but unused vacation leave benefits to subsequent years depending on employee group. Upon termination, the City is obligated to compensate employees for all earned but unused vacation days. The earned but unused sick leave benefits are payable for some employees, when vested, in the event of employee termination.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

1. Significant Accounting Policies, continued

In the government-wide financial statements, a liability is accrued for all earned but unused vacation leave benefits, as well as vested amounts of sick leave relating to the operations of the funds. General Fund is typically used to liquidate the liability for compensated absences. This liability will be liquidated as either additional cash payments in the event of employee termination or as part of budgeted salary expenditures if used by employees as compensated leave time while still employed by the City. In the fund financial statements, governmental funds report compensated absences only if they have matured, i.e. unused reimbursable leave still outstanding at fiscal year-end following an employee's resignation or retirement. Non-current amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

The changes in compensated absences for the year ended June 30, 2019 is as follows:

Beginning Balance	\$270,996
Additions	463,512
Payments	(431,441)
Ending Balance	<u>\$303,067</u>
Current Portion	\$24,245
Non-current Portion	\$278,822

k) Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as service expenditures.

l) Claims and Judgments

The City records a liability for litigation, judgments and claims when it is probable that an asset has been impaired, or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the Internal Service Funds, which account for the City's risk management activities.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

1. Significant Accounting Policies, continued

m) Property Taxes

State of California (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value (\$1 per \$100 of assessed value) plus an additional amount for general obligation debt approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold or transferred. The state legislature has determined the method of distribution of receipts from the \$1.00 tax levy among the counties, cities, school districts and other districts.

The County of San Mateo assesses properties and bills for and collects property taxes as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	On or before November 1	July 1
Due dates (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

The term "unsecured" refers to taxes on personal property other than land and buildings. These "unsecured" taxes are secured by liens on the personal property being taxed. The County of San Mateo distributes to the City the entire amount of each year's levy and in return receives all penalties and interest on delinquent payments.

n) Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

o) Pensions and OPEB (Other Post-Employment Benefits)

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

1. Significant Accounting Policies, continued

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported in the OPEB Trust Fund. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

p) New GASB Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2019.

GASB Statement No. 83 – In December 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain assets retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 statement requires the current value of a government's AROs to annually be adjusted for the effects of general inflation or deflation, and relevant factors that may significantly change the estimated asset retirement outlays. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This Statement had no effect on the City's financial statements.

GASB Statement No. 88 – In June 2018, the GASB issues Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for the City's fiscal year ending June 30, 2019. See Note 5 for relevant disclosures.

Future Governmental Accounting Standards (GASB) Pronouncements

GASB Statement No. 84 – In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City has not determined its effect on the financial statements.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

1. Significant Accounting Policies, continued

GASB Statement No. 87 – In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City has not determined its effect on the financial statements.

2. Cash, Cash Equivalents, and Investments

Cash and investments as of June 30, 2019 consist of the following:

Cash on hand	\$1,200
Deposits with financial institutions	1,943,501
Investments	<u>59,678,146</u>
Total City cash and investments	61,622,847
 OPEB Trust Fund: Investments held with trustee	 <u>675,460</u>
Total cash and investments	<u><u>\$62,298,307</u></u>

a) Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a policy for custodial credit risk on deposits. As of June 30, 2019, the carrying amount of the City's deposits was \$1,943,501 and the bank balance was \$2,079,168. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code.

Under the California Government Code, a financial institution is required to secure deposits in excess of \$250,000 made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Such collateral is considered to be held in the name of the City.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

2. Cash, Cash Equivalents, and Investments, continued

b) Investments Authorized by the City's Investment Policy

The City maintains a cash and investment pool that is available for use by all funds. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 Years	None	None	None
U.S. Agency Securities	5 Years	None	None	None
Bankers' Acceptances	180 Days	None	20%	5%
Commercial Paper	180 Days	Aaa/AAA	15%	2%
Negotiable Certificates of Deposit	2 Years	None	30%	None
Repurchase Agreements	1 year	None	None	5%
California Local Agency Investment Fund	None	None	None	\$50 million
San Mateo County Investment Pool	None	None	None	None
Time Deposits	2 years	None	10%	None
Medium-Term Notes	5 Years	AA	20%	10%
Money Market Mutual Funds	None	Aaa/AAA	20%	5%

c) Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	No Limit	No Limit
U.S. Agency Securities	None	None	No Limit	No Limit
State Obligations	None	AAA	No Limit	No Limit
Municipal Obligations	None	AAA	No Limit	No Limit
Bankers' Acceptances	360 Days	A1	No Limit	No Limit
Commercial Paper	270 Days	A1+	No Limit	No Limit
Money Market Mutual Funds	None	Aam	No Limit	No Limit
California Local Agency Investment Fund	None	None	No Limit	No Limit
Repurchase Agreements	None	None	No Limit	No Limit

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

2. Cash, Cash Equivalents, and Investments, continued

d) Fair Value Hierarchy

The City adopted GASB Statement No. 72, Fair Value Measurement and Applications, which required governmental entities to measure investments at fair value in fiscal year 2018-19. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation input used to measure the fair value of asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

	<u>Level 2</u>	<u>Total</u>
Investments by Fair Value Level:		
Federal Agency Securities	<u>\$10,903,212</u>	\$10,903,212
Investments exempt from Fair Value Hierarchy:		
San Mateo County Investment Pool		40,482,349
California Local Agency Investment Fund		8,291,823
Investments Measured at Amortized Cost:		
Money Market Fund		762
Mutual Fund		675,460
Cash in Bank and on hand		<u>1,944,701</u>
Total Cash and Investments		<u><u>\$62,298,307</u></u>

The Federal Agency Securities totaling \$10,903,212 classified in Level 2 of the fair value hierarchy are valued using quoted prices for a non-active market portfolio at fiscal year-end. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

2. Cash, Cash Equivalents, and Investments, continued

e) Interest Rate Risk

Interest Rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

Investment Type	Remaining Maturity (in Months)		Total
	12 Months Or Less	13 to 24 Months	
<i>Available for Operations</i>			
California Local Agency Investment Fund	\$7,515,019		\$7,515,019
San Mateo County Investment Pool	40,482,349		40,482,349
<i>Held by Trustees</i>			
California Local Agency Investment Fund	776,804		776,804
Federal Agency Securities	10,903,212		10,903,212
Money Market Fund	762		762
Mutual Fund	675,460		675,460
Total Investments	<u>\$60,353,606</u>		60,353,606
<i>Demand Deposits and Cash on Hand</i>			<u>1,944,701</u>
<i>Total Cash and Investments</i>			\$62,298,307

f) Custodial Credit Risk - Investment

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. All of the City's investments in securities are held in the name of the City. The City's custody agreement policy prohibits counterparties holding securities not in the City's name.

g) Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer, other than U.S. Treasury securities, mutual funds or external investment pools, which represent 5% or more of the City's total investments are shown below:

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation	Federal Agency Security	\$10,903,212

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

2. Cash, Cash Equivalents, and Investments, continued

h) Credit Risk – Investments

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of ratings by nationally recognized statistical rating organization.

Investment Type	AA	Not Rated	Total
<i>Held by City</i>			
California Local Agency Investment Fund		\$7,515,019	\$7,515,019
San Mateo County Investment Pool	\$40,482,349		40,482,349
Cash in banks and on hand		1,944,701	1,944,701
<i>Held by Trustee</i>			
Federal Agency Securities	10,903,212		10,903,212
Money Market Funds		762	762
California Local Agency Investment Fund		776,804	776,804
Mutual Fund		675,460	675,460
Total Cash & Investments	<u>\$51,385,561</u>	<u>\$10,912,746</u>	<u>\$62,298,307</u>

i) Investments in San Mateo County Investment Pool

The City is also a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County of San Mateo. The City reports its investment in the County Pool at the fair value amount provided by the County. The balance available for withdrawal is based on the accounting records maintained by the County Pool which are recorded on an amortized cost basis. Included in the County Pool's investment portfolio are U.S. Treasury Notes, Obligations issued by agencies of the United States Government, LAIF, Corporate Notes, Commercial Paper, collateralized mortgage obligations, mortgage-backed securities, repurchase agreements, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2019, these investments matured in an average of 2.31 years.

j) Investments in State Treasurer's Local Agency Investment Pool

The City is also a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. At June 30, 2019 these investments matured in an average of 173 days.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

3. Interfund Transfers

Transfers between funds during the fiscal year ended June 30, 2019 were as follows:

Transfer To	Transfer From	Amount	
General Fund	Sewer Enterprise Fund	\$477,157	(a)
	Streets and Roads Special Revenue Fund	9,597	(b)
Judgment Obligation Bonds Debt Service Fund	General Fund	691,539	(c)
Capital Projects Capital Project Fund	General Fund	12,210	(d)
Non-Major Governmental Funds	General Fund	2,026,495	(d)
Internal Service Funds	General Fund	1,551,151	(e)
	Streets and Roads Special Revenue Fund	28,837	(e)
	Non-Major Governmental Funds	2,809	(e)
	Sewer Enterprise Fund	197,273	(e)
		<u>\$4,997,068</u>	

Interfund transfers were principally used for the following purposes:

- (a) Sewer Management expenditures
- (b) Streets and Roads expenditures
- (c) Debt Service expenditures
- (d) Capital Program expenditures
- (e) Program Expenditures

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

4. Capital Assets

a) Capital Assets Activity

A Summary of changes in capital assets for the year ended June 30, 2019 is as follows:

	Balance June 30, 2018	Additions	Transfers	Adjustments	Balance June 30, 2019
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$4,630,615				\$4,630,615
Rights of way	6,723,926				6,723,926
Construction in progress	24,994,001	\$2,159,828	(\$22,055,133)	(2,029,978)	\$3,068,718
Total capital assets not being depreciated	36,348,542	2,159,828	(22,055,133)	(2,029,978)	14,423,259
Capital assets being depreciated:					
Buildings & improvements	12,918,656	1,816,930	20,490,348	26,237	35,252,171
Machinery & equipment	1,026,697				1,026,697
Infrastructure	32,391,759	645,866	1,564,785	1,957,796	36,560,206
Total capital assets being depreciated	46,337,112	2,462,796	22,055,133	1,984,033	72,839,074
Less accumulated depreciation for:					
Buildings & improvements	4,799,167	308,757		651	5,108,575
Machinery & equipment	737,611	45,967		36,891	820,469
Infrastructure	13,979,895	819,218		7,159	14,806,272
Total accumulated depreciation	19,516,673	1,173,942		44,701	20,735,316
Net depreciable assets	26,820,439	1,288,854	22,055,133	1,939,332	52,103,758
Governmental activity capital assets, net	\$63,168,981	\$3,448,682		(\$90,646)	\$66,527,017

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

4. Capital Assets, continued

	Balance June 30, 2018	Additions	Transfers	Balance June 30, 2019
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Construction in progress	\$898,785	\$165,454	(\$658,317)	\$405,922
Total capital assets not being depreciated	898,785	165,454	(658,317)	405,922
Capital assets being depreciated:				
Buildings & improvements	5,088,541	14,039	658,317	5,760,897
Machinery & equipment	763,646			763,646
Total capital assets being depreciated	5,852,187	14,039	658,317	6,524,543
Less accumulated depreciation for:				
Buildings & improvements	1,577,681	93,925		1,671,606
Machinery & equipment	682,318	9,823		692,141
Total accumulated depreciation	2,259,999	103,748		2,363,747
Net depreciable assets	3,592,188	(89,709)		4,160,796
Business-type activity capital assets, net	\$4,490,973	\$75,745	(\$658,317)	\$4,566,718

b) Depreciation

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$94,234
Recreation	303,881
Public safety	15,878
Public works	759,949
Depreciation on capital assets held by the City's Internal Service Funds is charged to the various functions based on their usage of the assets	82,858
Total Governmental Activities	<u>\$1,173,942</u>
Business-Type Activities:	
Sewer Fund	\$103,748

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

5. Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2019.

	Original Issue Amount	Balance June 30, 2018	Balance June 30, 2019	Current Portion
<i>Governmental Activity Debt</i>				
2009 B Judgment Obligation Bonds				
2.00%-5.375%, due 2020	\$10,915,000	\$10,915,000	\$10,915,000	\$10,915,000
Direct borrowing:				
San Mateo County advancement	5,726,855	5,726,855	5,726,855	572,686
Total Governmental Activity		\$16,641,855	\$16,641,855	\$11,487,686

a) Judgment Obligation Bond, Series 2009A and Series 2009B

In July 2009, the City issued Judgment Obligation Bonds (JOB) 2009B in the amount of \$10,915,000. The proceeds were used to settle the City's judgment obligation.

Judgment Obligation Bond, Series 2009B

The JOB Series 2009B bonds interest rates range from 8.5% to 8.625%. Interest payments for the JOB Series 2009B bonds are due on February 1 and August 1 of each year and principal payments are due on August 1 annually, commencing on August 1, 2027 with the final payment due on August 1, 2040. However, the City has established a debt reduction plan to facilitate a complete retirement of the bonds on August 1, 2019.

The 2009B Bonds are issued as "Build America Bonds" under the American Recovery and Reinvestment Act of 2009. The City receives a cash subsidy payment from the United States Treasury pursuant to the Recovery Act equal to 35% of the interest payable on the Series 2009B Bonds on or about each interest payment date. The City is obligated to make all payments of principal and interest on the 2009B Bonds whether or not it receives cash subsidy payments pursuant to the Recovery Act.

The 2009B bonds are an unsecured by obligation. The outstanding bond amount contains a provision that in an event of default payment an acceleration of interest and principal shall become immediately due and payable.

As of June 30, 2019, annual debt service to maturity for the JOB Series 2009B bonds are as follows:

Year ending June 30	Governmental Activities Principal	Interest
2020	\$10,915,000	\$468,852
Total	\$10,915,000	\$468,852

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

5. Long-Term Debt, continued

b) Escrow Trust for Repayment of Judgment Obligation Bonds

During the fiscal year ended June 30, 2013, the City received a \$13.2 million insurance payment from the insurance company for a binding arbitration awarded. The City determined that the best use of the proceeds was to pay down the Judgment Obligation Bonds early. An irrevocable escrow trust was established in July 2013 to apply these monies toward the pay down of the Judgment Obligation Bonds. The debt reduction plan facilitated a complete pay down on the bonds on August 1, 2019, which has not yet happened as of June 30, 2019.

c) Library Loan – Advance Agreement with the County of San Mateo

During the fiscal year ended June 30, 2017, the City entered into a \$6 million Interest-free loan agreement with the County of San Mateo to ensure completion of the Library Project. The Project includes design, environmental review, demolition of existing library, construction, and construction management. The terms of repayment are directly from the property tax apportionments in two installments on December 15 and April 15 per fiscal year for a ten-year period beginning no later than December 15, 2019 and final payment would be made no later than April 15, 2029. As of June 30, 2019, the City had drawn down \$5,726,855. Repayment will start in fiscal year 2020

As of June 30, 2019, annual debt service to maturity for the Library Loan is as follows:

Year ending June 30	Governmental Activities
	Direct Borrowings
	Principal
2020	\$572,686
2021	572,686
2022	572,686
2023	572,686
2024	572,686
2025-2029	2,863,425
Total	<u>\$5,726,855</u>

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

6. Investment in Sewer Authority Mid-Coast side

The City, along with the Montara Water and Sanitary District and El Granada Sanitary District, established the Sewer Authority Mid-Coastside (SAM) in 1976 to build and operate a sewage treatment facility for its members. SAM is controlled by a six-member board consisting of two representatives from each member. The board appoints management and employees of SAM and is responsible for SAM's budget, operations and finances. As one of SAM's member agencies, the City makes contributions to SAM in the form of collections assessments and operations and maintenance assessments. The City exercises significant influence over SAM's operations; therefore, the City's share of SAM's net position has been recorded as an investment in the City's financial statements. The City's share of SAM's net position is calculated annually, based on the proportion of SAM's total assessed valuation within the City limits. Complete financial statements for SAM can be obtained from the SAM at 1000 North Cabrillo Highway, Half Moon Bay, California 94019-1466. Based on SAM's unaudited financial statements for June 30, 2018, the City recorded its investment in SAM in the amount of \$6,385,095 at June 30, 2019.

7. Net Position/Fund Balances

a) Fund Balances

In the fund financial statements, governmental funds report the following fund balance classifications: non-spendable, restricted, committed, assigned, and unassigned. The City Council, as the highest level of decision-making authority for the City, has the ability to commit fund balances through the adoption of a formal resolution. The same action must be taken to modify or rescind the commitment. The City Council has approved a policy (Resolution No. C-44-11) authorizing the City Manager to assign fund balances for specific purposes up to \$8,000,000. Assignments of amounts over \$8,000,000 require the approval of City Council.

b) Stabilization Arrangement

City Council adopted a resolution (No. C-44-11) to establish a contingency reserve in the amount of 30% of the following fiscal year's budgeted operating expenditures. Changes to the reserve amount require City Council approval. Appropriations from the General Fund reserve commitment can only be made for the following specific circumstances:

- 1) Budgeted revenue taken by another government entity;
- 2) Drop in projected/actual revenue of more than 3% of the General Fund adopted revenue budget;
- 3) One-time costs exceeding \$250,000 used to secure long-term cost savings;
- 4) In the event of actual or threatened existence of conditions of disaster or of extreme peril to the safety of persons and property within this City caused by such conditions as air pollution, fire, flood, storm, epidemic, riot, earthquake, nuclear disaster, tornado, tsunami, or terrorism.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

7. Net Position/Fund Balances, continued

c) Classifications

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2019, fund balances for government funds are made up of the following:

- *Non-spendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, long-term notes receivable and land.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action (resolution) of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance* – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City Council or (b) the City Manager. The City Council has delegated the authority for the City Manager to assign amounts of up to \$8 million to be used for specific purposes (Resolution C-44-11).
- *Unassigned Fund Balance* – is the residual classification and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. General Fund is the only fund that reports a positive unassigned fund balance.

d) Policies

The standard also requires governments to disclose the accounting policies that indicate the order in which restricted, committed, assigned and unassigned amounts are spent.

The City considers restricted amounts to have been spent first when an expenditure is incurred for purposes of which both restricted and unrestricted fund balance is available. Additionally, the City considers committed amounts to have been spent first, assigned amounts to have been spent second, and unassigned amounts to have been spent last when an expenditure is incurred for purposes of which committed, assigned, and unassigned fund balance is available.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

7. Net Position/Fund Balances, continued

Fund balances for all the major and non-major governmental funds as of June 30, 2019 were distributed as follows:

	General Fund	Streets and Roads	Judgment Obligation Bonds	Library	Land Asset	Capital Projects	Non-major Governmental Funds	Total
Nonspendable:								
Land held for resale					\$26,823,920			\$26,823,920
Total nonspendable					26,823,920			26,823,920
Restricted:								
Streets & roads		\$3,272,139						\$3,272,139
Parks development improvements							\$2,779,125	2,779,125
Debt service			\$11,675,887					11,675,887
Police Grants							428,946	428,946
Storm drain maintenance improvements							1,826,865	1,826,865
Traffic mitigation							4,073,334	4,073,334
Affordable housing							2,203,383	2,203,383
Public facilities							1,479,143	1,479,143
Total restricted		3,272,139	11,675,887				12,790,796	27,738,822
Committed:								
Contingency reserve	5,146,354							5,146,354
Main Street Bridge Contingency	1,500,000							1,500,000
Total committed	6,646,354							6,646,354
Assigned:								
San Mateo County Library				\$1,244,495				1,244,495
Total assigned				1,244,495				1,244,495
Unassigned:	\$4,309,910					\$2,364,020		6,673,930
Total Fund Balances	\$10,956,264	\$3,272,139	\$11,675,887	\$1,244,495	\$26,823,920	\$2,364,020	\$12,790,796	\$69,127,521

e) Net Position

Net Position is the excess of all assets and deferred outflows of resources over all liabilities and deferred inflows of resources. Net Position is divided into three categories. These categories apply only to Net Position, which is determined only at the Government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and successor agency assets.

Unrestricted describes the portion of Net Position which is not restricted as to use.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

8. Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

a) General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety and Miscellaneous Employee Pension Rate Plans. Benefit provisions under the Plan are established by State statute and Board resolution. The City's Safety and Miscellaneous Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors three miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

8. Pension Plans, continued

The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7%	6.50%
Required employer contribution rates	10.152%	7.266%
Safety		
	Prior to January 1, 2013	
Hire date		
Benefit formula	3% @ 50	
Benefit vesting schedule	5 years service	
Benefit payments	monthly for life	
Retirement age	50	
Monthly benefits, as a % of eligible compensation	3%	
Required employee contribution rates	0%	
Required employer contribution rates	0%	

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability and side fund was \$796,315 in fiscal year 2019.

b) General Information about the Pension Plans

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2019, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$525,289	\$551,942

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

8. Pension Plans, continued

**c) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources
Related to Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2019, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$4,772,172
Safety	<u>6,112,200</u>
Total Net Pension Liability	<u><u>\$10,884,372</u></u>

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2017	0.12281%	0.10143%
Proportion - June 30, 2018	<u>0.12663%</u>	<u>0.10417%</u>
Change - Increase (Decrease)	<u><u>0.00382%</u></u>	<u><u>0.00274%</u></u>

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

8. Pension Plans, continued

c) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued

For the year ended June 30, 2019, the City recognized pension expense of \$386,667 for Miscellaneous Plan and \$547,810 for Safety Plan, with a total pension expense of \$934,477. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$525,289		\$551,942		\$1,077,231	
Changes in assumptions	544,042	(\$133,334)	599,713	(\$80,912)	1,143,755	(\$214,246)
Differences between actual and expected experience	183,100	(62,308)	131,331	(498)	314,431	(62,806)
Net change in Proportion DIDO and Net Pension Liability	148,154	(30,478)	831	(182,131)	148,985	(212,609)
Net difference in actual contribution and proportion contributions		(290,089)		(266,606)		(556,695)
Net differences between projected and actual earnings on plan investments	23,592		41,382		64,974	
Total	<u>\$1,424,177</u>	<u>(\$516,209)</u>	<u>\$1,325,199</u>	<u>(\$530,147)</u>	<u>\$2,749,376</u>	<u>(\$1,046,356)</u>

\$1,077,231 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended			
June 30	Miscellaneous	Safety	Total
2020	\$379,392	\$311,164	\$690,556
2021	196,782	164,336	361,118
2022	(150,572)	(190,054)	(340,626)
2023	(42,923)	(42,336)	(85,259)
Total	<u>\$382,679</u>	<u>\$243,110</u>	<u>\$625,789</u>

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

8. Pension Plans, continued

c) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued

Actuarial Assumptions – For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous & Safety
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Pensions Plan Investment Expenses, includes Inflation
Mortality	Derived using CalPERS Membership Data for all Funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report available on the CalPERS' website under Forms and Publications.

Change of Assumptions – For the measurement date of June 30, 2018, the inflation rate reduced from 2.75% to 2.50%.

Discount Rate – The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

8. Pension Plans, continued

c) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class(a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities;

Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

8. Pension Plans, continued

c) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$7,581,897	\$8,893,415	\$16,475,312
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$4,772,172	\$6,112,200	\$10,884,372
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$2,452,791	\$3,833,492	\$6,286,283

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

9. Other Post Employment Healthcare Benefits

a) Post Employment Benefits Plan

Plan Description: The City administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The City pays the minimum amount provided under Government Code Section 22892 of the Public Employees Medical and Hospital Care Act. The City currently pays \$115 to \$119 per month for any health coverage. the City joined the Public Agencies Post- Retirement Health Care Plan, a multiple employer trust administered by Public Agency Retirement Services (PARS). The City established an irrevocable trust with PARS, managed by an appointed board not under the control of City Council. This trust is not considered a component unit by the City and has been excluded from these financial statements. Separately issued financial statements for PARS may be obtained from PARS at 4350 Von Karman Ave., Suite 200, Newport Beach, CA 92660.

City's Funding Policy: The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements. The City has previously setup an irrevocable retiree benefit trust with the Public Agency Retirement Services (PARS). The City continued with the same funding policy payment to a full ARC contribution.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

9. Other Post Employment Healthcare Benefits, continued

b) Employees covered by benefit terms

Plan membership varies based on different employee bargaining groups. As of June 30, 2019, membership in the plan consisted of the following:

	Number of Covered Employees
Active employees	36
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	11
Inactive employees entitled to but not yet receiving benefit payments	25
Total	72

c) Net OPEB Liability

The components of the net OPEB liability of the City at June 30, 2019, were as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2017:	\$454,646	\$635,128	(\$180,482)
Changes Recognized for the Measurement Period:			
Service Cost	27,877	-	27,877
Interest	28,268	-	28,268
Expected investment income	-	-	-
Contributions:	-	-	-
Employer - City's contribution	-	22,928	(22,928)
Employer - Implicit subsidy	-	-	-
Net investment income	-	41,937	(41,937)
Benefit payments	(22,788)	(22,788)	-
Implicit rate subsidy fulfilled	-	-	-
Changes of assumptions	-	-	-
Administrative expenses*	-	(1,745)	1,745
Net Changes during Fiscal Year 2018	33,357	40,332	(6,975)
Balance at Fiscal Year Ending 6/30/2018:	\$488,003	\$675,460	(\$187,457)

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

9. Other Post Employment Healthcare Benefits, continued

d) Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

In accordance with GASB 74, regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the following table presents the net OPEB liability of the Plan as of June 30, 2019, calculated using the discount rate of 6.00%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage point higher than the current rate:

Net OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
(5%)	(6%)	(7%)
(\$132,984)	(\$187,457)	(\$233,413)

Net OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
(6.5%)	(7.5%)	(8.5%)
(\$246,372)	(\$187,457)	(\$116,265)

e) Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2017
Contribution Policy	City contributes full ADC
Actuarial Cost Method	Entry Age Normal. Level percentage of payroll
Actuarial Assumptions:	
Discount Rate	6.00% ⁽¹⁾
Long Term Expected Rate	6.00% ⁽²⁾
Rate of Return on Assets	6.00% ⁽³⁾
Inflation	2.75%
Payroll Growth	3.00%
Mortality Rate	Post-retirement mortality projected fully generational with Society of Actuaries Scale MP-2017
Healthcare Trend Rate	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076
Healthcare participation for future retirees	50% covered; 30% if waived coverage
PEMHCA Minimum Increases	4.25% annually

(1) At June 30, 2019

(2) At June 30, 2018

(3) Expected City Contributions projected to keep sufficient plan assets to pay all benefits from trust.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

9. Other Post Employment Healthcare Benefits, continued

f) OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$57,843. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	-	(\$918)
Differences between actual and expected experience	-	-
Total	<u>-</u>	<u>(\$918)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2020	(\$47)
2021	(47)
2022	(47)
2023	(777)
Total	<u>(\$918)</u>

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019**

9. Other Post Employment Healthcare Benefits, continued

g) OPEB Trust Fund

Plan Administration

The City is the plan administrator. The Public Agency Retirement Services (PARS) administers the trust for the City's retiree healthcare benefit plan – a single-employer defined benefit OPEB plan that provides healthcare benefits for eligible general and public safety employees of the City.

	Fiscal Year ended June 30, 2019
Plan Type	Single Employer
OPEB Trust	Yes
Special Funding Situation	No
Nonemployer Contributing Entity	No

Contribution Information

PARS established rates for each employer based on an actuarially determined rate for each employer. Plan members are not required to contribute to the plan. For the year ended June 30, 2019, the City contributed \$22,928 to the Trust.

Investment Policy

PARS offers different investment portfolios as part of the investment vehicle. The City invests in "Capital Appreciation" portfolio; the primary goal of the Capital Appreciation objective is growth of principal. The major portions of the assets are invested in the equity securities and market fluctuations are expected. The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selections and monitoring helps to drive return potential while reducing portfolio risk.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

9. Other Post Employment Healthcare Benefits, continued

The following is the City adopted asset allocation policy as of June 30, 2019:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	48.00%	4.82%
Fixed Income	45.00%	1.47%
REITs	2.00%	3.76%
Cash	5.00%	0.06%
Total	<u>100.00%</u>	

Investment Concentration

As of June 30, 2019, the City's Trust did not have investments in any one organization exceeding 5% of the City's Trust investments.

Investment Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 7.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. The ABAG Plan covers general liability claims in an amount up to \$5,000,000. The City has a deductible or uninsured liability of up to \$50,000 per claim. Once the City's deductible is met ABAG Plan becomes responsible for payment of all claims up to the limit. The Cities Group covers workers compensation claims up to \$2,500,000 in primary payment (\$1,000,000 for miscellaneous employees and \$1,500,000 for safety employees) and has coverage above that limit to a maximum of \$10,000,000 per incident in excess. The City has no deductible for these claims. The City also belongs to the California Sanitation Risk Management Authority, which insures the City up to \$500,000 per property against sewer backup damages. The City is liable for only one claim per property and is not liable for any future damages, as the property owner is then required to install a back flow valve on their line, with the exception of properties in certain low lying areas.

The City provides for the uninsured portion of claims and judgments in the General Fund and Risk Management Internal Service Fund. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

10. Risk Management (Continued)

Settled claims have not exceeded the City's excess coverage in any of the past three fiscal years. Claims expenses and liabilities are reported for self-insured deductibles when it is probable that a loss has occurred, the amount of that loss can be reasonably estimated and includes incremental claim expenses. Allocated and unallocated claims adjustment expenses are included in the claims liability balance. These losses include an estimate of claims that have been incurred but not reported. The liability for general liability self-insurance claims is the City's best estimate based on available information.

a) The Cities Group

The City, along with five other governments located within San Mateo County, is a member of The Cities Group, a public entity risk pool and a provider of workers' compensation insurance coverage, claims management, risk management services and legal defense to each participating member. The Cities Group is governed by a Board of Directors, which comprises officials appointed by each participating member. Premiums paid to The Cities Group may be modified by Board decision according to the loss experience of each member. This loss experience mechanism will operate to ensure that each member returns over a period of time to The Cities Group the funds paid out on its behalf as paid losses. In the opinion of City management, premiums paid represent the best available estimate of the ultimate cost of the City's participation in The Cities Group and, accordingly, the accompanying basic financial statements of the City includes no provisions for possible refunds or additional assessments. For the year ended June 30, 2019, the City paid premiums of \$40,847 to The Cities Group. Financial statements may be obtained from The Cities Group at P.O. Box 111, Burlingame, CA 94011-0111.

b) Plan JPA

Prior to January 2018 the City participated in ABAG Plan Corporation, a non-profit public benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. On January 16, 2018, ABAG Plan Corporation transitioned to Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA), a self-funded pooled insurance corporation established by a joint powers authority in which the City is one of 28 members. The rights and responsibilities of the member agencies are governed by the bylaws of the PLAN JPA, the risk coverage agreement, and a related memorandum of coverage. Each member chooses its self-insured liability retention at a level between \$25,000 and \$250,000. Each member has a vote in approving the pool's self-insured retention level, in setting the coverage limit, in establishing the level of pool reserves, approving the premium allocation methodology for setting premiums for each member, and in approving the methodology for returning disburseable equity to members. PLAN JPA is responsible for administering the insurance program. PLAN JPA provides claims administration and risk management services to the members. Audited financial information may be obtained from PLAN JPA at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2019

10. Risk Management, continued

For the year ended June 30, 2019, the City paid premiums of \$121,727. Financial statements may be obtained from Plan JPA at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

The City's liability for uninsured claims was estimated by management based on prior year claims experience as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Beginning balance of claims payable	\$849,394	\$609,555
Increase in estimated liability	585,903	656,446
Claims paid	<u>(531,536)</u>	<u>(416,607)</u>
Ending balance of claims payable	<u><u>\$903,761</u></u>	<u><u>\$849,394</u></u>



REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

COST-SHARING EMPLOYER DEFINED PENSION PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

This schedule reports the proportion (percentage) of the collective net pension liability, the proportionate share (amount) of the collective net pension liability, the employer's covered employee payroll, the proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered employee payroll and the pension plan's fiduciary net position as a percentage of the total pension liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS PLAN

This schedule presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

REQUIRED SUPPLEMENTARY INFORMATION

Miscellaneous Plan
Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years *
**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND RELATED RATIOS AS OF
THE MEASUREMENT DATE**

Measurement date:	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>
Plan's proportion of the Net Pension Liability (Asset)	0.04792%	0.10917%	0.11869%	0.12281%	0.12663%
Plan's proportionate share of the Net Pension Liability (Asset)	\$2,981,768	\$2,994,972	\$4,123,054	\$4,841,079	\$4,772,172
Covered Payroll	\$1,412,295	\$1,986,876	\$2,014,025	\$2,423,106	\$3,177,604
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	211.13%	150.74%	204.72%	199.79%	150.18%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.22%	83.28%	77.87%	76.18%	77.02%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

Safety Plan
Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*
**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND RELATED RATIOS AS OF
THE MEASUREMENT DATE**

Measurement date:	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>
Plan's proportion of the Net Pension Liability (Asset)	0.06033%	0.10493%	0.10385%	0.10143%	0.10417%
Plan's proportionate share of the Net Pension Liability (Asset)	\$3,754,036	\$4,323,582	\$5,378,768	\$6,060,745	\$6,112,200
Covered Payroll	N/A	N/A	N/A	N/A	N/A
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	80.10%	76.97%	71.33%	69.65%	69.70%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

Miscellaneous Plan
Cost-Sharing Multiple Employer Defined Pension Plan
As of fiscal year ending June 30, 2019
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

Fiscal year ended June 30:	2015	2016	2017	2018	2019
Actuarially determined contribution	\$215,509	\$168,511	\$344,215	\$435,299	\$525,289
Contributions in relation to the actuarially determined contributions	(215,509)	(168,511)	(344,215)	(435,299)	(525,289)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$1,986,876	\$2,014,025	\$2,423,106	\$3,177,604	\$3,415,448
Contributions as a percentage of covered-employee payroll	10.8%	8.4%	14.2%	13.7%	15.4%

Notes to Schedule

Valuation date: 6/30/2013 6/30/2014 6/30/2015 6/30/2016 6/30/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	(1)
Investment rate of return	7.15% (2)
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

Safety Plan
Cost-Sharing Multiple Employer Defined Pension Plan
As of fiscal year ending June 30, 2019
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

Fiscal year ended June 30:	2015	2016	2017	2018	2019
Actuarially determined contribution	\$313,306	\$414,500	\$249,322	\$445,240	\$551,942
Contributions in relation to the actuarially determined contributions	(313,306)	(414,500)	(249,322)	(445,240)	(551,942)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: 6/30/2013 6/30/2014 6/30/2015 6/30/2016 6/30/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	14 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	(1)
Investment rate of return	7.15% (2)
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

A Single Employer OPEB Plan

Last 10 fiscal years*

Measurement Date	6/30/17	6/30/18	6/30/19
Total OPEB Liability (1)			
Service Cost	\$ 25,533	\$ 27,065	\$ 27,877
Interest	24,624	26,373	28,268
Differences between expected and actual experience	-	-	-
Benefit payments	(22,522)	(22,553)	(22,788)
Implicit rate subsidy fulfilled	-	-	-
Changes of assumptions	-	-	-
Net change in total OPEB liability	27,635	30,885	33,357
Total OPEB liability - beginning	396,126	423,761	454,646
Total OPEB liability - ending (a)	<u>\$ 423,761</u>	<u>\$ 454,646</u>	<u>\$ 488,003</u>
OPEB fiduciary net position			
Net investment income	\$ 48,425	\$ 32,087	\$ 41,937
Contributions:			
Employer - City's contribution	22,522	39,261	22,928
Employer - Implicit subsidy	-	-	-
Administrative expense	(2,071)	(1,552)	(1,745)
Implicit rate subsidy fulfilled	-	-	-
Benefit payments	(22,522)	(22,553)	(22,788)
Net change in plan fiduciary net position	46,354	47,243	40,332
Plan fiduciary net position - beginning	541,531	587,885	635,128
Plan fiduciary net position - ending (b)	<u>\$ 587,885</u>	<u>\$ 635,128</u>	<u>\$ 675,460</u>
Net OPEB liability - ending (a)-(b)	<u>\$ (164,124)</u>	<u>\$ (180,482)</u>	<u>\$ (187,457)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	138.73%	139.70%	138.41%
Covered-employee payroll (A)	N/A **	\$ 3,009,829	\$ 4,157,271
Total OPEB liability as a percentage of covered-employee payroll	N/A **	-6.00%	-4.51%

* Fiscal year 2018 was the first year of implementation of GASB 75

Administrative expenses are included in investment expenses.

**Fiscal year 2017 was the first year of GASB 74 implementation

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

A Single Employer OPEB Plan

Last 10 fiscal years*

Fiscal Year Ended June 30,	2017	2018	2019
Actuarially Determined Contribution (ADC)	\$16,708	\$17,251	\$15,539
Less: Contributions in Relation to the ADC	<u>(22,522)</u>	<u>(39,261)</u>	<u>(22,928)</u>
Contribution deficiency (excess)	<u>(\$5,814)</u>	<u>(\$22,010)</u>	<u>(\$7,389)</u>
Covered-employee payroll	N/A **	\$3,009,829	\$ 4,157,271
Contributions as a percentage of Covered-employee payroll	N/A **	1.30%	0.55%

Notes to Schedule:

* Fiscal year 2018 was the first year of implementation.

Valuation Date	6/30/2017
Actuarial Cost Method	Entry Age Normal, level percentage of payroll
Amortization Period	15-year fixed period from 6/30/18
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.75%
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076
PEMHCA Minimum	4.25% annual increases
Mortality	CalPERS 1997-2011 experience study
Mortality Improvement	Post-retirement mortality projected fully generational

* Fiscal year 2018 was the first year of implementation of GASB 75.

REQUIRED SUPPLEMENTARY INFORMATION

Fiscal year ended June 30,¹	Annual money-weighted rate of return, net of investment expense
2017*	8.60%
2018	7.60%
2019	7.60%

¹ This schedule is intended to show information for 10 years.
Additional years will be added to this schedule in future fiscal years

* Fiscal year 2017 was the first year of GASB 74 implementation

CITY OF HALF MOON BAY
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Taxes	\$13,682,788	\$13,682,788	\$14,448,702	\$765,914
Licenses and permits	401,395	401,395	377,873	(23,522)
Fines and forfeitures	110,000	110,000	189,415	79,415
Charges for services	864,008	864,008	1,160,506	296,498
Investment income	26,200	26,200	250,030	223,830
Rents and leases	71,000	71,000	75,603	4,603
Intergovernmental revenues	118,600	118,600	(40,876)	(159,476)
Miscellaneous	607,548	607,548	549,094	(58,454)
Total revenues	15,881,539	15,881,539	17,010,347	1,128,808
Expenditures:				
Current Operations:				
General Government	2,706,730	2,706,730	2,320,879	385,851
General administration	1,574,847	1,574,847	1,124,476	450,371
Public Safety	3,761,357	3,761,357	3,671,277	90,080
Public Works	1,509,662	1,509,662	1,723,687	(214,025)
Recreation services	929,435	929,435	695,266	234,169
Planning	2,991,220	2,991,220	2,686,309	304,911
Total expenditures	13,473,251	13,473,251	12,221,894	1,251,357
Excess of revenues over expenditures	2,408,288	2,408,288	4,788,453	2,380,165
Other financing sources (uses):				
Transfers in	486,754	486,754	486,754	
Transfers out	(4,281,395)	(4,281,395)	(4,281,395)	
Total Other Financing Sources (Uses)	(3,794,641)	(3,794,641)	(3,794,641)	
Net change in fund balance	(\$1,386,353)	(\$1,386,353)	993,812	\$2,380,165
Fund balance at beginning of year			9,962,452	
Fund balance at end of year			\$10,956,264	

See accompanying notes to financial statements

CITY OF HALF MOON BAY
STREETS AND ROADS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Licenses and permits				
Investment income	\$33,100	\$33,100	\$88,579	\$55,479
Intergovernmental revenue	9,167,017	9,167,017	1,323,065	(7,843,952)
Miscellaneous			254,883	254,883
Total revenues	9,200,117	9,200,117	1,666,527	(7,788,473)
Expenditures:				
Current:				
Public works	466,869	466,869	357,124	109,745
Capital Outlay	2,935,000	2,935,000	2,323,984	611,016
Total expenditures	3,401,869	3,401,869	2,681,108	720,761
Excess (deficiency) of revenues over (under) expenditures	5,798,248	5,798,248	(1,014,581)	(6,812,829)
Other financing sources (uses):				
Transfer in	543,095	543,095		(543,095)
Transfer out	(581,529)	(581,529)	(38,434)	543,095
Total other financing sources (uses)	(38,434)	(38,434)	(38,434)	
Net change in fund balance	\$5,759,814	\$5,759,814	(1,053,015)	(\$6,812,829)
Fund balance at beginning of year			4,325,154	
Fund balance at end of year			\$3,272,139	

REQUIRED SUPPLEMENTARY INFORMATION

Budget and Budgetary Accounting

The City Council adopts an Annual Budget no later than the second meeting of June of each year for the fiscal year commencing the following July 1. The Annual Budget is adopted on a basis consistent with generally accepted accounting principles. The Capital Projects Funds are budgeted annually, with major capital improvement projects details in a separate Five Year Capital Improvement Program budget document.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The City Manager submits to the City Council a proposed operating budget for the following fiscal year. The operating budget includes proposed revenues and expenditures.
2. After a review by the City Council, a public hearing is conducted and further comment is received from the City Council and the general public.
3. Upon completion of the hearings and modifications, if any, to the proposed budget, it is adopted by the City Council through passage of an appropriate resolution.
4. Generally, the budget is amended in the middle of the year and at the end of the year. All approved additional appropriations are added to the adopted budget and an amended budget is presented to the City Council, which adopts it after due review.
5. The City Manager is authorized to transfer from time to time budget amounts of operational expenditure categories within divisions as deemed necessary in order to meet the City's needs.
6. City Council approval is required for all fund to fund transfers, fund reserve to appropriations transfers, for new revenue sources with offsetting appropriations, and for transfers to/from the capital expenditure category. The legal level of budgetary control of the City Council is at the fund level. This is the level that management cannot overspend the budget without approval of the City Council.

SUPPLEMENTARY INFORMATION

CITY OF HALF MOON BAY
JUDGMENT OBLIGATION BONDS DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$254,800	\$553,339	\$298,539
Total revenues	254,800	553,339	298,539
Expenditures:			
Debt service:			
Interest and fees	940,704	937,704	3,000
Total expenditures	940,704	937,704	3,000
Excess of revenues over expenditures	(685,904)	(384,365)	301,539
Other financing sources:			
Transfers in	691,539	691,539	
Total other financing sources	691,539	691,539	
Net change in fund balance	\$5,635	307,174	\$301,539
Fund balance at beginning of year		11,368,713	
Fund balance at end of year		\$11,675,887	

CITY OF HALF MOON BAY
LIBRARY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$32,200	\$57,022	\$24,822
Intergovernmental revenues		726,000	726,000
Total Revenues	<u>32,200</u>	<u>783,022</u>	<u>750,822</u>
Expenditures:			
Capital outlay	<u>23,400</u>	<u>1,699,716</u>	<u>(1,676,316)</u>
Total expenditures	<u>23,400</u>	<u>1,699,716</u>	<u>(1,676,316)</u>
Net change in fund balance	<u>\$8,800</u>	(916,694)	<u>(\$925,494)</u>
Fund balance at beginning of year		<u>2,161,189</u>	
Fund balance at end of year		<u>\$1,244,495</u>	

CITY OF HALF MOON BAY
CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Investment income	\$26,200		\$52,562	\$52,562
Intergovernmental revenues	118,600		549,161	549,161
Total revenues	144,800		601,723	601,723
Expenditures:				
Current Operations:				
Capital Outlay		\$875,000	419,700	455,300
Total expenditures		875,000	419,700	455,300
Excess of revenues over expenditures	144,800	(875,000)	182,023	1,057,023
Other financing sources (uses):				
Transfers in	486,754	12,210	12,210	
Total Other Financing Sources (Uses)	486,754	12,210	12,210	
Net change in fund balance	\$631,554	(\$862,790)	194,233	\$1,057,023
Fund balance at beginning of year			2,169,787	
Fund balance at end of year			\$2,364,020	

CITY OF HALF MOON BAY, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2019

Special Revenue Funds

Special Revenue Funds are established to account for revenue derived from specific taxes or other earmarked revenue sources (other than for major capital projects that are restricted by law or administrative action to expenditures for specified purposes).

The *Police Grants Fund* (Fund 22) was established to account for revenues received and expenditures made for police services. The City receives funds for police services from Federal, State, County and local governmental agencies. These funds are designated for specific police services, activities, and capital equipment.

The *Storm Drain Operating Fund* (Fund 7) accounts for the maintenance of the existing storm drain system.

The *Traffic Mitigation Fund* (Fund 13) was established to account for all proceeds from traffic mitigation fees, whose purpose is to defray the actual costs of constructing improvements to mitigate traffic and circulation impacts resulting from proposed new development.

The *Affordable Housing Fund* (Fund 19) was established to account for proceeds of construction and development fees, including in lieu fees, whose purpose is for the development of affordable housing for very low, low, and moderate income households to rent or buy.

The *Parks Development Fund* (Fund 17) was established to account for proceeds of construction and development fees, whose purpose is for the acquisition, development, improvement, and expansion of parks and recreational areas, including equipment for recreation purposes and for capital expenditures such as infrastructure construction projects. In addition, this fund also includes the Library Fund (Fund 15) which accounts for the operations of the public library and is funded by contributions from the City and the San Mateo County Library Joint Powers Authority.

Capital Projects Funds

Capital Projects Funds are utilized to account for resources used for the acquisition and construction of capital facilities and infrastructure by the City, with the exception of those assets financed by proprietary funds.

The *Public Facilities Fund* (Fund 48) accounts for expenditures related to public facilities improvements that are needed - police facilities, the library, the public works yard, etc. The funds are received from various contractual agreements that are one-time in nature and which are not specifically dedicated, as well as grants.

The *Storm Drain Improvements Fund* (Fund 14) is used to account for all proceeds from storm drainage improvement fees which are assessed against new or remodeled construction and are used for drainage improvements.

CITY OF HALF MOON BAY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	SPECIAL REVENUE FUNDS				
	Police Grants	Storm Drain Operating	Traffic Mitigation	Affordable Housing	Parks Development
Assets					
Cash and investments	\$444,716	\$290,655	\$4,056,730	\$2,190,753	\$2,846,097
Accounts receivable					105
Interest receivable	2,583	1,677	16,604	12,630	15,974
Total assets	<u>\$447,299</u>	<u>\$292,332</u>	<u>\$4,073,334</u>	<u>\$2,203,383</u>	<u>\$2,862,176</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	<u>18,353</u>				<u>82,032</u>
Total liabilities	<u>18,353</u>				<u>83,051</u>
Fund Balances:					
Restricted	<u>428,946</u>	<u>\$292,332</u>	<u>4,073,334</u>	<u>2,203,383</u>	<u>2,779,125</u>
Total fund balances	<u>428,946</u>	<u>292,332</u>	<u>4,073,334</u>	<u>2,203,383</u>	<u>2,779,125</u>
Total liabilities and fund balances	<u>\$447,299</u>	<u>\$292,332</u>	<u>\$4,073,334</u>	<u>\$2,203,383</u>	<u>\$2,862,176</u>

CAPITAL PROJECTS FUNDS

<u>Public Facilities</u>	<u>Storm Drain Improvements</u>	<u>Total</u>
\$1,476,560	\$1,548,221	\$12,853,732
8,569	8,889	105
<u>8,569</u>	<u>8,889</u>	<u>66,926</u>
<u>\$1,485,129</u>	<u>\$1,557,110</u>	<u>\$12,920,763</u>
5,986	21,144	127,515
<u>5,986</u>	<u>22,577</u>	<u>129,967</u>
<u>1,479,143</u>	<u>1,534,533</u>	<u>12,790,796</u>
<u>1,479,143</u>	<u>1,534,533</u>	<u>12,790,796</u>
<u>\$1,485,129</u>	<u>\$1,557,110</u>	<u>\$12,920,763</u>

CITY OF HALF MOON BAY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE FUNDS				
	Police Grants	Storm Drain Operating	Traffic Mitigation	Affordable Housing	Parks Development
Revenues:					
Charges for services					
Impact fees/recreation fees			\$2,411,632		\$289,261
Investment income	\$9,799	\$6,113	49,125	\$51,386	50,321
Intergovernmental revenues	148,890	7,509			
Miscellaneous					484,055
Total Revenues	158,689	13,622	2,460,757	51,386	823,637
Expenditures:					
Current:					
Public Safety	56,025				
Public Works			31,475		
Recreation Services					201,588
Planning				342	
Capital outlay			11,328		340,044
Total Expenditures	56,025		42,803	342	541,632
Excess (deficiency) of revenues over (under) expenditures	102,664	13,622	2,417,954	51,044	282,005
Other financing sources:					
Transfers in		50,000			874,000
Transfer (out)					(517)
Total Other Financing Sources		50,000			873,483
Net change in fund balances	102,664	63,622	2,417,954	51,044	1,155,488
Fund balances at beginning of year	326,282	228,710	1,655,380	2,152,339	1,623,637
Fund balances at end of year	\$428,946	\$292,332	\$4,073,334	\$2,203,383	\$2,779,125

CAPITAL PROJECTS FUNDS

<u>Public Facilities</u>	<u>Storm Drain Improvements</u>	<u>Total</u>
	\$5,134	\$5,134
\$50		2,700,943
23,754	33,098	223,596
87,106		243,505
37,444		521,499
<u>148,354</u>	<u>38,232</u>	<u>3,694,677</u>
		56,025
	34,945	66,420
		201,588
		342
<u>181,675</u>	<u>51,021</u>	<u>584,068</u>
<u>181,675</u>	<u>85,966</u>	<u>908,443</u>
<u>(33,321)</u>	<u>(47,734)</u>	<u>2,786,234</u>
810,000	292,495	2,026,495
	(2,292)	(2,809)
<u>810,000</u>	<u>290,203</u>	<u>2,023,686</u>
776,679	242,469	4,809,920
<u>702,464</u>	<u>1,292,064</u>	<u>7,980,876</u>
<u>\$1,479,143</u>	<u>\$1,534,533</u>	<u>\$12,790,796</u>

CITY OF HALF MOON BAY
POLICE GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$1,700	\$9,799	\$8,099
Intergovernmental	100,000	148,890	48,890
Total Revenues	101,700	158,689	56,989
Expenditures:			
Current:			
Public Safety	106,100	56,025	50,075
Total expenditures	106,100	56,025	(50,075)
Excess (deficiency) of revenues over (under) expenditures	(4,400)	102,664	107,064
Net change in fund balance	(\$4,400)	102,664	\$107,064
Fund Balance at beginning of year		326,282	
Fund balance at end of year		\$428,946	

CITY OF HALF MOON BAY
STORM DRAIN OPERATING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$600	\$6,113	\$5,513
Intergovernmental revenue		7,509	7,509
Total revenues	600	13,622	13,022
Expenditures:			
Current:			
Public works	52,800		52,800
Total expenditures	52,800		52,800
Excess (deficiency) of revenues over (under) expenditures	(52,200)	13,622	65,822
Other financing sources:			
Transfers in	50,000	50,000	
Total other financing sources	50,000	50,000	
Net change in fund balance	<u>(\$2,200)</u>	63,622	<u>\$65,822</u>
Fund balance at beginning of year		228,710	
Fund balance at end of year		<u>\$292,332</u>	

CITY OF HALF MOON BAY
TRAFFIC MITIGATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Impact fees/recreation fees	\$48,178	\$2,411,632	\$2,363,454
Investment income	2,400	49,125	46,725
Total revenues	50,578	2,460,757	2,410,179
Expenditures:			
Current:			
Public works	25,600	31,475	(5,875)
Capital outlay		11,328	(11,328)
Total expenditures	25,600	42,803	(17,203)
Excess (deficiency) of revenues over (under) expenditures	24,978	2,417,954	2,392,976
Net change in fund balance	\$24,978	2,417,954	\$2,392,976
Fund balance at beginning of year		1,655,380	
Fund balance at end of year		\$4,073,334	

CITY OF HALF MOON BAY
 AFFORDABLE HOUSING SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Recreation fees/impact fees			
Investment income	\$11,100	\$51,386	\$40,286
Total revenues	11,100	51,386	40,286
Expenditures:			
Current:			
Planning	102,000	342	101,658
Net change in fund balance	\$11,100	51,044	\$40,286
Fund balance at beginning of year		2,152,339	
Fund balance at end of year		\$2,203,383	

CITY OF HALF MOON BAY
PARKS DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Impact fees/recreation fees	\$201,956	\$289,261	\$87,305
Investment income	1,500	50,321	48,821
Intergovernmental revenues	340,000		(340,000)
Miscellaneous		484,055	484,055
Total Revenues	543,456	823,637	280,181
Expenditures:			
Current:			
Recreation services	128,892	201,588	(72,696)
Capital outlay	1,884,000	340,044	1,543,956
Total expenditures	2,012,892	541,632	1,471,260
Excess of revenues over expenditures	(1,469,436)	282,005	1,751,441
Other financing sources:			
Transfers in	874,000	874,000	
Transfers out	(517)	(517)	
Total other financing sources	873,483	873,483	
Net change in fund balance	(\$595,953)	1,155,488	\$1,751,441
Fund balance at beginning of year		1,623,637	
Fund balance at end of year		\$2,779,125	

CITY OF HALF MOON BAY
PUBLIC FACILITIES CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Impact fees/recreation fees		\$50	\$50
Investment income	\$3,500	23,754	20,254
Intergovernmental revenue	125,000	87,106	(37,894)
Miscellaneous		37,444	37,444
Total revenues	128,500	148,354	19,854
Expenditures:			
Capital Outlay	995,000	181,675	813,325
Total expenditures	995,000	181,675	813,325
Excess (deficiency) of revenues over (under) expenditures	(866,500)	(33,321)	833,179
Other financing sources (uses):			
Transfers in	810,000	810,000	
Total Other Financing Sources (uses)	810,000	810,000	
Net change in fund balance	(\$56,500)	776,679	\$833,179
Fund balance at beginning of year		702,464	
Fund balance at end of year		\$1,479,143	

CITY OF HALF MOON BAY
STORM DRAIN IMPROVEMENTS CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for services	\$4,582	\$5,134	\$552
Investment income	3,600	33,098	29,498
Total Revenues	8,182	38,232	30,050
Expenditures:			
Public works		34,945	(34,945)
Capital outlay	800,900	51,021	749,879
Total expenditures	800,900	85,966	714,934
Excess of revenues over expenditures	(792,718)	(47,734)	744,984
Other financing sources:			
Transfers in	292,495	292,495	
Transfers out	(2,292)	(2,292)	
Total other financing sources	290,203	290,203	
Net change in fund balance	(\$502,515)	242,469	\$744,984
Fund balance at beginning of year		1,292,064	
Fund balance at end of year		\$1,534,533	

CITY OF HALF MOON BAY, CALIFORNIA
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 2019

Internal Service Funds are used to account for the financing of goods and services provided by one City department or agency to other departments or agencies of the City, or to other government units on a cost- reimbursement basis (including depreciation).

The *Equipment* (Fund 62) and *Vehicle Replacement* (Fund 61) *Fund* is used to account for replacement of furniture, fixtures, equipment, and vehicles. These funds cover the cost of repair, maintenance and replacement of City vehicles and provide for the service, maintenance of the management information systems, leased copiers and leased postage meter. Revenues are derived from charges to user departments (al funds) based on usage.

The *Risk Management Fund* (Fund 63) administers the City's general insurance and workers compensation programs with the goals of reducing insurance-related costs, maintain appropriate levels of coverage and to build for contingent legal reserves.

The *Pension Stabilization Fund* (Fund 64) stabilizes major fluctuations in annual pension costs driven by market factors and actuarial changes.

CITY OF HALF MOON BAY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Assets				
Current Assets:				
Cash and investments	\$809,320	\$2,938,029	\$1,204,975	\$4,952,324
Accounts receivable				
Interest receivable	19,370	17,058	6,969	43,397
Total Current Assets	828,690	2,955,087	1,211,944	4,995,721
Non-current assets:				
Net OPEB asset		2,842		2,842
Capital assets, net of Accumulated depreciation	206,228			206,228
Total Assets	1,034,918	2,957,929	1,211,944	5,204,791
Liabilities				
Current Liabilities:				
Accounts payable		10,436		10,436
Claims liability		903,761		903,761
Total Liabilities		914,197		914,197
Deferred inflow of resources				
Related to OPEB		11		11
Total deferred inflows of resources		11		11
Net Position				
Net position:				
Invested in capital assets	206,228			206,228
Unrestricted	828,690	2,043,721	1,211,944	4,084,355
Total net position	\$1,034,918	\$2,043,721	\$1,211,944	\$4,290,583

CITY OF HALF MOON BAY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Operating revenues:				
Impact fees	\$5,410			\$5,410
Total operating revenues	5,410			5,410
Operating expenses:				
Salaries and wages		\$130,462	\$244,372	374,834
Contract services	258,628	102,848		361,476
Services and supplies	56,204	2,040		58,244
Repairs and maintenance	139,777			139,777
Insurance expense	1,424	205,729		207,153
Pension			\$551,942	551,942
Depreciation	82,858			82,858
Total operating expenses	538,891	441,079	796,314	1,776,284
Operating income (loss)	(533,481)	(441,079)	(796,314)	(1,770,874)
Non-operating revenues (expenses):				
Investment income	21,424	62,440	16,042	99,906
Total non-operating revenues	21,424	62,440	16,042	99,906
Transfers in	200,200	634,870	945,000	1,780,070
Change in net position	(311,857)	256,231	164,728	109,102
Net position at beginning of year	1,346,775	1,787,490	1,047,216	4,181,481
Net position at end of year	\$1,034,918	\$2,043,721	\$1,211,944	\$4,290,583

CITY OF HALF MOON BAY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Cash flows from operating activities:				
Cash received from department users	\$5,410			\$5,410
Cash payments to suppliers of goods and services	(483,183)	(309,243)	(\$557,195)	(1,349,621)
Cash payments to employees for services		(130,451)	(244,372)	(374,823)
Net cash provided by (used for) operating activities	(477,773)	(439,694)	(801,567)	(1,719,034)
Cash flows from non-capital financing activities:				
Transfer in	200,200	634,870	945,000	1,780,070
Net cash provided by (used for) non-capital financing activities	200,200	634,870	945,000	1,780,070
Cash flows from investing activities:				
Interest received on investments	21,424	62,440	16,042	99,906
Net cash provided by investing activities	21,424	62,440	16,042	99,906
Net increase (decreased) in cash and cash equivalents	(256,149)	257,616	159,475	160,942
Cash and cash equivalents at beginning of year	1,065,469	2,680,413	1,045,500	4,791,382
Cash and cash equivalents at end of year	\$809,320	\$2,938,029	\$1,204,975	\$4,952,324
Reconciliation of operating income to net cash flows provided by operating activities:				
Operating income (loss)	(\$533,481)	(\$441,079)	(\$796,314)	(\$1,770,874)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	82,858			82,858
(Increase) in interest receivable	(16,727)	(8,272)	(5,253)	(30,252)
Increase (Decreased) in accounts payable	(10,423)	(44,721)		(55,144)
Increase (Decreased) in deferred inflows of resources		11		11
Increase in claims and judgments payable		54,367		54,367
Net cash provided by (used for) operating activities	(\$477,773)	(\$439,694)	(\$801,567)	(\$1,719,034)

STATISTICAL SECTION



CITY OF HALF MOON BAY, CALIFORNIA
STATISTICAL SECTION
FISCAL YEAR ENDED JUNE 30, 2019

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the ability to issue additional debt in the future.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Property Tax Information

These schedules contain information to help the reader assess the City's property tax sources and changes.

Note: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.



CITY OF HALF MOON BAY

Net Position by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Invested in capital assets, net of related debt	\$ 31,390,546	\$ 31,763,735	\$ 33,635,252	\$ 34,516,084	\$ 36,067,826	\$ 37,550,877	\$ 40,513,950	\$ 46,399,149	\$ 63,168,981	\$ 60,800,162
Restricted	61,860	-	-	-	38,078,982	18,540,842	19,779,956	22,157,470	25,844,530	27,738,822
Unrestricted	11,573,076	22,882,696	26,111,627	43,069,044	7,998,768	26,042,003	34,369,708	28,173,022	17,010,742	25,475,062
Total governmental activities net position	\$ 43,025,482	\$ 54,646,431	\$ 59,746,879	\$ 77,585,128	\$ 82,145,576	\$ 82,133,722	\$ 94,663,614	\$ 96,729,641	\$ 106,024,253	\$ 114,014,046
Business-type activities:										
Invested in capital assets, net of related debt	\$ 4,170,003	\$ 4,148,716	\$ 4,511,633	\$ 4,089,787	\$ 4,024,768	\$ 3,970,876	\$ 3,871,356	\$ 3,816,994	\$ 4,490,973	\$ 4,566,718
Restricted	-	-	-	-	-	-	-	-	5,946,230	6,385,095
Unrestricted	10,845,643	10,998,100	13,604,197	15,881,577	18,347,207	19,063,158	20,635,855	21,900,766	14,129,580	13,683,606
Total business-type activities net position	\$ 15,015,646	\$ 15,146,816	\$ 18,115,830	\$ 19,971,364	\$ 22,371,975	\$ 23,034,034	\$ 24,507,211	\$ 25,717,760	\$ 24,566,783	\$ 24,635,419
Primary government:										
Invested in capital assets, net of related debt	\$ 35,560,549	\$ 35,912,451	\$ 38,146,885	\$ 38,605,871	\$ 40,092,594	\$ 41,521,753	\$ 44,385,306	\$ 50,216,143	\$ 67,659,954	\$ 65,366,880
Restricted	61,860	-	-	-	38,078,982	18,540,842	19,779,956	22,157,470	31,790,760	34,123,917
Unrestricted	22,418,719	33,880,796	39,715,824	58,950,621	26,345,975	45,105,161	55,005,563	50,073,788	31,140,322	39,158,668
Total primary government net position ⁽¹⁾	\$ 58,041,128	\$ 69,793,247	\$ 77,862,709	\$ 97,556,492	\$ 104,517,551	\$ 105,167,756	\$ 119,170,825	\$ 122,447,401	\$ 130,591,036	\$ 138,649,465

⁽¹⁾ The \$11.8 million increase in primary government net position in FY 2010-11 is primarily attributable to the addition of the "Glencree" land totaling \$8.9 million, as well as \$1.9 million in cash and investments from increased revenues, strong expense management, and timing of projects.

The \$8.1 million increase in primary government net position in FY 2011-12 is mainly attributable to an increase in capital assets of \$2.2 million, a one-time contribution of \$1.9 million from the Sewer Assessment District which closed in FY 2011-12, and an increase in cash and investments... The cash and investment increase is attributable to an improved local economy, significant cost savings efforts, an increase in the sewer usage rates, and timing of funding on capital projects.

The \$19.7 million increase in primary government net position in FY 2012-13 is primarily attributable to higher tax revenues, receipt of insurance proceeds, increase in sewer usage rates, and timing of program and capital spending. Of the \$19.7 million, \$13.2 million is attributable to the one-time insurance proceeds received in the current year.

The \$7.0 million increase in primary government net position in FY 2013-14 is primarily attributable to higher tax revenues and timing of sewer-related capital spending.

The \$12.5 million increase in primary government net position in FY 2015-16 is primarily attributable to higher tax revenues and a contribution of \$6.0 million from the County of San Mateo for the library construction capital project that is scheduled to commence during fiscal year 2016-17.

The \$3.5 million increase in primary government net position in FY 2016-17 is primarily attributable to investment in infrastructure and capital projects.

The \$8.4 million increase in primary government net position in FY 2017-18 is primarily attributable to investment in capital projects.

The \$8.0 million increase in primary government net position in FY 2018-19 is primarily attributable to higher tax and general revenues

% change vs prior year	20%	12%	25%	7%	1%	13%	3%	7%	6%	
Net increase position	\$ 16,555,713	\$ 11,752,119	\$ 8,069,462	\$ 19,693,783	\$ 6,961,059	\$ 650,205	\$ 14,003,069	\$ 3,276,576	\$ 8,143,635	\$ 8,058,429

CITY OF HALF MOON BAY
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses:										
Governmental activities:										
General government	\$ 2,784,280	\$ 2,417,645	\$ 3,196,920	\$ 3,016,622	\$ 6,058,766	\$ 3,271,719	\$ 5,678,534	\$ 6,367,929	\$ 7,634,037	\$ 7,506,947
Public safety	3,978,722	4,452,292	3,739,193	4,020,875	3,209,351	3,901,511	3,449,122	5,183,033	3,878,176	3,975,865
Public works	2,876,126	1,503,731	1,910,246	2,203,959	2,316,147	2,605,015	2,670,228	3,314,879	3,801,624	3,506,195
Recreation services	1,349,644	470,592	335,383	208,152	221,703	282,251	337,331	348,604	926,730	1,167,467
Interest and fiscal charges	1,161,720	1,194,208	1,182,228	1,172,672	1,155,865	1,053,237	937,704	937,704	937,704	937,704
Total governmental activities expenses	12,150,492	10,038,468	10,363,970	10,622,280	12,961,832	11,113,733	13,072,919	16,152,149	17,178,271	17,094,178
Business-type activities:										
Sewer	3,001,566	2,718,762	2,630,004	3,224,026	2,881,315	4,078,003	2,943,013	2,966,613	4,757,056	4,562,513
Total business-type activities expenses	3,001,566	2,718,762	2,630,004	3,224,026	2,881,315	4,078,003	2,943,013	2,966,613	4,757,056	4,562,513
Total primary government expenses	15,152,058	12,757,230	12,993,974	13,846,306	15,843,147	15,191,736	16,015,932	19,118,762	21,935,327	21,656,691
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 133,221	\$ 275,581	\$ 573,847	\$ 322,092	\$ 769,532	\$ 562,974	\$ 658,244	\$ 526,111	\$ 243,580	\$ 391,071
Public safety	118,966	108,566	119,719	153,154	117,737	107,738	118,204	95,883	961,407	64,011
Public works	212,314	225,007	317,715	549,671	632,607	423,449	407,342	452,260	672,979	392,876
Recreation services	638,982	573,574	508,032	457,531	534,225	550,144	588,890	624,771	841,581	630,725
Operating grants and contributions	1,245,248	1,387,622	897,344	1,182,936	1,512,220	1,903,151	390,970	1,166,559	932,873	1,390,373
Capital grants and contributions	574,092	316,502	1,645,343	571,140	775,559	596,856	7,915,220	607,526	6,940,211	5,090,594
Total governmental activities program revenues	2,922,823	2,886,852	4,062,000	3,236,524	4,341,880	4,144,312	10,078,870	3,473,110	10,592,631	7,959,650
Business-type activities:										
Charges for services:										
Sewer	2,619,110	3,094,158	3,851,696	5,279,838	5,502,406	5,105,502	4,715,919	4,524,358	4,261,126	4,533,846
Operating grants and contributions	-	-	1,965,858	1,540	4,074	45,628	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	2,619,110	3,094,158	5,817,554	5,281,378	5,506,480	5,151,130	4,715,919	4,524,358	4,261,126	4,533,846
Total primary government program revenues	5,541,933	5,981,010	9,879,554	8,517,902	9,848,360	9,295,442	14,794,789	7,997,468	14,853,757	12,493,496
Net revenues (expenses):										
Governmental activities	\$ (9,227,669)	\$ (7,151,616)	\$ (6,301,970)	\$ (7,385,756)	\$ (8,619,952)	\$ (6,969,421)	\$ (2,994,049)	\$ (12,679,039)	\$ (6,585,640)	\$ (9,134,528)
Business-type activities	(382,456)	375,396	3,187,550	2,057,352	2,625,165	1,073,127	1,772,906	1,557,745	(495,930)	(28,667)
Total net revenues (expenses) ⁽³⁾	(9,610,125)	(6,776,220)	(3,114,420)	(5,328,404)	(5,994,787)	(5,896,294)	(1,221,143)	(11,121,294)	(7,081,570)	(9,163,195)

CITY OF HALF MOON BAY

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 2,128,688	\$ 2,327,269	\$ 2,411,605	\$ 2,829,102	\$ 2,613,407	\$ 2,871,413	\$ 3,116,710	\$ 3,126,884	\$ 3,379,657	\$ 3,613,782
Sales tax	1,656,807	2,037,312	2,127,152	2,584,599	3,556,753	3,862,041	4,068,786	2,514,852	2,836,614	2,804,748
Transient occupancy taxes	3,394,623	3,732,443	4,230,920	4,524,646	4,974,614	5,433,394	5,935,558	6,024,855	6,434,808	6,828,108
Other taxes	567,746	624,880	828,343	787,952	814,840	832,390	808,224	919,666	1,038,546	1,242,286
Motor vehicle in lieu, unrestricted	-	-	-	-	-	-	-	-	-	-
Investment income	112,786	246,160	425,702	385,353	291,224	798,406	811,191	583,497	703,351	1,188,804
Other general revenues	298,249	887,001	1,378,696	962,353	929,562	779,392	783,472	1,575,312	1,386,752	1,446,593
Special Item: Judgment ⁽²⁾	18,000,000	-	-	-	-	-	-	-	-	-
Special Item: Insurance proceeds ⁽²⁾	-	-	-	13,150,000	-	-	-	-	-	-
Special Item: Donated land ⁽²⁾	-	8,917,500	-	-	-	-	-	-	-	-
Total governmental activities	26,158,899	18,772,565	11,402,418	25,224,005	13,180,400	14,577,036	15,523,941	14,745,066	15,779,728	17,124,321
Business-type activities:										
Investment income	6,939	5,774	31,464	48,182	25,446	63,696	93,088	135,003	195,743	332,868
Miscellaneous	-	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(392,817)	(482,199)	(857,213)	(235,565)
Total business-type activities	6,939	(244,226)	(218,536)	(201,818)	(224,554)	(186,304)	(299,729)	(347,196)	(661,470)	97,303
Total primary government	26,165,838	18,528,339	11,183,882	25,022,187	12,955,846	14,390,732	15,224,212	14,397,870	15,118,258	17,221,624
Changes in net position:										
Governmental activities	\$ 16,931,230	\$ 11,620,949	\$ 5,100,448	\$ 17,838,249	\$ 4,560,448	\$ 7,607,615	\$ 12,529,892	\$ 2,066,027	\$ 9,194,088	\$ 7,989,793
Business-type activities	(375,517)	131,170	2,969,014	1,855,534	2,400,611	886,823	1,473,177	1,210,549	(1,157,400)	68,636
Total primary government ⁽¹⁾	\$ 16,555,713	\$ 11,752,119	\$ 8,069,462	\$ 19,693,783	\$ 6,961,059	\$ 8,494,438	\$ 14,003,069	\$ 3,276,576	\$ 8,036,688	\$ 8,058,429

⁽¹⁾ Change in Net Assets in Primary Government:

FY 2010-11 increase in net position of \$11 million is primarily due to receipt of donated Glencree land (\$8.9 million) as well as improved revenues, strong expense management, and timing of projects.

FY 2011-12 increase in net position of \$8.1 million is primarily due to an increase in cash and investments from improved revenues, strong expense management, and timing of projects, as well as increased capital assets and a one-time contribution from the Sewer Assessment District that was closed in FY 2011-12.

FY 2012-13 increase in net position of \$19.7 million is primarily due to receipt of insurance recovery associated with the Yamagiwa claim.

FY 2013-14 increase in net position of \$7.0 million is primarily due to higher tax revenues and timing of sewer-related capital spending.

FY 2014-15 increase in net position of \$8.5 million is primarily due to higher tax revenues and timing of sewer-related capital spending.

FY 2015-16 increase in net position of \$14 million is primarily due to higher tax revenues and timing of sewer-related capital spending.

FY 2016-17 increase in net position of \$3.5 million is primarily due to investment in infrastructure and capital projects.

FY 2017-18 increase in net position of \$8.4 million is primarily due to investment in capital projects.

The \$8.0 million increase in primary government net position in FY 2018-19 is primarily attributable to higher tax and general revenues

⁽²⁾ Special Items:

FY 2009-10 is the payment of the legal settlement on the Yamagiwa case.

FY 2010-11 is the donated Glencree land.

FY 2012-13 is the receipt of insurance proceeds received for coverage on the Yamagiwa case.

⁽³⁾ Total net expenses in FY 2012-13 increased by \$2.2 million primarily for timing of capital grants and project timing.

CITY OF HALF MOON BAY
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year June 30	Fiscal Year June 30								
	2010	2011 (a)	2012	2013	2014	2015	2016	2017	2018	2019
General fund:										
Reserved	\$ 2,934,031	\$ 9,373,648	\$ 9,145,574	\$ 8,917,500	\$ 8,917,500	\$ -	\$ -	\$ -	\$ -	\$ 6,646,354
Unreserved	2,404,122	2,763,098	3,672,354	3,800,352	4,255,283	3,012,735	2,909,550	5,070,257	5,070,257	-
Total general fund (1)	\$ 5,338,153		1,110,256	1,825,000	2,609,294	-	-	5,986,903	4,892,195	4,309,910
		2,893,969	2,587,992	3,143,252	3,978,376	6,529,822	7,829,894	11,057,160	9,962,452	10,956,264
Total all other governmental funds (2)	\$ 21,940,579		\$ 16,516,176	\$ 17,686,104	\$ 19,760,453	\$ 9,542,557	\$ 10,739,444			
General fund:										
Nonspendable	\$ 17,906,420	\$ 17,906,420	\$ 17,906,420	\$ 17,906,420	\$ 17,906,420	\$ 26,823,920	\$ -	\$ -	\$ -	\$ 26,823,920
Restricted				7,431,343	21,169,241	23,288,017	31,602,450	23,288,663	25,844,530	27,738,822
Committed	2,823,637	6,130,588	6,130,588	13,150,000	-	-	26,823,920	26,823,920	26,823,920	-
Assigned	2,034,742	-	-	-	-	-	-	5,611,038	2,161,189	1,244,495
Unassigned	(3,416)	-	-	-	-	-	-	-	-	2,364,020
Total all other governmental funds (2)	\$ 22,761,383	\$ 38,487,763	\$ 24,037,008	\$ 39,075,661	\$ 39,075,661	\$ 50,111,937	\$ 58,426,370	\$ 55,723,621	\$ 54,829,639	\$ 58,171,257

(1) General Fund:

FY 2011-12 and FY 2012-13 Assigned General fund balance is planned for future years' capital expenditures; Committed General fund balance reflects the 30% General fund reserve policy. The Nonspendable fund balance is primarily land held for resale.

FY 2014-15 Nonspendable fund balance decrease is due to the land held for resale transfer from the General Fund to the newly created Land Asset Fund.

FY 2015-16 Unassigned fund balance increase is primarily due to increase in tax revenue.

FY 2016-17 Unassigned fund balance decrease is primarily due to increased investment in capital projects.

FY 2017-18 Unassigned fund balance decrease is primarily due to investment in capital projects.

FY 2018-19 Unassigned fund balance increase is primarily due to in tax and general revenues

(2) Other Governmental Funds:

FY 2009-10 increase of \$18.3 million is primarily for the purchase of Cabrillo Highway property, in settlement of the Yamaguchi case. The Debt Service Fund increased for the reserve requirement on the Judgment Obligation bond in FY 2009-10.

FY 2011-12 Nonspendable fund balance is land held for resale. The increase in Restricted fund balance reflects the change in classification for special revenue funds, as well as increased restricted monies for capital projects.

FY 2012-13 Nonspendable fund balance is land held for resale. The increase in the Committed balance is for the monies to be used for the debt reduction program on the Judgment Obligation Bonds.

FY 2013-14 Restricted fund balance increase is due to the reclass of the Committed balance in the Judgment Obligation Bond fund.

FY 2014-15 Nonspendable fund balance increase is due to the land held for resale transfer from the General Fund to the newly created Land Asset Fund.

FY 2015-16 Restricted fund balance increase is primarily due to a contribution of \$6.0 million from the County of San Mateo for the library construction project.

FY 2016-17 \$2.7 million decrease is primarily due to progress on the Library Capital project.

FY 2017-18 \$890,000 decrease is primarily due to progress on the Library Capital project.

FY 2018-19 \$3.0M increase is primarily due to progress in capital projects

(3) GASB 54 was implemented in FY 2010-11. See Notes to Financial Statements for definitions of fund balance. The Nonspendable balance primarily represents Cabrillo Highway and Glenecree land.

CITY OF HALF MOON BAY
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years ⁽¹⁾
(Modified Accrual Basis of Accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Taxes	\$ 7,747,864	\$ 8,721,904	\$ 9,598,020	\$ 10,726,299	\$ 12,060,866	\$ 12,999,238	\$ 13,929,278	\$ 12,586,257	\$ 13,638,171	\$ 14,448,702
Licenses and permits	210,491	290,872	306,022	482,488	537,634	394,931	379,749	444,388	370,269	377,873
Fines and forfeitures	66,168	47,220	74,900	116,060	93,737	83,812	102,002	79,132	171,873	189,415
Charges for services	538,817	263,065	546,433	636,772	940,320	765,457	806,642	701,163	1,255,479	1,165,640
Recreation fees/ Impact fees	288,269	287,531	991,622	821,973	821,973	625,166	771,469	1,173,275	1,065,005	2,700,943
Investment income	108,970	246,160	425,612	383,533	291,227	798,408	772,575	549,489	703,354	1,225,128
Rents and leases	25,651	26,582	15,017	12,550	11,518	-	20,000	10,080	87,536	75,603
Intergovernmental revenues	1,774,609	1,623,367	1,824,763	1,312,202	1,925,058	2,260,890	8,058,785	1,069,157	1,910,615	2,074,855
Administrative fees	7,315	15,185	3,659	249	1,633	65	-	-	-	-
Miscellaneous	246,544	1,068,317	215,760	13,875,666	587,731	519,595	400,376	1,089,034	908,337	1,325,476
Total revenues	11,014,698	12,590,203	14,001,898	28,103,741	17,271,697	18,447,562	25,187,076	17,701,975	20,110,639	23,585,635
Expenditures										
Current:										
General government	2,290,184	2,568,015	2,194,722	3,295,081	3,316,520	2,727,404	3,582,831	3,143,214	3,968,569	3,445,355
Public safety	3,935,847	4,084,469	3,724,355	4,005,358	2,744,812	946,395	1,083,666	3,610,736	3,689,490	3,727,302
Public works	3,670,803	2,323,968	3,274,946	3,110,738	3,233,403	3,089,741	3,208,099	1,639,299	1,768,330	2,147,231
Recreation services	524,859	403,058	190,175	62,803	1,780,847	1,987,691	1,347,508	176,497	701,405	896,854
Planning services	604,204	390,853	532,116	687,726	77,155	142,020	183,328	2,353,980	2,505,066	2,686,651
Capital outlay	7,385	163,110	58,861	-	2,254,869	2,745,770	4,437,029	7,766,781	18,996,455	5,027,468
Debt service:										
Principal retirement ⁽¹⁾	50,000	315,000	330,000	395,000	290,000	4,655,000	-	-	-	-
Interest and fiscal charges	665,009	1,195,864	1,185,637	1,176,352	1,161,844	1,053,237	937,704	937,704	937,704	937,704
Total expenditures	11,748,291	11,244,337	11,490,812	12,733,058	14,859,450 ⁽²⁾	17,347,238	14,780,165	19,628,211	32,567,019	18,868,565
Excess (deficiency) of revenues over (under) expenditures	(733,593)	1,345,866	2,511,086	15,370,683	2,412,247	1,100,304	10,406,911	(1,926,236)	(12,456,380)	4,715,070
Other financing sources (uses):										
Proceeds from insurance settlement	-	-	-	-	-	-	-	-	-	-
Bond Proceeds	16,680,000	-	-	-	-	-	-	-	-	-
Advanced Proceeds from San Mateo County	-	-	-	-	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-	-	-	-	-
Transfers in ⁽²⁾	4,069,245	1,978,768	2,669,092	3,279,711	3,368,987	35,780,529	5,285,654	5,059,687	5,726,855	726,000
Transfers out ⁽²⁾	(4,119,245)	(1,728,768)	(2,419,092)	(3,029,711)	(3,118,987)	(36,062,453)	(6,181,245)	(5,518,484)	(6,010,554)	(4,322,638)
Donated land held for resale	-	8,917,500	-	-	-	-	-	-	-	-
Total other financing sources (uses)	16,630,000	9,167,500	250,000	250,000	250,000	(281,924)	(895,591)	(458,797)	10,467,690	(379,640)
Net change in fund balances ⁽³⁾	\$ 15,896,407	\$ 10,513,366	\$ 2,761,086	\$ 15,620,683	\$ 2,662,247	\$ 818,380	\$ 9,511,320	\$ (2,385,033)	\$ (1,988,690)	\$ 4,335,430
Debt service as a percentage of noncapital expenditures	6.1%	13.6%	13.3%	12.3%	11.5%	39.1%	9.1%	7.9%	6.9%	6.6%

⁽¹⁾ In FY 2014-15 the City elected to completely pay off the 2009A Judgement Obligation Bonds.

⁽²⁾ The increase in transfers in FY 2014-15 is primarily due to the creation of and transfers to the Land Asset Capital Project Fund (\$26.8 million) and the Library Capital Fund (\$4.2 million).

⁽³⁾ The net change in fund balance of \$15.9 million in FY 2009-10 is primarily due to bond proceeds from the sale of judgment obligation bonds offset by expenditures that exceeded revenues, as a result of the recession.

The net change in fund balance of \$10.5 million in FY 2010-11 is primarily due to the donation of the Glencree land and improved revenues, strong expense management, and timing of projects.

The net change in fund balance of \$2.8 million in FY 2011-12 is primarily due to the revenue increase driven by economic recovery, expense management efforts including contracting for public safety and recreation services, and timing of projects.

The net change in fund balance of \$15.6 million in FY 2012-13 is primarily due to receipt of one time insurance payment (\$13.2 million), increase in general taxes, and revenue from the law enforcement services contract amendment that was negotiated in FY 2012-13.

The net change in fund balance of \$2.7 million in FY 2013-14 is higher tax revenues and grants received.

The net change in fund balance of \$9.5 million in FY 2015-16 is primarily due to higher tax revenues and a contribution of \$6.0 million from the County of San Mateo for the library construction capital project that is scheduled to commence during fiscal year 2016-17.

The net decrease in fund balance of \$2.4 million in FY 2016-17 is primarily due to progress on the Library Capital project.

The net decrease in Fund balance of \$1.9 million in FY 2017-18 is primarily due to progress on the Library Capital project.

The net increase in Fund balance of \$4.3 million in FY 2018-19 is primarily due to increase in revenues and decrease in library project expenditures

CITY OF HALF MOON BAY

Transient Occupancy Tax (TOT) by Lodging Type (BASE) ⁽¹⁾

Last Ten Fiscal Years

As of June 30th

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
LODGING TYPE										
Hotels/Motels	\$ 3,260,944	\$ 3,588,167	\$ 4,032,596	\$ 4,302,932	\$ 4,583,970	\$ 5,002,165	\$ 5,643,075	\$ 5,785,989	\$ 6,078,131	\$ 6,409,533
B&Bs/ Inns / Cottages	78,696	83,797	95,678	104,057	114,610	101,393	99,062	60,671	68,729	66,079
RV Parks/Camps	54,009	60,477	97,244	96,187	243,467	281,880	148,191	150,019	170,855	159,065
Vacation Rentals	-	-	5,401	21,470	35,392	45,105	44,230	43,790	115,398	218,561
Totals	\$ 3,393,649	\$ 3,732,441	\$ 4,230,920	\$ 4,524,646	\$ 4,977,439	\$ 5,430,543	\$ 5,934,558	\$ 6,040,468	\$ 6,433,114	\$ 6,853,237

⁽¹⁾ TOT information by individual establishment is confidential and therefore is not available to the public. TOT is the City's largest "own source" revenue, as defined by GASB Statement No. 44.

Source: City of Half Moon Bay Finance Department.

CITY OF HALF MOON BAY
Transient Occupancy Tax (TOT) Rate
Last Ten Fiscal Years

Fiscal Year Ended June 30	TOT Tax Rate
2010	12%
2011	12%
2012	12%
2013	12%
2014	12%
2015	12%
2016	12%
2017	12%
2018	12%
2019	12%

Source: City of Half Moon Bay Finance Department

CITY OF HALF MOON BAY
Transient Occupancy Taxpayers by Type of Establishment
Current Year and Ten Years Ago

TOT Taxpayer Type	2018-19			2009-10	
	TOT Collected	Percent of Total TOT Revenues		TOT Collected	Percent of Total TOT Revenues
Hotels/Motels/Lodges	\$6,409,533	93.53%		\$ 3,260,944	96.09%
Bed & Breakfasts and Inns	\$66,079	0.96%		\$ 78,696	2.32%
RV Parks & Campgrounds	\$159,065	2.32%		\$ 54,009	1.59%
Vacation Rentals	\$218,561	3.19%		\$ -	0.00%
	\$ 6,853,237	100.00%		\$ 3,393,649	100.00%

Source: City of Half Moon Bay Finance Department

CITY OF HALF MOON BAY

Ratios of Outstanding Debt by Type ⁽¹⁾

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities						
	Lease Revenue Bonds	Long-Term Note	Judgment Obligation Bonds	Total		Total Primary Government	Debt Per Capita ⁽³⁾
				Governmental Activities ⁽²⁾	Percentage of Personal Income ⁽⁴⁾		
2010	\$ 220,000	-	\$ 16,680,000	\$ 16,900,000	\$	16,900,000	1,300
2011	170,000	-	16,680,000	16,850,000		16,850,000	1,276
2012	115,000	-	16,140,000	16,255,000		16,255,000	1,216
2013	-	-	15,860,000	15,860,000		15,860,000	1,382
2014	-	-	15,570,000	15,570,000		15,570,000	1,344
2015	-	-	10,915,000	10,915,000		10,915,000	931
2016	-	-	10,915,000	10,915,000		10,915,000	931
2017	-	-	10,915,000	10,915,000		10,915,000	871.25
2018	-	-	10,915,000	10,915,000		10,915,000	866.89
2019	-	-	10,915,000	10,915,000		10,915,000	863.60

⁽¹⁾ Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽²⁾ The City has no outstanding debt from Business-Type Activities.

⁽³⁾ Census data changed in 2010 and Half Moon Bay population decreased, thereby resulting in an increase in debt per capita.

⁽⁴⁾ Population information was obtained from California State Department of Finance, Employment data from California Employment

Development Department

CITY OF HALF MOON BAY
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, except Per Capita)

Outstanding General Bonded Debt						
Fiscal Year Ended June 30,	Lease Revenue Bonds	Judgment Obligation Bonds	San Mateo County Advancement	Total	Percent of Assessed Value ⁽¹⁾	Debt Per Capita
2010	220	16,680	16,680	33,580	0.0015%	2,583
2011	170	16,680	16,680	33,530	0.0015%	2,539
2012	115	16,140	16,140	32,395	0.0014%	2,423
2013	-	15,860	15,860	31,720	0.0014%	2,764
2014	-	15,570	15,570	31,140	0.0013%	2,689
2015	-	10,915	10,915	21,830	0.0009%	1,862
2016	-	10,915	10,915	21,830	0.0008%	1,862
2017	-	10,915	10,915	21,830	0.0008%	1,742
2018	-	10,915	10,915	21,830	0.0008%	1,734
2019	-	10,915	5,727	16,642	0.0005%	1,317

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

⁽¹⁾ Assessed value has been used because the actual value of taxable property is not readily available in the State of California. Percentages less than 0.0000% are not shown.

CITY OF HALF MOON BAY

Direct and Overlapping Debt

June 30, 2019

2018-19 Assessed Value \$ 3,139,279,467

	Percentage Applicable ⁽¹⁾	Total Debt 6/30/2019	City's Share of Debt 06/30/19
Overlapping Tax and Assessment Debt:			
San Mateo Community College District	1.405%	\$ 801,050,076	\$ 11,254,754
Cabrillo Unified School District	46.535%	90,951,304	42,324,189
Granada Sanitary District 1915 Act Bonds	18.288%	1,875,000	342,900
Total Overlapping Tax and Assessment Debt		\$ 893,876,380	\$ 53,921,843

Ratio to Assessed Valuation:

Total Overlapping Tax and Assessment Debt 1.72%

Direct and Overlapping General Fund Debt:

San Mateo County General Fund Obligations	1.405%	\$ 551,005,360	\$ 7,741,625
San Mateo County Board of Education Certificates of Participation	1.405%	8,140,000	114,367
Direct: City of Half Moon Bay Judgment Obligations	100.000%	10,915,000	10,915,000
Direct: City of Half Moon Bay San Mateo County advancement	100.000%	5,726,855	5,726,855

Total Direct Debt \$ 16,641,855

Total Overlapping Debt 61,777,835

Combined Total Debt \$ 78,419,690 ⁽²⁾

⁽¹⁾ The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value.

Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2018-19 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.72%
Total Direct Debt (\$16,641,855)	0.53%
Combined Total Debt	2.50%

Source: California Municipal Statistics, Inc. (Austin Busch - Austin@calmuni.com)

CITY OF HALF MOON BAY
Legal Debt Margin Information
Last Ten Fiscal Years

	June 30									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed valuation	\$ 2,302,391,210	\$ 2,279,418,104	\$ 2,307,212,678	\$ 2,347,639,088	\$ 2,361,010,857	\$ 2,553,357,622	\$ 2,733,242,180	\$ 2,755,768,400	\$ 2,893,093,932	\$3,123,075,037
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	575,597,803	569,854,526	576,803,170	586,909,772	590,252,714	638,339,406	683,310,545	688,942,100	723,273,483	780,768,759
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	86,339,670	85,478,179	86,520,475	88,036,466	88,537,907	95,750,911	102,496,582	103,341,315	108,491,022	117,115,314
Total net debt applicable to limit: General obligation bonds	16,900,000	16,850,000	16,255,000	15,860,000	15,570,000	10,915,000	10,915,000	10,915,000	10,915,000	10,915,000
Legal debt margin	\$ 69,439,670	\$ 68,628,179	\$ 70,265,475	\$ 72,176,466	\$ 72,967,907	\$ 84,835,911	\$ 91,581,582	\$ 92,426,315	\$ 97,576,022	\$ 106,200,314
Total debt applicable to the limit as a percentage of debt limit	19.6%	19.7%	18.8%	18.0%	17.6%	11.4%	10.6%	10.6%	10.1%	9.3%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for the parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25 % level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Sources: City Finance Department
San Mateo County Tax Assessor Combined Tax Roll 650-363-4777

CITY OF HALF MOON BAY

Principal Employers

6/30/2019 and Ten Years Prior

Employer	2019		2009	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Ritz Carlton Hotel	550	17.53%	500	6.25%
Rocket Farms Inc.	130	4.14%		
New Leaf Community Market	117	3.73%	77	96.00%
Safeway Store	102	3.25%	114	1.43%
Sam's Chowder House	97	3.09%	150	1.88%
Hassett Hardware	56	1.78%		
Half Moon Bay Golf Links	55	1.75%	124	1.55%
Pastorino Hay & Ranch Supply Inc.	48	1.53%		
Mullins Bar & Grill	43	1.37%		
Sea Crest School	41	1.31%		
Cabrillo Unified School District			325	4.06%
Nurserymen's Exchange			300	3.75%
La Petite Baleen Inc			100	1.25%
Odwalla Inc.			63	79.00%
CVS/Pharmacy			63	79.00%
Andreini Brothers Inc			49	61.00%
Subtotal Top Ten Employers	1,239	39.48%	1,865	23.31%
Total Employment	3,138	100.00%	8,000	100.00%

"Total Employment" as used above represents the total employment of all employers with business licenses located within City limits.

Source for 2019: Employer information from City of Half Moon Bay HdL Business License System.

CITY OF HALF MOON BAY

Full-time and Part-time City Employees By Function

Last Ten Fiscal Years

	June 30									
Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government	10	15	16	16	20	23	20	26	31	24
Public Safety	17	-	-	-	-	-	-	-	-	0
Public Works/Maintenance	5	3	3	3	4	4	4	3	4	6
Recreation Services	1	-	-	-	-	-	0	-	5	5
Planning & CDD Dir.	3	2	3	3	1	1	2	2	6	9
Total	36	20	22	22	25	28	26	31	46	44

Note: General government includes five City Council members as well as Administration and Finance staff.

Source: City of Half Moon Bay Finance Department

CITY OF HALF MOON BAY
Operating Indicators By Function

Last Ten Fiscal Years

	2010	2011	2012	June 30 2013	2014	2015	2016	2017	2018	2019
Police: ⁽¹⁾										
Arrests - Part 1 crimes			43	41	50	30	44	38	48	54
Traffic citations			518	1,175	1,067	436	527	489	921	2,128
Parking citations			774	1,222	1,152	1,065	1,598	1,212	3,994	3,465
Parks and Recreation: ⁽²⁾										
Number of recreation classes	109	72	83	60	155	87	88	75	159	105
Number of facility rentals ⁽³⁾	99	104	25	101	24	42	110	88	324	397
Building and Code Enforcement: ⁽⁴⁾										
Number of permits issued (est.)			550	457	500	487	413	460	413	473
Number of plan checks (est.)			100	104	100	110	105	220	166	205
Number of inspections (est.)			2,000	2,009	2,000	2,355	2,820	2,216	2,520	2,442
Planning: ⁽³⁾										
Planning Commission Meetings			24	20	22	20	15	12	20	23
Number of permits processed			70	80	75	70	111	47	43	102

⁽¹⁾ The City started contracting with the San Mateo County Sheriff Office in June 2011. Traffic and parking citation counts for FY 2011-12 are from June 2011 to April 2012.
⁽²⁾ In FY 2011-12, the City contracted out Recreation services to the City of San Carlos. In FY 2014-15, it changed to the Boys & Girls Club. All programs are provided directly to the public by the contractors.

⁽³⁾ In FY 2016-17, the City re-assumed responsibility for the Parks and Recreation program. The facility rentals count for FY 2016-17 is estimated based on rental revenue received.

⁽⁴⁾ Information will continue to be added as made available.

FY 2015-2016 Sources: City of Half Moon Bay Departments, San Mateo County Sheriff Office, Boys & Girls Club.

CITY OF HALF MOON BAY
Capital Asset Statistics By Function
Last Ten Fiscal Years

	June 30									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:										
Sheriff Substation/EOC	1	1	1	1	1	1	1	1	1	1
Public Works:										
Streets (miles)	35	35	35	35	35	35	35	29	29	29 ⁽¹⁾
Parks	9	9	9	9	9	9	9	9	9	9
Community Centers	1	1	1	1	1	1	1	1	1	1
Sewer lines (miles)			37	37	37	37	37	37	37	37
Library										1
Facilities/Buildings			6	6	6	6	6	6	6	6
Bike Trails (miles)			3	3	6	6	7	7	7	7
Land (acres)			100	100	100	176	176	176	176	176
Administration:										
Facilities/Buildings			1	1	1	1	1	1	1	1

(1) FY 2019 Street information is based on the most recent Pavement Condition Report.

Source: City of Half Moon Bay Finance Department

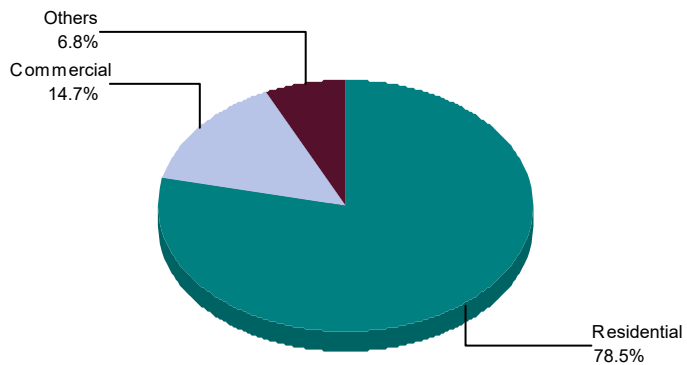
THE CITY OF HALF MOON BAY

2018/19 USE CATEGORY SUMMARY

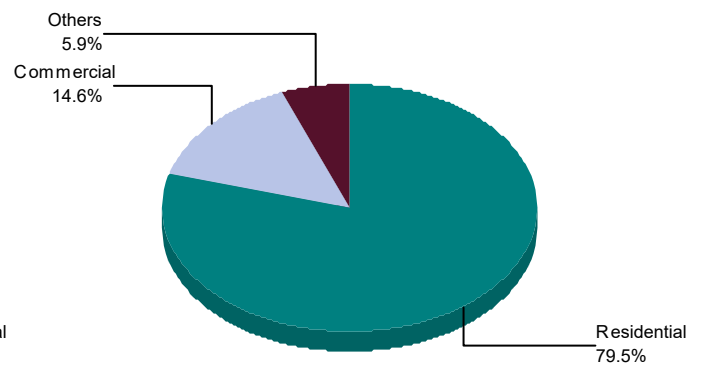
BASIC PROPERTY VALUE TABLE

Category	Parcels	Assessed Value	Net Taxable Value
Residential	3,793	\$2,540,364,387 (78.5%)	\$2,496,961,916 (79.5%)
Commercial	223	\$474,649,218 (14.7%)	\$457,418,903 (14.6%)
Industrial	15	\$8,419,613 (0.3%)	\$8,419,613 (0.3%)
Agricultural	41	\$28,273,251 (0.9%)	\$17,322,251 (0.6%)
Govt. Owned	98	\$35,088 (0.0%)	\$0 (0.0%)
Institutional	21	\$18,829,261 (0.6%)	\$315,819 (0.0%)
Miscellaneous	15	\$16,786,985 (0.5%)	\$16,786,985 (0.5%)
Recreational	24	\$42,423,590 (1.3%)	\$42,118,338 (1.3%)
Vacant	1,934	\$61,723,829 (1.9%)	\$55,779,365 (1.8%)
Unsecured	[232]	\$44,901,848 (1.4%)	\$44,156,277 (1.4%)
TOTALS	6,164	\$3,236,407,070	\$3,139,279,467

ASSESSED VALUE

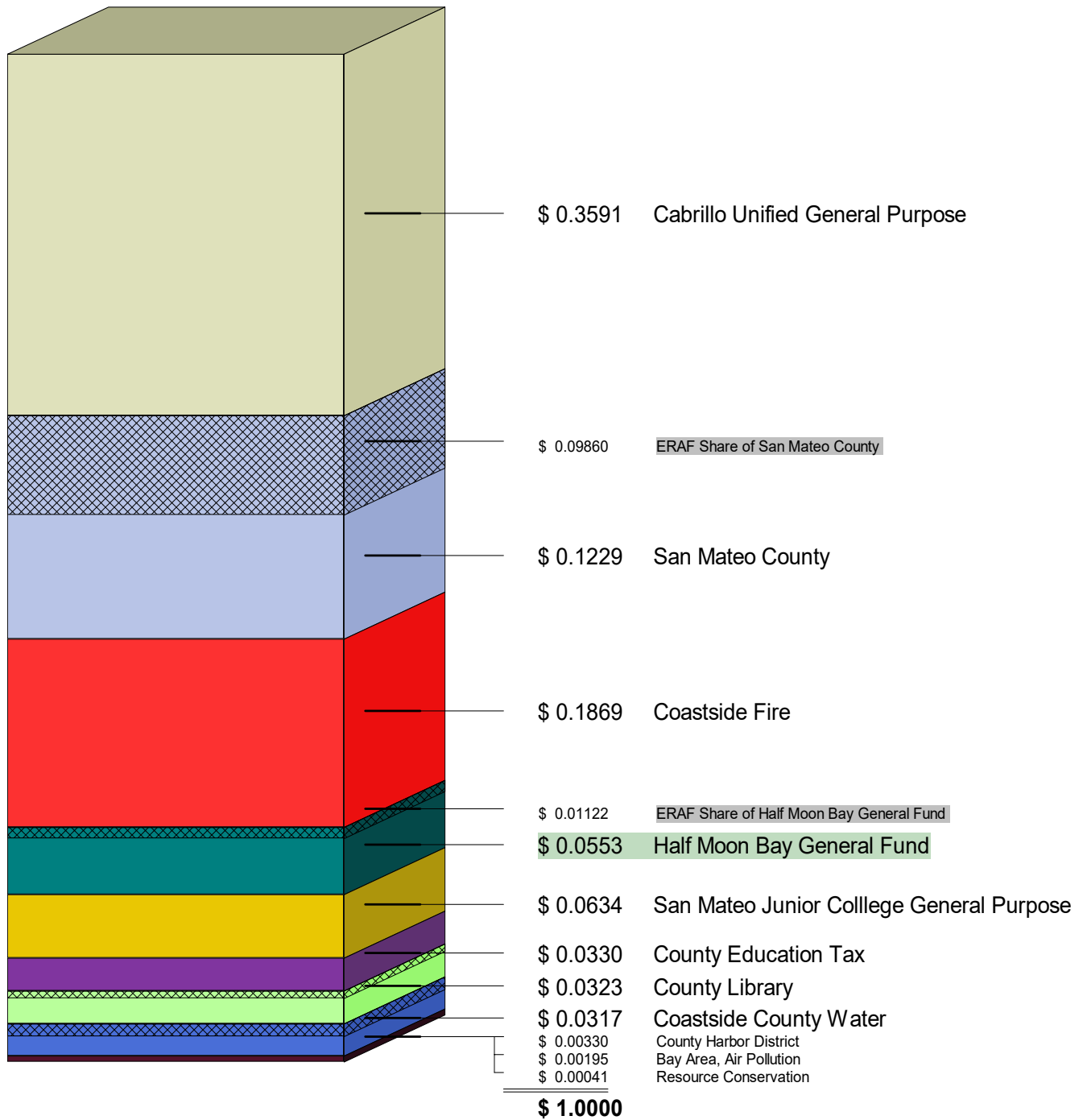


NET TAXABLE VALUE



THE CITY OF HALF MOON BAY

PROPERTY TAX DOLLAR BREAKDOWN



THE CITY OF HALF MOON BAY

2018/19 ROLL SUMMARY

Taxable Property Values

	Secured	Nonunitary Utilities	Unsecured
Parcels	6,164	0	232
TRAs	8	0	7
Values			
Land	1,553,522,043	0	103,236
Improvements	1,619,196,919	0	5,317,971
Personal Property	16,409,168	0	27,159,071
Fixtures	2,377,092	0	12,321,570
Aircraft	0	0	0
Total Value	\$3,191,505,222	\$0	\$44,901,848
Exemptions			
Real Estate	95,628,531	0	330,250
Personal Property	730,546	0	387,517
Fixtures	22,955	0	27,804
Aircraft	0	0	0
Homeowners*	16,204,430	0	0
Total Exemptions*	\$96,382,032	\$0	\$745,571
Total Net Value	\$3,095,123,190	\$0	\$44,156,277

Combined Values	Total
Total Values	\$3,236,407,070
Total Exemptions	\$97,127,603
Net Total Values	\$3,139,279,467
Net Aircraft Values	\$0

* Note: Homeowner Exemptions are not included in Total Exemptions

Totals do not Include Aircraft Values or Exemptions

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Data Source: San Mateo County Assessor 2018/19 Combined Tax Rolls

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

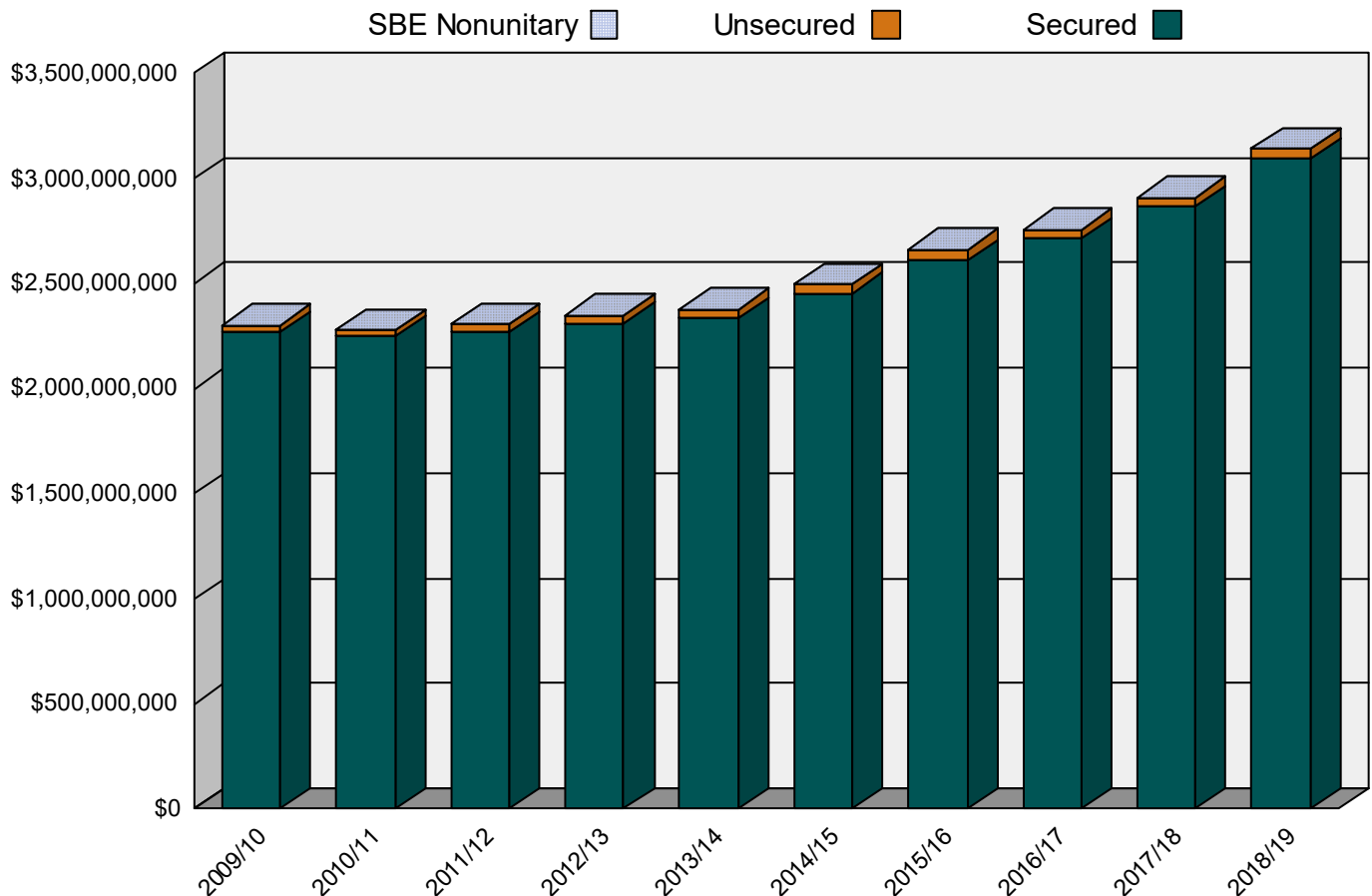
Prepared On 9/16/2019 By MV

THE CITY OF HALF MOON BAY

NET TAXABLE ASSESSED VALUE HISTORY

2009/10 - 2018/19 Taxable Property Values

Lien Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
2009/10	\$2,270,581,839	\$31,809,471	\$0	2,302,391,310	
2010/11	\$2,251,380,792	\$28,037,312	\$0	2,279,418,104	-1.00%
2011/12	\$2,266,736,579	\$40,476,099	\$0	2,307,212,678	1.22%
2012/13	\$2,310,590,314	\$37,048,774	\$0	2,347,639,088	1.75%
2013/14	\$2,336,930,963	\$40,818,124	\$0	2,377,749,087	1.28%
2014/15	\$2,454,848,902	\$42,658,908	\$0	2,497,507,810	5.04%
2015/16	\$2,609,284,214	\$53,103,728	\$0	2,662,387,942	6.60%
2016/17	\$2,716,280,909	\$39,462,822	\$0	2,755,743,731	3.51%
2017/18	\$2,868,900,977	\$40,418,385	\$0	2,909,319,362	5.57%
2018/19	\$3,095,123,190	\$44,156,277	\$0	3,139,279,467	7.90%



THE CITY OF HALF MOON BAY

2018/19 TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based On Net Values

Owner	Secured			Unsecured			Combined		Primary Use & Primary Agency
	Parcels	Value	% of Net AV	Parcels	Value	% of Net AV	Value	% of Net AV	
1) SHC HALF MOON BAY LLC	2	\$203,833,406	6.59%	1	\$69,000	0.16%	\$203,902,406	6.50%	Commercial Half Moon Bay General Fund
2) OCEAN COLONY PARTNERS L P	17	\$40,963,045	1.32%				\$40,963,045	1.30%	Recreational Half Moon Bay General Fund
3) HMB MUSICH LLC	3	\$29,000,000	0.94%				\$29,000,000	0.92%	Commercial Half Moon Bay General Fund
4) KEET NERHAN	30	\$23,660,154	0.76%	7	\$1,193,412	2.70%	\$24,853,566	0.79%	Commercial Half Moon Bay General Fund
5) IWF HALF MOON BAY LLC	1	\$10,619,072	0.34%				\$10,619,072	0.34%	Commercial Half Moon Bay General Fund
6) LONGS DRUG STORE INC	1	\$8,678,733	0.28%				\$8,678,733	0.28%	Commercial Half Moon Bay General Fund
7) CASTRO PARTNERS LLC	3	\$7,523,460	0.24%				\$7,523,460	0.24%	Commercial Half Moon Bay General Fund
8) DINO E ANDREOTTI	13	\$7,406,767	0.24%				\$7,406,767	0.24%	Miscellaneous Half Moon Bay General Fund
9) PROFESSIONAL PENINSULA PROPERTIES LLC	7	\$7,363,423	0.24%				\$7,363,423	0.23%	Commercial Half Moon Bay General Fund
10) ROCKET FARMS INC				1	\$6,835,693	15.48%	\$6,835,693	0.22%	Unsecured Half Moon Bay General Fund
Top Ten Total	77	\$339,048,060	10.95%	9	\$8,098,105	18.34%	\$347,146,165	11.06%	
City Total		\$3,095,123,190			\$44,156,277		\$3,139,279,467		

THE CITY OF HALF MOON BAY

2009/10 TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based On Net Values

Owner	Secured		Unsecured		Combined		Primary Use & Primary Agency
	Parcels	Value	% of Net AV	Parcels	Value	% of Net AV	
1) SHC HALF MOON BAY LLC	2	\$135,581,962	5.97%				Commercial Half Moon Bay General Fund
2) OCEAN COLONY PARTNERS LP	39	\$22,682,154	1.00%				Recreational Half Moon Bay General Fund
3) KEET NERHAN	34	\$22,083,183	0.97%	2	\$60,528	0.19%	Commercial Half Moon Bay General Fund
4) SOUTH WAVECREST LLC	2	\$19,542,806	0.86%				Recreational Half Moon Bay General Fund
5) NURSEYMEN'S EXCHANGE INC	10	\$14,188,247	0.62%				Irrigated Half Moon Bay General Fund
6) REGENCY CENTERS LP	3	\$13,900,338	0.61%				Commercial Half Moon Bay General Fund
7) FRANCESCO CARRUBBA	5	\$13,738,754	0.61%				Commercial Half Moon Bay General Fund
8) IWF HALF MOON BAY LP	1	\$9,241,947	0.41%				Commercial Half Moon Bay General Fund
9) RUGGERO MILANO AND MAJIDI SHAHLA	1	\$5,195,673	0.23%				Commercial Half Moon Bay General Fund
10) W AND S PROPERTIES LP	4	\$4,316,176	0.19%				Residential Half Moon Bay General Fund
Top Ten Total	101	\$260,471,240	11.47%	2	\$60,528	0.19%	
City Total		\$2,270,581,839			\$31,809,471		

THE CITY OF HALF MOON BAY

ASSESSED VALUE OF TAXABLE PROPERTY

2009/10 - 2018/19 Taxable Property Values

Category	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Residential	1,814,166,741	1,806,656,465	1,807,548,717	1,847,817,296	1,871,838,949	1,986,554,631	2,128,750,156	2,238,878,627	2,365,335,848	2,496,961,916
Commercial	331,836,973	329,209,700	330,355,442	333,127,837	344,198,890	346,707,418	356,041,843	363,813,823	372,002,147	457,418,903
Industrial	5,600,922	5,568,852	5,901,115	6,016,889	6,133,649	6,172,772	6,292,015	6,801,114	7,185,938	8,419,613
Agricultural	17,509,078									17,322,251
Dry Farm	403,909	11,235,759	10,559,490	11,427,110	3,720,127	3,496,499	3,786,377	4,241,537	4,358,514	
Govt. Owned	0									0
Institutional	258,950	284,781	260,279	265,484	293,694	272,021	277,456	281,685	309,882	315,819
Irrigated	2,905,462	5,418,982	6,116,088	4,368,007	3,423,600	4,862,761	5,333,856	4,324,786	4,411,271	
Miscellaneous	6,830,284	12,936,578	12,953,724	20,894,204	12,075,286	22,681,808	23,460,537	14,211,644	17,677,501	16,786,985
Recreational	38,520,391	32,211,663	37,455,517	38,043,156	38,699,751	38,874,879	39,568,823	40,290,547	41,062,725	42,118,338
Vacant	49,790,013	46,517,696	50,669,067	48,630,331	50,679,666	45,226,113	45,773,151	43,437,146	56,557,151	55,779,365
Unsecured	31,809,471	28,037,312	40,476,099	37,048,774	40,818,124	42,658,908	53,103,728	39,462,822	40,418,385	44,156,277
Unknown	2,759,116	1,340,316	4,917,140		5,867,351					
TOTALS	2,302,391,310	2,279,418,104	2,307,212,678	2,347,639,088	2,377,749,087	2,497,507,810	2,662,387,942	2,755,743,731	2,909,319,362	3,139,279,467
Total Direct Rate	0.05426	0.05426	0.05426	0.05453	0.05452	0.05818	0.05818	0.05819	0.05819	0.05821

Notes:
Exempt values are not included in Total.

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Data Source: San Mateo County Assessor 2009/10 - 2018/19 Combined Tax Rolls

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

Prepared On 9/16/2019 By MV

THE CITY OF HALF MOON BAY

DIRECT & OVERLAPPING PROPERTY TAX RATES

(RATE PER \$100 OF TAXABLE VALUE)

Last 10 Fiscal Years										
Agency	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Basic Levy¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Cabrillo Unified Bond	0.04970	0.05080	0.05220	0.07220	0.07190	0.07040	0.07260	0.08320	0.07510	0.07110
San Mateo Junior College	0.01820	0.01930	0.01990	0.01940	0.01940	0.01900	0.02500	0.02470	0.02350	0.01750
Total Direct & Overlapping² Tax Rates	1.06790	1.07010	1.07210	1.09160	1.09130	1.08940	1.09760	1.10790	1.09860	1.08860
 City's Share of 1% Levy Per Prop 13³	0.05460	0.05459	0.05459	0.05465	0.05463	0.05525	0.05525	0.05525	0.05525	0.05526
Voter Approved City Debt Rate										
Redevelopment Rate⁴										
Total Direct Rate⁵	0.05426	0.05426	0.05426	0.05453	0.05452	0.05818	0.05818	0.05819	0.05819	0.05821

Notes:

¹In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all property owners.

³City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. The ERAF portion of the City's Levy has been subtracted where known.

⁴Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

⁵Total Direct Rate is the weighted average of all individual direct rates applied by the City/Agency preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City/Agency in the same proportions as general fund revenue.

Data Source: San Mateo County Assessor 2009/10 - 2018/19 Tax Rate Table

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Prepared On 9/16/2019 By MV

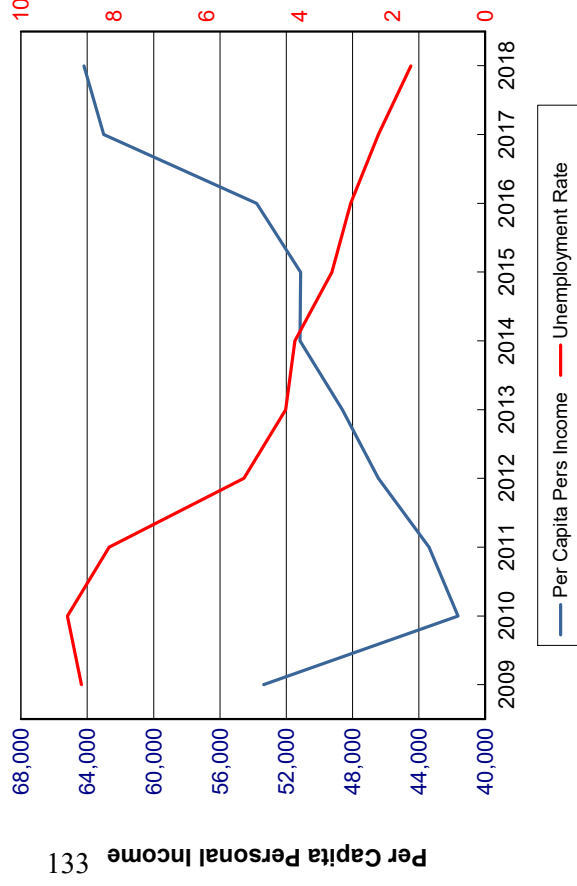
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THE CITY OF HALF MOON BAY

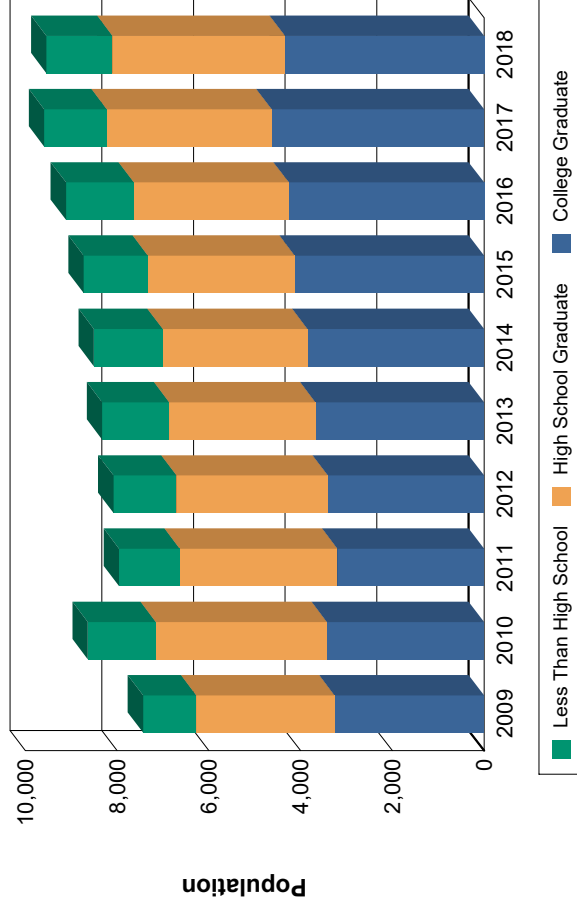
DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population	Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate	Median Age	% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelor's Degree
2009	13,206	\$704,770	\$53,367	8.7%	40.9	84.4%	43.9%
2010	13,371	\$556,795	\$41,642	9.0%	40.4	82.9%	39.7%
2011	11,478	\$498,019	\$43,389	8.1%	42.1	83.4%	40.2%
2012	11,581	\$537,926	\$46,449	5.2%	42.9	83.0%	42.2%
2013	11,721	\$569,699	\$48,605	4.3%	43.2	82.5%	44.2%
2014	11,727	\$600,059	\$51,169	4.1%	44.8	82.4%	45.3%
2015	12,528	\$640,547	\$51,129	3.3%	44.7	84.0%	47.3%
2016	12,591	\$677,251	\$53,788	2.9%	45.8	83.8%	46.7%
2017	12,639	\$796,455	\$63,015	2.3%	47.1	85.8%	48.3%
2018	12,631	\$810,881	\$64,197	1.6%	47.3	84.9%	45.5%

Personal Income and Unemployment



Education Level Attained for Population 25 and Over



Notes and Data Sources:

Population: California State Department of Finance. Unemployment Data: California Employment Development Department 2000-2009 Income, Age, and Education Data: ESRI - Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries

2010 and later - Income, Age and Education Data - US Census Bureau, most recent American Community Survey

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THE CITY OF HALF MOON BAY

SALES VALUE HISTORY

Single Family Residential Full Value Sales (01/01/2017 - 6/30/2019)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2017	159	\$1,148,345	\$1,047,000	
2018	158	\$1,337,319	\$1,277,500	22.02%
2019	61	\$1,176,640	\$1,100,000	-13.89%



**INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of the City of Council
City of Half Moon Bay, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the City of Half Moon Bay, California as of and for the year ended June 30, 2019 have issued our report thereon dated November 22, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We have also issued a separate Memorandum on Internal Control dated November 22, 2019 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze & Associates

Pleasant Hill, California
November 22, 2019

City of Half Moon Bay



501 Main Street, Half Moon Bay, CA, 94019

Tel: 650-726-8270

Fax: 650-726-8261

<http://www.hmbcity.com>

RESOLUTION No. C-2019-

**A RESOLUTION OF THE CITY OF HALF MOON BAY APPROVING THE
CITY OF HALF MOON BAY INVESTMENT POLICY**

WHEREAS, the investment policy is reviewed each year, and as needed, by City Council in accordance with the City of Half Moon Bay's Investment Policy;

WHEREAS, the investment policy has been reviewed to ensure necessary updates have been incorporated;

WHEREAS, the existing investment policy requires a quarterly report of the status of investments to the City Manager and City Council within 45 days of the end of the quarter;

WHEREAS, to ensure compliance with California Government Code Section 53646(b)(1), the policy shall be modified to require quarterly reporting of City investments be submitted within 30 days following the end of the quarter.

NOW, THEREFORE, BE IT RESOLVED THAT

The City Council of the City of Half Moon Bay hereby approves the City of Half Moon Bay's Investment Policy as contained in Exhibit A attached hereto.

I, the undersigned, hereby certify that the forgoing Resolution was duly passed and adopted on the 17th day of December, 2019 by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST:

Jessica Blair, City Clerk

APPROVED:

Harvey Rarback, Mayor

CITY OF HALF MOON BAY INVESTMENT POLICY

POLICY OVERVIEW

PURPOSE

The purpose of this policy is to establish guidelines for the management and investment of the unexpended funds of City of Half Moon Bay (the City) under authority granted by the City Council. This policy is in compliance with the provisions of California Government Code Sections 53600 through 53684, governing investments for municipal governments.

INVESTMENT OBJECTIVES

The primary objectives of this investment policy, in order of priority, are safety, liquidity, and yield:

1. **Safety** - Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. This objective shall be accomplished by mitigating credit risk and market risk.
2. **Liquidity** - The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This objective shall be accomplished by structuring the portfolio so that securities mature concurrently with anticipated needs. The portfolio shall consist largely of securities with active secondary or resale market. Furthermore, a portion of the portfolio may be placed in money market mutual funds or the Local Agency Investment Fund (LAIF) which offer same-day liquidity for short-term funds.
3. **Yield** - The objective of the investment portfolio is designed to attain a market rate of return throughout budgetary and economic cycles, taking into consideration the investment risk constraints and liquidity needs. Investment performance shall be continually monitored and evaluated by the City Treasurer in comparison with other portfolio benchmark yields.

SCOPE

The investment policy applies to all financial assets of the City as accounted for in the Basic Financial Statements. It includes, but is not limited to, the funds listed below:

- General Fund
- Special Revenue Funds
- Capital Projects Funds
- Debt Service Fund
- Enterprise Funds

- Internal Service Funds
- Trust and Agency Funds
- Any new fund created by the City, unless specifically exempted, with the exception of the following:
 1. The City's Deferred Compensation Plan, which is excluded because it is managed by a third-party administrator and invested by individual plan participants.
 2. Proceeds of debt issuance shall be invested in accordance with the investment objectives of this policy. However, such proceeds are generally invested in accordance with permitted investment provisions of their specific bond indentures. If, in the opinion of the City Treasurer, the matching of bond reserve or escrow defeasance funds with the maturity schedule of an individual bond issue is prudent, the investment policy authorizes an extension beyond the five-year maturity limitation as outlined in this document.

USE OF STATE INVESTMENT GUIDELINES

California Government Code Sections 53600 through 53692 regulates the investment practices of public entities. It is the policy of the City to use the State's provisions for local government investments as the basis for developing and implementing the City's investment policies and practices.

STANDARDS OF CARE

1. **Prudence** - The City's investment officials shall act as fiduciary agents subject to the Prudent Investor Standard. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The City Manager, City Treasurer (Finance Manager), and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.
2. **Ethics and Conflict of Interest** - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or could impair their ability to make impartial investment decisions. City employees involved in the investment process shall

disclose to the City Clerk in writing any material financial interest in financial institutions that conduct business within the jurisdiction. They shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio.

3. **Delegation of Authority** - Authority to manage the investment program is granted to the City Manager and City Treasurer (designee Administrative Services Director) and derived from Chapter 2.12 and 2.16 of the City of Half Moon Bay Municipal Code. Under the oversight of the City Manager and the City Treasurer, specified responsibility for the operation of the investment program may be delegated to the Senior Accounting Technician, who shall act in accordance with established written procedures and internal controls consistent with the investment policy. The City Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate staff members. The internal controls system includes separation of duties, custodial safekeeping, avoidance of physical delivery securities, development of wire transfer agreement, and clear delegation of authority to subordinate staff members.

The City may delegate its investment authority to an investment advisor registered under the Investment Advisers Act of 1940, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the City's financial resources. The adviser shall follow this policy, and any other written instructions.

INVESTMENT GUIDELINES

SAFETY OF PRINCIPAL

Safety of principal is the primary objective of the City of Half Moon Bay. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker/dealer default or erosion of market value. The City shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the City's capital base and cash flow.

Market risk, defined as market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by limiting the average maturity of the City's investment portfolio to two years, the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity and avoiding the purchase of long term securities for the sole purpose of short term speculation.

LIQUIDITY

The City's financial portfolio shall be structured in a manner to ensure that the securities mature concurrent with anticipated cash demands. The portfolio should consist largely of securities with an active secondary or resale market to meet any unanticipated cash demands. A portion of the portfolio may be placed in money market mutual funds or LAIF, which offer same day liquidity for short- term funds.

It is the full intent of the City to hold all investments until maturity to ensure the return of all invested principal. However, securities may be sold prior to maturity under the following circumstances:

- To minimize loss of principal for a security with declining credit.
- When liquidity needs of the portfolio require that the security is sold.

INVESTMENT PARAMETERS

1. **Diversification** - The City shall diversify its investments within the parameters of this policy to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets, and the City's anticipated cash flow needs.

The investments shall be diversified by:

- Limiting investments in securities to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities);
- Limiting investment in securities that have higher credit risks;
- Investing in securities with varying maturities; and
- Continuously investing a portion of the portfolio in readily available funds such as LAIF or money market mutual funds to ensure that appropriate liquidity is maintained in order to meet unanticipated cash demands.

2. **Maximum Maturities-** To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow of bond proceeds or bond defeasance escrow, the City will not directly invest in securities maturing more than five (5) years from the date of purchase. As a general rule, the weighted average maturity of the investment portfolio will not exceed two years.

Reserve or escrow funds established by the issuance or defeasance of bonds and other funds with longer-term investment horizons may be invested in securities exceeding five years if the maturities of such investments are made to coincide with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the City Council.

3. **Competitive Bidding** - It is the policy of the City to encourage competitive bidding for investment transactions that are not classified as "new issue" securities. For the purchase of non "new issue" securities and the sale of all securities at least three bidders must be contacted. However, it is understood that certain time constraints and broker portfolio limitations exist which will not accommodate the competitive bidding process. If a time or portfolio constraining condition exists, the pricing of the investment should be verified to current market conditions and documented for auditing purposes.

PERFORMANCE EVALUATION AND BENCHMARK

Investment performance is continually monitored and evaluated by the City Treasurer. The investment portfolio benchmark yield shall be the average yield on the U.S. Treasury security that most closely corresponds to the portfolio's weighted average final maturity.

PROTECTION OF SECURITIES

To protect against fraud, embezzlement, or losses caused by the collapse of an individual securities dealer:

- All securities owned by the City shall be held in safekeeping by a third party bank trust department, acting as agent for the City under the terms of a custody agreement or master repurchase agreement. All trades executed by a dealer will settle delivery vs. payment (DVP) through the City's safekeeping agent.

-or-

- All securities owned by the City shall be insured by a third party insurer and the City shall be named as insured on that policy.

Securities held in custody for the City shall be independently audited on an annual basis to verify investment holdings.

INTERNAL CONTROL

The City Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

If the City's investment portfolio includes more than pooled investments, an external auditor shall conduct an annual independent review to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

INVESTMENT REPORTS

The City Treasurer shall review investments and render quarterly reports to the City Manager and City Council. These reports shall include:

- The par amount of the investment, the classification of the investment, the percentage of the total portfolio which each type of investment represents, the name of the institution or entity, the rate of interest, the maturity date, the current market value, and the source of the market value.
- A statement that the projected cash flow is adequate to meet expected obligations over the next six months.
- The weighted average maturity of the portfolio.
- The average weighted yield to maturity of the portfolio as compared to the applicable benchmark.
- Statement of compliance with the investment policy.

This report is due within ~~45~~ 30 days of the end of the quarter. The City Manager may, at his/her discretion, require this report on a monthly basis based upon market conditions.

QUALIFIED BANKS AND BROKER/DEALERS

The City shall transact business with financial institutions that qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5. The institution shall be a member of the FDIC and shall secure all deposits exceeding FDIC insurance coverage in accordance with California Government Code Section 53652.

All broker/dealers who desire to do business with the City shall provide the necessary information (e.g. audited financial statements, proof of state registration, proof of National Association of Securities Dealers certification, etc.) from which the City can determine their creditworthiness, the existence of any pending legal action against the firm or the individual broker as well as an understanding of the security markets that they service. To be eligible, a firm must be licensed by the State of California as a broker/dealer as defined in Section 25004 of the California Corporations Code.

The City Treasurer shall annually send a copy of the current investment policy to all financial institutions and broker/dealers approved to do business with the City. Confirmation of receipt of this policy shall be considered evidence that the dealer understands the City's investment policies and intends to sell the City only appropriate investments authorized by this investment policy.

COLLATERAL REQUIREMENTS

Collateral is required for investments in non-negotiable certificates of deposit and repurchase agreements. In order to reduce market risk, the collateral level shall be at least 102% of market

value of principal and accrued interest and marked to market weekly. Securities that are acceptable as collateral shall be the direct obligations of the United States or any agency of the United States or shall be fully guaranteed as to principal and interest by the United States or any agency of the United States.

AUTHORIZED INVESTMENTS

Investment of City funds is governed by the California Government Code Sections 53600 etc. seq. Within the context of the limitations, the following investments are authorized, as further limited herein:

1. **United States Treasury Bills, Bonds, and Notes** or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio, which can be invested in this category, although a five-year maturity limitation is applicable.
2. **Government Sponsored Enterprises** - Obligations issued by Federal Government agencies such as the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA), and the Federal Home Loan Mortgage Corporation (FHLMC). There is no percentage limitation of the portfolio, which can be invested in this category, although a five-year maturity limitation is applicable.
3. **Banker's Acceptances** - Bills of exchange or time drafts drawn on and accepted by commercial banks, otherwise known as banker's acceptances, may not exceed 180 days maturity or 20% of the cost value of the portfolio. Furthermore, no more than 5% of the cost value of the portfolio may be invested in the banker's acceptances of any one commercial bank.
4. **Commercial Paper** - Commercial paper is a short-term, unsecured promissory note issued by financial and non-financial companies to raise short term cash. Up to 15% of the City's portfolio may be invested in "prime" commercial paper of the highest ranking or of the highest letter and number rating as provided by a nationally recognized statistical rating organization (Moody's or Standard and Poor's) and with maturities not to exceed 180 days. The issuer must have total assets in excess of \$500 million, and have debt other than Commercial paper rated "A" or higher by two nationally recognized statistical rating organizations. The City may not hold more than 2% of a single issuer's outstanding paper.
5. **Negotiable Certificates of Deposit** -- Purchases of negotiable certificates of deposit issued by nationally or state chartered banks, state or federal savings institutions, or state-licensed branches of foreign banks may not exceed 30% of the cost value of the

portfolio. The City may not invest in an institution where a member of City Council, City management, or City Treasurer serves on the board or committee of the institution. Funds will only be invested in Certificates of Deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) in amounts up to \$100,000. A maturity limitation of two years is applicable.

6. **Repurchase Agreements** - Repurchase agreements may be made on any investment authorized by this investment policy. The maturity of the repurchase agreements shall not exceed one year. The market value of the securities used as collateral for the repurchase agreements shall be monitored by the investment staff weekly and shall not be allowed to fall below 102% of the value of the repurchase agreement. A Master Repurchase agreement is required between the City and the dealer for all repurchase agreements transacted. No more than 5% of the City's investment portfolio may be invested with any one counter party, and the aggregate investment in repurchase agreements shall not exceed 10% of the City's total portfolio.
7. **Local Agency Investment Fund (LAIF)** - a State of California managed investment pool may be used up to the maximum permitted by California State Law.
8. **San Mateo County Investment Pool** - a County of San Mateo managed investment pool may be used up to the maximum of 100% of the cost value of the portfolio.
9. **Time Certificates of Deposit** - Time certificates of deposit, non- negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 10% of the investment portfolio may be invested in this investment type. A maturity limitation of two years is applicable.
10. **Medium Term Corporate Notes** – defined as corporate and depository institution debt securities, with a maximum maturity of five years, may be purchased. Securities eligible for investment shall be rated AA or better by a nationally recognized securities rating organization (Moody's or Standard & Poor's). Purchase of medium term notes may not exceed 10% of the cost value of the portfolio and no more than 10% of the cost value of the portfolio may be invested in notes issued by one corporation. Commercial paper holdings should also be included when calculating the 10% limitation
11. **Money Market Mutual Funds** - Mutual funds invested in U.S. Government securities are permitted under this policy and under California Government Code Section 53601(L). All of the following criteria must also be met: (1) The fund shall have a minimum of \$500 million in total portfolio value; (2) The fund shall be registered with the Securities and Exchange Commission, and shall have achieved the highest ranking or the highest letter

and numerical rating provided by not less than two nationally recognized statistical rating organizations; (3) The fund shall have retained an advisor which is registered with the SEC, or which is exempt from such registration; Investment in such funds shall not exceed 20% of the City's total portfolio; and no more than 5% of the City's total portfolio may be invested in any one mutual fund.

12. Moneys Held By a Trustee or Fiscal Agent - Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness obligation under a lease, installment sales or other agreement may be invested in accordance with the statutory provisions governing the issuance or defeasance of the bonds or obligation.

13. Prohibited/Ineligible Investments - Ineligible investments are those that are not described herein, including but not limited to, common stocks, reverse repurchase agreements, inverse floaters, range notes, mortgage derived interest only strips, derivatives securities, or any security that could result in zero interest accrual. (Sec. 53601.6)

Maximum Investment Maturity and Percentage - The following matrix of maximum maturity and percentage limits, by instrument, are established for the City's total pooled funds portfolio:

Investment Type	Maturity	Percentage
Repurchase Agreements	1 Year	0 to 100%
Local Agency Investment Fund	Upon Demand	0 to 100%
San Mateo County Investment Pool	Upon Demand	0 to 100%
U.S. Treasury Bonds/Notes/Bills	5 Years	0 to 100%
Government Sponsored Enterprises	5 Years	0 to 100%
Bankers' Acceptances	180 Days	0 to 20%
Commercial Paper	180 Days	0 to 15%
Negotiable Certificates of Deposit	2 Years	0 to 30%
Time Certificates of Deposit	2 Years	0 to 10%
Medium Term Corporate Notes	5 Years	0 to 20%
Mutual Funds/Money Market Funds	Upon Demand	0 to 20%

LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment types, or percentage allocations, supersedes any and all previous applicable language in this Investment Policy.

INTEREST EARNINGS

All moneys earned and collected from investments authorized in this policy shall be allocated quarterly to various fund accounts based on the (average 13 months) cash balance in each fund as a percentage of the entire pooled portfolio.

POLICY CONSIDERATIONS

The following policy considerations apply:

1. Exemption - Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.
2. Amendments - The City's investment policy shall be adopted by resolution of the City Council on an annual basis. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends.

INVESTMENT POLICY GLOSSARY OF TERMS

Accrued Interest - Interest earned but not yet received.

Active Deposits - Funds which are immediately required for disbursement.

Amortization - An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Arbitrage - Transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a yield difference in the two markets.

Asked Price - The price a broker dealer offers to sell securities.

Banker's Acceptance - A high quality, short-term money market instrument used to finance international trade. There has never been an instance of a failure to pay a banker's acceptance in full at its maturity date.

Basis Point - One basis point is one hundredth of one percent (.01).

Bid Price - The price a broker dealer offers to purchase securities.

Bond - A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Book Value - The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Broker - Someone who brings buyers and sellers together and is compensated for his/her service.

Certificate of Deposit - A deposit insured up to \$100,000 by the FDIC at a set rate for a specified period of time.

Collateral - Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

Commercial Paper - Short-term, negotiable unsecured promissory notes of corporations.

Basic Financial Statements - The official annual financial report for the City in accordance with the GASB 34 format prepared in conformity with Generally Accepted Accounting Principles (GAAP).

Coupon - The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Analysis - A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield - The interest paid on an investment expressed as a percentage of the current price of the security.

Custodian - A bank or other financial institution that keeps custody of stock certificates and other assets.

Defeased Bond Issues - Issues that have sufficient money to retire outstanding debt when due so that the agency is released from the contracts and covenants in the bond document.

Delivery vs. Payment (DVP) - Delivery of securities with a simultaneous exchange of money for the securities.

Derivative - Securities that are based on, or derived from, some underlying asset, reference date, or index.

Discount - The difference between the cost of a security and its value at maturity when quoted at lower than face value.

Diversification - Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Duration - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Fannie Mae - Trade name for the Federal National Mortgage Association

(FNMA), a U.S. sponsored corporation.

Federal Reserve System - The central bank of the U.S. which consists of a seven-member Board of Governors, 12 regional banks and 5,700 commercial banks that are members.

Federal Deposit Insurance Corporation (FDIC) - Insurance provided to customers of a subscribing bank, which guarantees deposits to a set limit (currently \$100,000) per account.

Fed Wire - A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Freddie Mac - Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Ginnie Mae - Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

Government Accounting Standards Board (GASB) - A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

Guaranteed Investment Contracts (GICS) - An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

Inactive Deposits - Funds not immediately needed for disbursement.

Interest Rate - The annual yield earned on an investment, expressed as a percentage.

Investment Agreements - An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Liquidity - An asset that can easily and rapidly be converted into cash without significant loss of value.

Local Agency Investment Fund (LAIF) - A pooled investment vehicle for local agencies in California sponsored by the State of California and administered by the State Treasurer.

Local Agency Investment Pool - A pooled investment vehicle, sponsored by a local agency or a group of local agencies for use by other local agencies.

Market Value - The price at which a security is trading and could presumably be purchased or sold.

Maturity - The date upon which the principal or stated value of an investment becomes due and payable.

Modified Duration - A measure of exposure to market risk of a security or a portfolio. It is the percent change in the price of a security (portfolio) or a 100 basis point change in the security's (portfolio's) yield.

Mutual Funds - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments.

Negotiable Certificate of Deposit - A large denomination certificate of deposit which can be sold in the open market prior to maturity.

New Issue - Term used when a security is originally "brought" to market.

Note - A written promise to pay a specified amount to a certain entity on demand or on a specified date.

Par Value - The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

Perfected Delivery - Refers to an investment where the actual security or collateral is held by an independent third-party representing the purchasing entity.

Portfolio - Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

Primary Dealer - A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Principal - The face value or par value of a debt instrument, or the amount of capital invested in a given security.

Prospectus - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement")

Prudent Investor Standard - A standard of conduct, where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing funds. The test of whether the standard is being met is if a prudent person acting in a similar situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

Purchase Date - The date in which a security is purchased for settlement on that or a later date.

Rate of Return - The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (REPO) - A transaction, where the seller agrees to buy back from the buyer (City) the securities at an agreed upon price on demand or at a specified date.

Reverse Repurchase Agreement (REVERSE REPO) - A transaction where the seller (City) agrees to buy back from the buyer the securities at an agreed upon price on demand or at a specified date.

Risk - Degree of uncertainty of return on an asset.

Rule G-37 of the Securities Rulemaking Board - Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

Safekeeping Service - Offers storage and protection of assets provided by an institution serving as an agent.

Sallie Mae - Trade name for the Student Loan Marketing Association (SLMA), a U.S. sponsored corporation.

Secondary Market - A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities and Exchange Commission (SEC) - The federal agency responsible for supervising and regulating the securities industry.

Settlement Date - The date on which a trade is cleared by delivery of securities against funds.

Tax and Revenue Anticipation Notes (TRANS) - Notes issued in anticipation of receiving tax proceeds or other revenues at a future date.

Time Certificate of Deposit - A non-negotiable certificate of deposit that cannot be sold prior to maturity.

Treasury Bills (T-bills) - U.S. Treasury Bills which are short-term, direct obligations of the U.S. Government issued with original maturities of 13 weeks, 26 weeks and 52 weeks; sold in minimum amounts of \$10,000 in multiples of \$5,000 above the minimum. Issued in book entry form only. T-bills are sold on a discount basis.

Trustee or trust company or trust department of a bank - A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

Underwriter - A dealer that purchases a new issue of municipal securities for resale.

U.S. Government Agencies - Instruments issued by various U.S. Government Agencies, most of which are secured only by the credit worthiness of the particular agency.

U.S. Treasury Obligations - Debt obligations of the United States Government sold by the Treasury Department in the forms of Bills, Notes, and Bonds. Bills are short-term obligations that mature in one year or less and are sold on the basis of a rate of discount. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

Weighted Average Maturity (WAM) - The average maturity, of all the securities that comprise a portfolio, which is typically expressed in days or years.

Yield - The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity - The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

Yield Curve - A graphic representation that shows the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 17, 2019**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Matthew Chidester, Deputy City Manager

**TITLE: LOAN OF AFFORDABLE HOUSING FUNDS FOR PROPOSED ABUNDANT GRACE
WORKFORCE DEVELOPMENT CENTER AT 515 KELLY AVENUE**

RECOMMENDATION:

Adopt a resolution authorizing a loan of Affordable Housing Funds, not to exceed \$300,000, to Abundant Grace Coastsider Worker, to contribute toward the purchase of property to be used for a Workforce Development Center and authorizing the City Manager to execute the loan agreement.

FISCAL IMPACT:

The City's Affordable Housing Fund has a current balance of \$2.47 million. If approved, the Fund would have \$2.17 million to be used towards supporting other eligible projects.

STRATEGIC ELEMENT:

This action supports the Infrastructure and Environment and Healthy Communities and Public Safety Elements of the Strategic Plan.

BACKGROUND:

The City of Half Moon Bay's Affordable Housing Fund (AHF) contains approximately \$2.47 million. The fund was first established with affordable housing in-lieu fees contributed from the first three phases of the Carnoustie subdivision pursuant to a development agreement. The fund balance was approximately \$2.07 million at the end of FY 18-19. In the FY 19-20 budget, City Council approved \$400 thousand from the General Fund to increase the AHF, in line with its continued focus on affordable housing. As part of the City Council Priorities for FY 19-20, the Council adopted AHF Allocation Guidelines including guiding principles, a summary of eligible uses of the AHF, funding methods, the funding approval process, and additional guidance for fund distribution. Relevant to this item, an eligible use of the AHF is homelessness prevention.

Abundant Grace Coastsider Worker is a locally based non-profit that provides services to individuals and families experiencing poverty and homelessness on the coast, including coordination of a free community breakfast each Wednesday, a farm-work employment

program at Potrero Nuevo Farm, and the Coastsider Clean Team, which provides employment cleaning local beaches and streets through a partnership with the City. The City has a strong relationship with Abundant Grace and works closely with them on any issues related to serving the local homeless population.

Abundant Grace has entered into escrow for the vacant property (formerly the Senior Coastsider thrift shop) located at 515 Kelly Avenue. If acquired, the building would be used as a Workforce Development Center to provide homeless individuals with employment programs, life-skills development, storage, simple meals, showers, and laundry. Lacking a home base, Abundant Grace has been conducting portions of this program in an ad-hoc manner. Even without centralized support facilities, several of Abundant Grace's clients have gained full employment and secured housing as a result of the workforce and life skills training programs.

Abundant Grace has requested financial assistance for the Property acquisition, renovation and Furniture, Fixtures and Equipment (FF&E). The cost of property purchase is \$925 thousand. Preliminary estimates place the cost of renovations and FF&E at approximately \$200 thousand for a total project initiation cost of \$1.125 million. Abundant Grace indicates it has already raised more than \$425 thousand in donations toward the project. On October 22, 2019, the County of San Mateo approved a loan for \$300 thousand towards the acquisition.

In addition to the request for funding from San Mateo County, Abundant Grace also sought financial assistance from the City. On October 15, 2019, the City Council discussed potential funding support and instructed staff to develop an agreement with Abundant Grace for a loan of \$300 thousand for consideration at a future meeting. Council's direction was contingent upon Abundant Grace conducting community engagement and securing planning permits. Abundant Grace conducted extensive community outreach on the proposed use of the property, including presentations to the City Council, Cabrillo Unified School District (CUSD) School Board, Cunha Parent Teacher Organization and others. They have also conferred with the Sheriff on safety and security measures.

On November 12, 2019, the Planning Commission held a public hearing and approved a Coastal Development Permit, Use Permit and Parking Exception for Abundant Grace's proposed use of the Property. The Planning Commission approval includes conditions specific to site security, limits the use to a workforce development center without overnight use, and otherwise incorporates standard City conditions of approval. The Planning Commission's actions were not appealed, with the appeal period having ended at 5:00 PM, Tuesday November 26, 2019.

On December 3, 2019, the City Council considered the proposed terms of a loan agreement with Abundant Grace. In that discussion, staff was asked to explore additional requirements in the Loan Agreement to ensure the safety and security of the project and surrounding properties. Staff, the Sheriff and Abundant Grace have met and discussed how to best ensure the safety and security of the program while maintaining the integrity of Abundant Grace's role as a social services provider.

DISCUSSION:

The proposed loan incorporates similar terms as the loan from the County, and specifically is non-interest bearing with deferred repayment for an initial term of 15 years, at which time the entirety of the loan is due and payable. In addition, Abundant Grace would be required to repay the loan during the term in the event they sell the property, or otherwise stop providing the services described in this memo and specified in the loan. Special conditions of the loan agreement include providing additional services and education for clients around environmental stewardship, good neighbor training, and assisting the City with a future safe parking program. Additionally, the loan prohibits the use of the property for overnight sleeping and parking, for-profit activities, and requires Abundant Grace to work with potential employees on resolving outstanding warrants and other legal issues.

In response to the concerns raised about the safety and security of the program and surrounding properties, the Loan puts the responsibility on Abundant Grace to ensure all reasonable steps are taken. If not, the default and termination language would allow the City to terminate the loan for uncured defaults or repeated offenses, and a deed of trust will be secured to enforce those provisions. Additionally, the conditions of the Use Permit include a review of operations by the Community Development Director after one year, and revised or additional conditions can be imposed at that time. Staff believes this level of recourse will ensure that Abundant Grace is diligent throughout the term of the loan to ensure safe and secure operations.

Given the additional language in the Loan Agreement, and with Abundant Grace having fulfilled City Council's direction to conduct community outreach and secure permits, staff is now bringing forward the request for funding support. In order to allocate the AHF, City Council must make findings per the AHF Allocation Guidelines, as summarized below and included in the attached Resolution:

- *Affordable Housing Fund Status:* City Council shall acknowledge the status of the AHF and the impact that the proposed allocation will have on the fund. In this case, the fund balance of \$2.47 million would be reduced by \$300 thousand, leaving \$2.17 million. The remaining balance is adequate to support other eligible uses at City Council's direction.
- *Consistency with Guiding Principles:* City Council shall determine that the proposed use is consistent with the AHF Allocation Fund guiding principles. In this case, the proposed use would leverage other funding (San Mateo County, private fundraising), is supportive in that it supports a population at high-risk of remaining or becoming homeless, and is a program that has proven to be successful locally. Leveraging funding allocations, supporting high-risk populations, preventing homelessness, and ensuring successful implementation are consistent with AHF guiding principles.
- *Confirmation of Eligible Use:* Support for homelessness prevention is an AHF eligible use.

- *Confidence that the Funded Use will be Realized:* As previously described, Abundant Grace is already providing some of the services that intend to offer at their new workforce development center. With a centralized location, they will be able to offer more support services to their clients in a managed setting. City staff anticipates successful implementation and that outcomes will improve beyond their current and notable success.

If approved, the City will execute a loan agreement with Abundant Grace and \$300 thousand from the AHF will be provided to an escrow account specifically for the purchase of the property at 515 Kelly Avenue.

ATTACHMENT:

1. Resolution authorizing a loan of Affordable Housing Funds, not to exceed \$300,000, to Abundant Grace Coastsider Worker, to contribute toward the purchase of property to be used for a Workforce Development Center and authorizing the City Manager to execute the loan agreement
2. Draft Loan Agreement Between the City of Half Moon Bay and Abundant Grace Coastsider Worker

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY
AUTHORIZING A LOAN OF AFFORDABLE HOUSING FUNDS, NOT TO EXCEED \$300,000,
TO ABUNDANT GRACE COASTSIDE WORKER, TO CONTRIBUTE TOWARD THE PURCHASE OF
PROPERTY TO BE USED FOR A WORKFORCE DEVELOPMENT CENTER AND AUTHORIZING THE
CITY MANAGER TO EXECUTE THE LOAN AGREEMENT**

WHEREAS, the City of Half Moon Bay's Affordable Housing Fund (AHF) contains approximately \$2.47 million; and

WHEREAS, as part of the City Council Priorities for FY 19-20, the Council adopted AHF Allocation Guidelines including guiding principles, a summary of eligible uses of the AHF, funding methods, funding approval process, and additional guidance for fund distribution; and

WHEREAS, Abundant Grace Coastsides Worker has requested financial assistance from the City for the acquisition of 515 Kelly Avenue, to be used as a Workforce Development Center to provide homeless individuals with employment programs, life-skills development, storage, simple meals, showers, and laundry; and

WHEREAS, in order to allocate the AHF, City Council must make findings per the AHF Allocation Guidelines, which include acknowledgement of the AHF status, consistency with Guiding Principles, confirmation of eligible use, and confidence that the funded use will be realized; and

WHEREAS, the proposed Workforce Development Center will provide services and support that will result in re-homing currently homeless, including chronically homeless individuals, and those at acute risk of becoming homeless, consistent with the Guiding Principles of Affordable Housing Fund Allocation Guidelines because the funds will be leveraged and combined with other funding sources, the use supports high-risk populations, and the use contributes to homelessness prevention, and is thereby an eligible use of the Fund; and

WHEREAS, Abundant Grace has demonstrated past performance in its service to this high-risk population as well as due diligence by securing site control, obtaining land use entitlements, and conducting community engagement, and has secured other funding adequate to fully implement the Workforce Development Center, including entering into a similar agreement with the County for funding for the project.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Half Moon Bay hereby authorizes the City Manager to execute a loan of Affordable Housing Funds, not to exceed

\$300,000, to Abundant Grace Coastside Worker, to contribute toward the purchase of property to be used for a Workforce Development Center.

* * * *

I, the undersigned, hereby certify that the foregoing resolution was duly passed and adopted on the 17th day of December, 2019 by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST:

APPROVED:

Jessica Blair, City Clerk

Mayor

**LOAN AGREEMENT BETWEEN
THE CITY OF HALF MOON BAY AND
ABUNDANT GRACE COASTSIDE WORKER**

This Agreement is entered into this ___ day of December 2019, by and between the City of Half Moon Bay, a Municipal Corporation, hereinafter called "City," and Abundant Grace Coastside Worker, hereinafter called "Borrower." City and Borrower shall also be referred to as "Parties."

* * *

WHEREAS, Borrower has applied to City for a \$300,000 loan from the Affordable Housing Fund to assist in the acquisition and development of a Workforce Development Center, as further described in Exhibit A, attached hereto ("Workforce Development Center"); and

WHEREAS, the City's Affordable Housing Fund has a current balance of \$2.47 million and the impact of the requested allocation will reduce the fund during the course of the loan by \$300,000, leaving a balance of \$2.17 million to support other eligible projects; and

WHEREAS, the proposed Workforce Development Center will provide services and support that will result in re-homing currently homeless, including chronically homeless individuals, and those at acute risk of becoming homeless, consistent with the Guiding Principles of Affordable Housing Fund Allocation Guidelines; because the funds will be leveraged and combined with other funding sources, the use supports high-risk populations, and the use contributes to homelessness prevention, and is thereby an eligible use of the Fund; and

WHEREAS, Borrower has demonstrated past performance in its service to this high-risk population as well as due diligence by securing site control, obtaining land use entitlements, and conducting community engagement, and has secured other funding adequate to fully implement the Workforce Development Center, including entering into a similar agreement with the County of San Mateo for \$300,000 in funding for the Project; and

WHEREAS, City has approved the Loan to Borrower, in an amount of up to \$300,000 (the "Loan") to fund, in part, the Project, pursuant the terms set forth in this Agreement.

NOW, THEREFORE, it is agreed by the Parties to this Agreement as follows:

1. Exhibits and Attachments

The following exhibits are attached to this Agreement and incorporated into this Agreement by this reference:

Exhibit A: Project Description, Requirements and Restrictions
Attachment A-1: Property Description
Attachment A-2: Project Plan
Exhibit B: Performance Measures and Reporting Requirements

2. Obligations of Borrower

In consideration of the Loan assistance set forth herein, Borrower shall fulfill the obligations (hereinafter referred to as the “services” or the “work” necessary to implement the Workforce Development Center Project) described in Exhibit A and fulfill all reporting requirements set forth in Exhibit B.

Prior to transfer of any funds from City to Borrower, Borrower shall execute a promissory note and deed of trust in favor of the City to secure the Loan amount.

Additionally, Borrower shall take all commercially reasonable steps to ensure the safety and security of the Workforce Development Center, the adjacent properties, and surrounding neighborhoods, in relation to the operations of the program and its participants.

3. Disbursements

City shall disburse funds to Borrower’s designated Escrow Agent as follows:

- Funds loaned under this Agreement shall not be disbursed until execution of this Agreement by City and Borrower, and execution of the promissory note and deed of trust by Borrower (“Loan Documents”).
- In no event shall the City’s total financial obligation under this Agreement exceed three hundred thousand dollars (\$300,000).

City shall disburse funds to Borrower’s designated Escrow Agent upon receipt of an invoice for the disbursement, subject to the terms of this Section 3. The invoice shall be accompanied by documentation satisfactory to the City that the Loan funds disbursed to the Borrower will be used to acquire the real property that is the subject of the Workforce Development Center, as described in Exhibit A. Requests for Loan disbursement shall be (1) on the Borrower’s organizational letterhead or on Escrow Agent’s official letterhead, (2) include date of invoice, amount requested, and Agreement number, and (3) submitted to the attention of:

Lisa Lopez, Administrative Services Director
City of Half Moon Bay
507B Purissima Street
Half Moon Bay, CA 94019
Phone: (650) 726-8283
Email: llopez@hmbcity.com

4. **Term, Default & Termination**

- a. Term. Subject to compliance with all terms and conditions of this Agreement, the term of this Agreement shall begin on the date of execution by the Parties and continue through December 31, 2034, upon which date the Loan amount must be repaid to the City in full. This Agreement will not automatically renew, but may be renewed by the City Council, in its sole discretion, upon the written request of Borrower.
- b. Default. Borrower's failure to comply with the terms or conditions of this Agreement, including but not limited to, the provision of services described in Exhibit A or the restriction on use of the Loan funds under this Agreement, shall constitute a default. Borrower shall have 30 days after the date of written notice of default to cure the default. If Borrower fails to cure the default to the satisfaction of City, in City's sole discretion, City may terminate this Agreement. However, if the default is curable but not of the nature which can be readily cured within 30 days, and Borrower has commenced to cure such default within the 30-day period and is diligently pursuing such cure to completion, City may provide Borrower such additional time as is reasonably necessary, in the City's sole discretion, to cure the default. In the event the default is not cured, City may terminate the Agreement or pursue any and all other rights and remedies available under this Agreement. Additionally, if Borrower commits two or more breaches or defaults during the term of this Agreement, regardless of whether or not Borrower cures such defaults in accordance with this Section, City may terminate the agreement and pursue all rights and remedies available under this Agreement.
- c. Due on Sale, Refinance or Transfer of Title: Borrower shall not assign, sell, or transfer its rights under this Agreement without obtaining the prior written consent of the City Manager or his/her designee. Notwithstanding section 4.b, Borrower's assignment, sale, or transfer of the Project or any interest therein without such consent shall be a default under this Agreement that cannot be cured and shall require immediate termination of the Agreement effective on the date of assignment, sale, or transfer, at which time the entire remaining principal balance of the Loan will be immediately due and payable to City.
- d. Waiver of Default. The City Manager reserves the right to waive any and all of Borrower's defaults, and any such waiver will not be deemed a waiver of any previous or subsequent default. In the event the City Manager chooses to waive a particular Borrower default, City may condition its waiver on payment by Borrower of City's actual damages occasioned by such default.
- e. Unavailability of City Funds. Notwithstanding any other provision in this Agreement, prior to disbursement of funds as set forth in Section 3 above, City may immediately terminate this Agreement, or any portion thereof,

based upon unavailability of City funds by providing written notice to Borrower as soon as is reasonably feasible after City learns of the unavailability of funding.

5. Relationship of Parties

Borrower understands and agrees that the Workforce Development Center funded under this Agreement will not be purchased, developed, and operated by Borrower as an independent contractor of City or as an employee of City and that neither Borrower nor its employees acquire any of the rights, privileges, powers, or advantages of City contractors or City employees. Borrower acknowledges and agrees that it is not, and will not hold itself out as, a representative, contractor, agent, partner, or co-venturer of the City, and that this Agreement is not intended to and does not create an agency, partnership, or joint venture between the Parties.

6. Project Administration

The Parties agree that the Workforce Development Center as described in Exhibit A shall not be altered without the approval of the City Council, which approval shall not be unreasonably denied, delayed, or conditioned, and a written amendment to this Agreement, signed by both Parties. Borrower shall provide written reports to City's authorized representative in accordance with Exhibit B.

7. Indemnification and Hold Harmless

- a. Indemnity. To the fullest extent permitted by law, Borrower shall hold harmless, defend (with counsel agreed to by City), and indemnify City and its officers, officials, agents, employees, and volunteers (collectively and/or individually "City") from and against any and all liability, claim, loss, damage, expense, costs (including, without limitation, costs, attorneys' fees, and expert fees of litigation) of every nature arising out of, related to, or in connection with the purchase, development, and operation of the Workforce Development Center or the work hereunder by Borrower or any of its officers, employees, servants, agents, or subcontractors (collectively and/or individually, "Borrower"), or the failure of the same to comply with any of the obligations contained in this Agreement, except such loss or damage which was caused by the sole negligence or sole willful misconduct of City. Borrower's duty to defend applies immediately, whether or not liability is established. An allegation or determination that persons other than Borrower, including City, are responsible for the claim does not relieve Borrower from its separate and distinct obligation to immediately defend City as stated herein.
- b. No Limitations. Acceptance by City of insurance certificates and endorsements required under this Agreement does not relieve Borrower from liability under this indemnification and hold harmless clause. The

obligations of Borrower under this Section 7 will not be limited by the provisions of any workers' compensation act or similar act. Borrower expressly waives its statutory immunity under such statutes or laws as to City, its officers, officials, agents, employees, and volunteers. For purposes of Section 2782 of the California Civil Code, the Parties recognize and expressly agree that either (1) this Agreement is not a construction contract; (2) this Agreement is a construction contract and it conforms to Section 2782; or (3) they have negotiated and expressly agreed to the allocation of liability between them.

- c. Subcontractors. Borrower agrees to obtain executed indemnity agreements with provisions identical to those set forth here in this Section 7 from each and every subcontractor, or any other person or entity involved by, for, with, or on behalf of Borrower in the performance of this Agreement. Failure of City to monitor compliance with these requirements imposes no additional obligations on City and will in no way act as a waiver of any rights hereunder.
- d. Cooperation. In the event any claim or action is brought against City relating to Borrower's performance in connection with this Agreement, Borrower shall render any reasonable assistance that City may require in responding to or defending against such claim or action.
- e. Offset. City shall have the right to offset against the amount of any compensation due Borrower under this Agreement any amount due City from Borrower as a result of Borrower's failure to pay City promptly any indemnification due under this Section 7 as finally determined by a court of competent jurisdiction or mutually agreed to by the Parties.
- f. Survival. Borrower acknowledges that City would not enter into this Agreement in the absence of Borrower's commitment to indemnify and protect City as set forth in this Section 7. This obligation to indemnify and protect City as set forth in this Section 7 is binding on the successors, assigns, or heirs of Borrower and shall survive the expiration or termination of this Agreement.

8. Insurance

- a. Required Coverage. During the term of this Agreement, Borrower shall carry, maintain, and keep in full force and effect insurance against claims for death or injuries to persons or damages to property that may arise from or in connection with performance of this Agreement by Borrower and/or its agents, representatives, employees, or subcontractors. Such insurance shall be at least as broad as set forth below:
 - I. Commercial General Liability Insurance covering commercial general liability on an "occurrence" basis, including products and completed operations, property damage, bodily injury, personal injury, and

advertising injury with coverage limits of not less than two million dollars (\$2,000,000). If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project or the general aggregate limit shall be twice the required occurrence limit.

- II. Automobile Liability Insurance covering any auto, or if Borrower has no owned autos, both hired and non-owned autos, with minimum limits of One Million Dollars (\$1,000,000) per claimant and One Million dollars (\$1,000,000) per incident for bodily injury and property damage.
 - III. Workers' Compensation Insurance as required by the laws of the State of California, with statutory limits, and Employer's Liability Insurance with a limit of no less than One Million Dollars (\$1,000,000) per accident for bodily injury or disease. Borrower shall submit to City a Waiver of Subrogation endorsement in favor of City, its officers, agents, employees, and volunteers for Borrower's workers compensation policy.
- b. The insurance obligations under this agreement shall be (1) the minimum coverage and limits specified above; or (2) all the Insurance coverage and/or limits carried by or available to Borrower, whichever is greater. Any insurance proceeds in excess of or broader than the minimum required coverage and/or minimum required limits, which are applicable to a given loss, shall be available to City. No representation is made that the minimum insurance requirements of this Agreement are sufficient to cover Borrower's obligations to hold harmless, defend, and indemnify City under this Agreement.
 - c. Acceptability of Insurer. The policy or policies required by this Agreement shall be issued by an insurer admitted in the State of California and with a rating of at least A:VII in the latest edition of Best's Insurance Guide.
 - d. Additional Insureds. The general liability and automobile policies of insurance required by this Agreement shall contain an endorsement or policy language naming City and its officers, officials, employees, agents, and volunteers as additional insureds with respect to liability arising from Borrower's performance of this Agreement, including work or operations performed by or on behalf of the Borrower, including materials, parts, or equipment furnished in connection with such work or operations.
 - e. Primary Coverage. The general liability and automobile policies of insurance required by this Agreement shall contain an endorsement or policy language providing that, for any claims related to this Agreement, those policies shall be primary to any coverage available to City. And any insurance or self-insurance maintained by City and/or its officers, employees, agents or volunteers, shall be in excess of Borrower's insurance and shall not contribute with it.
 - f. Notice of Cancellation. Each insurance policy required above shall state that coverage shall not be canceled, except with notice to the City.

- g. Enforcement. Borrower agrees that if it does not keep the aforesaid insurance in full force and effect, City may either (i) require Borrower to obtain the insurance, (ii) immediately terminate this Agreement; or (iii) take out the necessary insurance and pay, at Borrower's expense, the premium thereon.
- h. Evidence of Insurance. At all times during the term of this Agreement, Borrower shall maintain on file with the City a certificate or certificates of insurance and amendatory endorsements or copies of the applicable policy language evidencing current coverage meeting the requirements of this Agreement. Such evidence of insurance shall be attached hereto as Exhibit C and is to be approved by the City before the City funds the Loan. However, failure to obtain the required documents prior to the funding the Loan shall not waive Borrower's obligation to provide them. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.
- i. Policy Renewals. Borrower shall provide proof that policies of insurance required herein expiring, or cancelled, during the term of this Agreement have been renewed or replaced with other policies providing at least the same coverage. Such proof will be furnished at least two weeks prior to the expiration of the coverages, or immediately for any policy being cancelled.
- j. Subcontractors. The Borrower shall require all subcontractors to provide a valid certificate of insurance and the required endorsements or policy language demonstrating compliance with the insurance requirements herein prior to commencement of any work by the subcontractor to construct or operate the Workforce Development Center and shall provide proof of compliance to the City.
- k. Maintaining Insurance/Notice. Borrower shall not cancel, assign, or change any policy of insurance required by this Agreement or engage in any act or omission that will cause its insurer to cancel any insurance policy required by this Agreement except after providing 30 days prior written notice to the City. If an insurance policy required by this agreement is unilaterally cancelled or changed by the insurer, Borrower shall immediately provide written notice to City and obtain substitute insurance meeting the requirements of this Agreement. Nothing in this subsection relieves Borrower of its obligation to at all times maintain all insurance required by this Agreement.
- l. Waiver of Subrogation. All insurance coverage provided pursuant to this Agreement shall not prohibit Borrower, and Borrower's employees, agents or subcontractors, from waiving the right of subrogation prior to a loss. Borrower hereby grants to City a waiver of any right to subrogation which any insurer or said Borrower may acquire against the City by virtue of the payment of any loss under such insurance. Borrower agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not City has received a waiver of subrogation endorsement from the insurer (unless the waiver would void the coverage).

- m. Deductibles. Any deductibles or self-insured retentions must be declared to and approved by City. At the option of City, Borrower shall either reduce or eliminate the deductibles or self-insured retentions with respect to City, or Borrower shall procure a bond guaranteeing payment of losses and expenses.
- n. Liability. Procurement of insurance by Borrower shall not be construed as a limitation of Borrower's liability or as full performance of Borrower's duties to hold harmless, defend, and indemnify City under this Agreement.
- o. Claims Made Policies. No insurance policy required herein shall be written as claims-made coverage. Insurance must be written on an occurrence basis. Nonetheless, if it is not possible for a required professional liability policy to be written on an occurrence basis, the professional liability coverage shall be maintained, and Borrower shall provide evidence of coverage to City for a period of five years after expiration or termination of this Agreement. Borrower may satisfy this requirement by renewal of existing coverage or purchase of either prior acts or tail "extended reporting" coverage applicable to said five-year period.
- p. Survival. The provisions of this Section 8 survive expiration or termination of this Agreement.

9. Assignability and Subcontracting

Borrower shall not assign this Agreement or any portion of it to a third party, without City's prior written consent. Except as set forth in Exhibit A, Borrower shall not subcontract with a third party to perform this Agreement. Any such assignment or subcontract without City's prior written consent shall be a breach and default under this Agreement and shall give City the right to automatically and immediately terminate this Agreement without penalty or advance notice and the City shall have the right to a refund of all funds disbursed under this Agreement.

10. Compliance with Laws

All services performed by Borrower in connection with this Agreement, including construction of a Workforce Development Center, if any, shall be performed in accordance with all applicable Federal, State, City, and municipal laws, ordinances, and regulations, including, but not limited to, building codes and regulations and any laws related to payment of prevailing wages pursuant to the California Labor Code. In connection with the Project, Borrower bears responsibility to obtain, at Borrower's expense, any license, permit, or approval required from any government agency.

11. Retention of Records: Right to Monitor and Audit

Borrower shall maintain all records related to this Agreement for no fewer than five (5) years after expiration or termination of this Agreement and all other pending matters are closed. All records shall be subject to the examination and/or audit by agents of City, the State of California, and/or other regulatory agencies.

12. Merger Clause: Amendments

This Agreement, including the Exhibits, constitutes the sole Agreement of the Parties to this Agreement and correctly states the rights, duties, and obligations of each party as of this document's date. In the event that any term, condition, provision, requirement, or specification set forth in the body of this Agreement conflicts with or is inconsistent with any term, condition, provision, requirement, or specification in any Exhibit to this Agreement, the provisions of the body of the Agreement shall prevail. Any prior agreement, promises, negotiations, or representations between the Parties not expressly stated in this document are not binding. All subsequent modifications or amendments shall be in writing and signed by the Parties.

13. Controlling Law: Venue

The validity of this Agreement and of its terms, the rights and duties of the Parties under this Agreement, the interpretation of this Agreement, the performance of this Agreement, and any other dispute of any nature arising out of this Agreement shall be governed by the laws of the State of California without regard to its choice of law or conflict of law rules. Any dispute arising out of this Agreement shall be adjudicated either in the San Mateo County Superior Court or in the United States District Court for the Northern District of California.

14. Attorneys' Fees and Costs

If either party fails to perform any of its respective obligations under this Agreement or if any dispute arises between the Parties concerning the meaning or interpretation of any provision of this Agreement, then the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party on account of such default or in enforcing or establishing its rights under this Agreement, including court costs and reasonable Attorneys' Fees and Costs. Any such Attorneys' Fees and Costs incurred by either party in enforcing a judgment in its favor under this Agreement shall be recoverable separately from and in addition to any other amount included in such judgment, and such Attorneys' Fees and Costs obligation is intended to be several from the other provisions of this Agreement and to survive and not be merged into any such judgment.

15. Notices

Any notice, request, demand, or other communication required or permitted under this Agreement shall be deemed to be properly given when both: (1) transmitted via email to the email address listed below; and (2) sent to the physical address listed below by either being deposited in the United States mail, postage prepaid, or deposited for overnight delivery, charges prepaid, with an established overnight courier that provides a tracking number showing confirmation of receipt.

In the case of City, to:	In the case of Grantee, to:
Robert Nisbet, City Manager City of Half Moon Bay 501 Main Street Half Moon Bay, CA 94019 (650) 726-8918 rnisbet@hmbcity.com	Eric DeBode, Executive Director Abundant Grace Coastsides Worker P.O. Box 702 Half Moon Bay, CA 94019 (650) 458-7907 ericdebode@gmail.com

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IN WITNESS WHEREOF, City and the Borrower have executed this Agreement effective as of the date first written above.

“CITY”
City of Half Moon Bay

Date: _____

By: _____
City Manager

Attest:

Approved as to form:

By: _____
City Clerk

City Attorney

Date: _____

“BORROWER”
Abundant Grace Coastsides Worker

Date: _____

By: _____
Signature

Its: _____
Print Title

Exhibit A
Project Description, Requirements and Restrictions

In consideration for the Loan proceeds paid to Borrower described below, Borrower shall undertake the following activities and comply with the following restrictions and requirements (collectively referred to as the “services” or “work”):

1. Project Description and Use of Funds:

Borrower will use Loan funds to contribute toward a down payment for a Property where a Workforce Development Center will be located, as further described herein. Borrower anticipates acquiring an already-developed commercial property (Property) for the purpose of creating the Center. The Property is commonly known as 515 Kelly Avenue, Half Moon Bay (APN 056-150-160). The legal description of the Property is included as Attachment A-1 and the project plans for the proposed center are included as Attachment A-2, all of which are incorporated herein by reference.

The Workforce Development Center will provide homeless individuals with employment and development of life-skills, and offer those individuals storage space, meals, and shower and laundry facilities. Borrower will use the Workforce Development Center as a centralized meeting place to gather, organize, coordinate and provide services to homeless individuals.

Borrower’s existing services include:

- The Farm Employment Opportunities Program, which provides employment opportunities for homeless and/or low-income individuals.
- Distribution of harvested food for free to low-income families at community distribution points.
- The Coastside Clean Team program, in which Borrower hires people experiencing homelessness to clean the beach in Half Moon Bay and nearby side streets.

These existing services will be located in the Workforce Development Center. Borrower will expand its range of services with the establishment of the Workforce Development Center to include services including, but not limited to:

- Laundry and shower facilities, storage of small items
- Environmental stewardship and good neighbor training
- Offering internet access
- Employment and job search counseling services
- Day laborer support
- Life skills and cash management courses
- Telephone access and mail services
- Clothing and toiletries distribution
- Space for support group meetings
- Providing volunteer opportunities

Additionally, as a condition of receipt of this Loan, Borrower shall at the City's request, assist in the development and management of a Safe Parking Program for the overnight parking of RVs and other vehicles of homeless people, which shall be at a location to be identified and acquired by the City for this purpose.

2. Restrictions and Requirements:

The City will monitor the Project to ensure that the Property is being used in compliance with the requirements herein. Borrower agrees to provide City access and records, upon reasonable advance request, in furtherance of this monitoring.

- a. Borrower shall not allow the use of the Property for the following purposes:
 - For-profit activities
 - Overnight sleeping accommodations
 - Overnight vehicle parking (except for vehicles owned and operated by Abundant Grace for normal operations)
- b. Borrower shall vet potential employees for outstanding warrants and, prior to employment, aid with resolution of those warrants.
- c. Borrower shall comply with all terms and conditions included in Planning Commission Resolution P-19-24 approving Coastal Development Permit and Use Permit (dated November 12, 2019).

4. Loan Terms: Funding will be provided in the form of a loan, in accordance with the terms of this Exhibit A. The outstanding principal balance of the Loan shall bear no interest. The full amount of the Loan shall be repaid upon the expiration or termination of the Agreement.

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Attachment A-1
Property Description

LEGAL DESCRIPTION

Real property in the City of Half Moon Bay, County of San Mateo, State of California, described as follows:

PARCEL I:

BEGINNING AT A POINT ON THE NORTHERLY LINE OF KELLY AVENUE (EXTENDED WESTERLY), DISTANCE THEREON 618.85 FEET WESTERLY FROM THE INTERSECTION THEREOF WITH THE WESTERLY LINE OF OCEAN AVENUE, AS SAID AVENUES APPEAR IN THE MAP ENTITLED "MAP OF SPANISH-TOWN", FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN MATEO COUNTY ON JANUARY 22, 1884 IN BOOK A OF MAPS AT PAGE 53 AND A COPY ENTERED IN BOOK 1 OF MAPS AT PAGE 60; RUNNING THENCE FROM SAID POINT OF BEGINNING NORTHERLY AT RIGHT ANGLES TO KELLY AVENUE, 100 FEET; THENCE EASTERLY PARALLEL WITH KELLY AVENUE 50 FEET; THENCE AT RIGHT ANGLES SOUTHERLY 100 FEET TO THE NORTHERLY LINE OF KELLY AVENUE AND THENCE WESTERLY ALONG SAID LINE 50 FEET TO THE POINT OF BEGINNING.

PARCEL II:

BEGINNING AT A POINT ON THE NORTHERLY LINE OF KELLY AVENUE, DISTANT THEREON 618.85 FEET WESTERLY FROM THE INTERSECTION THEREOF WITH THE WESTERLY LINE OF OCEAN AVENUE AS SAID AVENUES APPEAR ON THE MAP ENTITLED "MAP OF SPANISH-TOWN", FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN MATEO COUNTY ON JANUARY 22, 1884 IN BOOK A OF MAPS AT PAGE 53 AND A COPY ENTERED IN BOOK 1 OF MAPS AT PAGE 60; SAID POINT OF BEGINNING ALSO BEING THE SOUTHWESTERLY CORNER OF LANDS CONVEYED TO ERNEST JOSEPH BARSUGLIA AND RITA ISABELLE BARSUGLIA, HIS WIFE, BY DEED RECORDED JUNE 6, 1957 IN [BOOK 3229 OF THE OFFICIAL RECORDS AT PAGE 694](#), RECORDS OF SAN MATEO COUNTY, CALIFORNIA; THENCE FROM SAID POINT OF BEGINNING ALONG THE WESTERLY LINE OF SAID LAST MENTIONED LANDS NORTH 8° 30' EAST 100 FEET; THENCE NORTH 81° 30' WEST 1.50 FEET; THENCE SOUTH 8° 30' WEST 100 FEET TO THE NORTHERLY LINE OF KELLY AVENUE; THENCE ALONG SAID NORTHERLY LINE OF KELLY AVENUE SOUTH 81° 30' EAST 1.50 FEET TO THE POINT OF BEGINNING.

[APN: 056-150-160](#), [JPN: 056-015-150-16A](#)

Attachment A-2
Project Plan

Exhibit B
Performance Measures and Reporting Requirements

In accordance with the terms of this Agreement, Borrower will provide, or cause to be provided, the services for the Project detailed in Exhibit A and will report back to the City regarding various performance measures including, but not limited to, the following:

- Within 45 days after the end of each fiscal year (i.e., on or before August 15 each year during the term of the Agreement), Borrower shall submit a written report to the City, in a format reasonably prescribed by the City, describing the Workforce Development Center's operational status, the programs and services offered during the preceding fiscal year, and the number of individuals served during that fiscal year.
- Upon reasonable request of the City, Borrower shall provide a report of activities undertaken to mitigate community safety and security concerns regarding the Workforce Development Center, its associated program, and participants, including: lighting and security cameras, fencing, gathering spaces, volunteer support, complaints received, and numbers and types of communication with law enforcement.
- Upon reasonable request of the City, Borrower agrees to provide descriptive information about the Project, including information regarding any default under the Agreement.



	EXISTING		PROPOSED		TOTAL		ALLOWED	
	AREA (SQFT)	%	AREA (SQFT)	%	AREA (SQFT)	%	AREA (SQFT)	%
LOT AREA	5150							
COVERAGE	1505	29.2	45	0.9	1550	30.1	5150	100.0
FLOOR AREA	MAIN BUILDING	1244	TOOL SHED	45	MAIN BUILDING	1244		
	ACCESS. BUILDING	261			ACCESS. BUILDING	261		
					TOOL SHED	45		
Total	1505	29.2	Total	45	0.9	Total	1550	30.1
							Total	NA (NA)

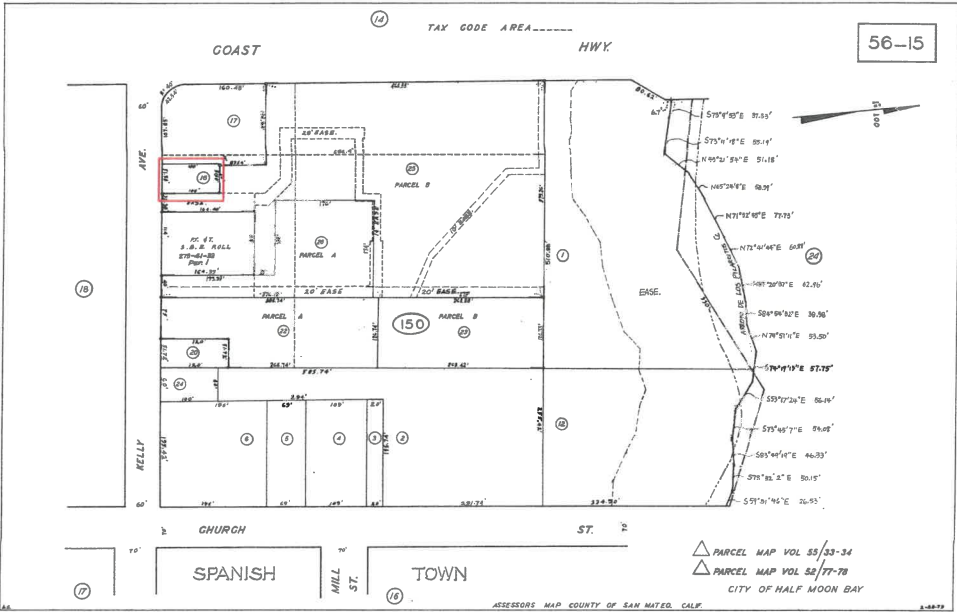
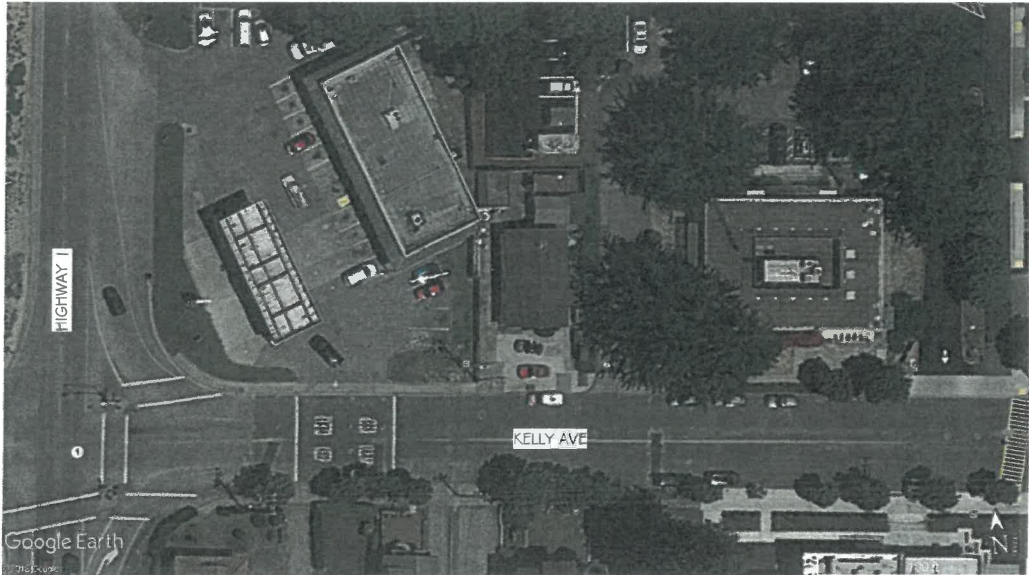
SITE DATA:
APN: 056-150-160
ZONING: C-D
OCCUPANCY GROUP:
TYPE OF CONSTRUCTION: V-B

APPLICABLE CODES:
HALF MOON BAY, CA

CITY OF HALF MOON BAY ZONING & BUILDING ORDINANCES
2016 CALIFORNIA RESIDENTIAL CODE
2016 CALIFORNIA BUILDING CODE
2016 CALIFORNIA MECHANICAL CODE
2016 CALIFORNIA PLUMBING CODE
2016 CALIFORNIA ELECTRICAL CODE
2016 CALIFORNIA ENERGY CODE
2016 CALIFORNIA FIRE CODE
2016 CALIFORNIA GREEN BUILDING STANDARDS CODE
ANY APPLICABLE CITY CODES, ORDINANCES, OR AMENDMENTS
TO THE CALIFORNIA BUILDING CODE

Sheet List	
Sheet Number	Sheet Name
CS	Cover Sheet
A101	Existing Site & Floor Plans
A102	Proposed Site & Floor Plans
A103	Floor Plans - ADA Bathroom
A201	Elevations - South
A202	Elevations - East
A203	Elevations - North
A204	Elevations - West
A301	Section Views

CITY OF HALF MOON BAY
NOV 06 2019
RECEIVED




REVISIONS


EDWARD C. LOVE, ARCHITECT

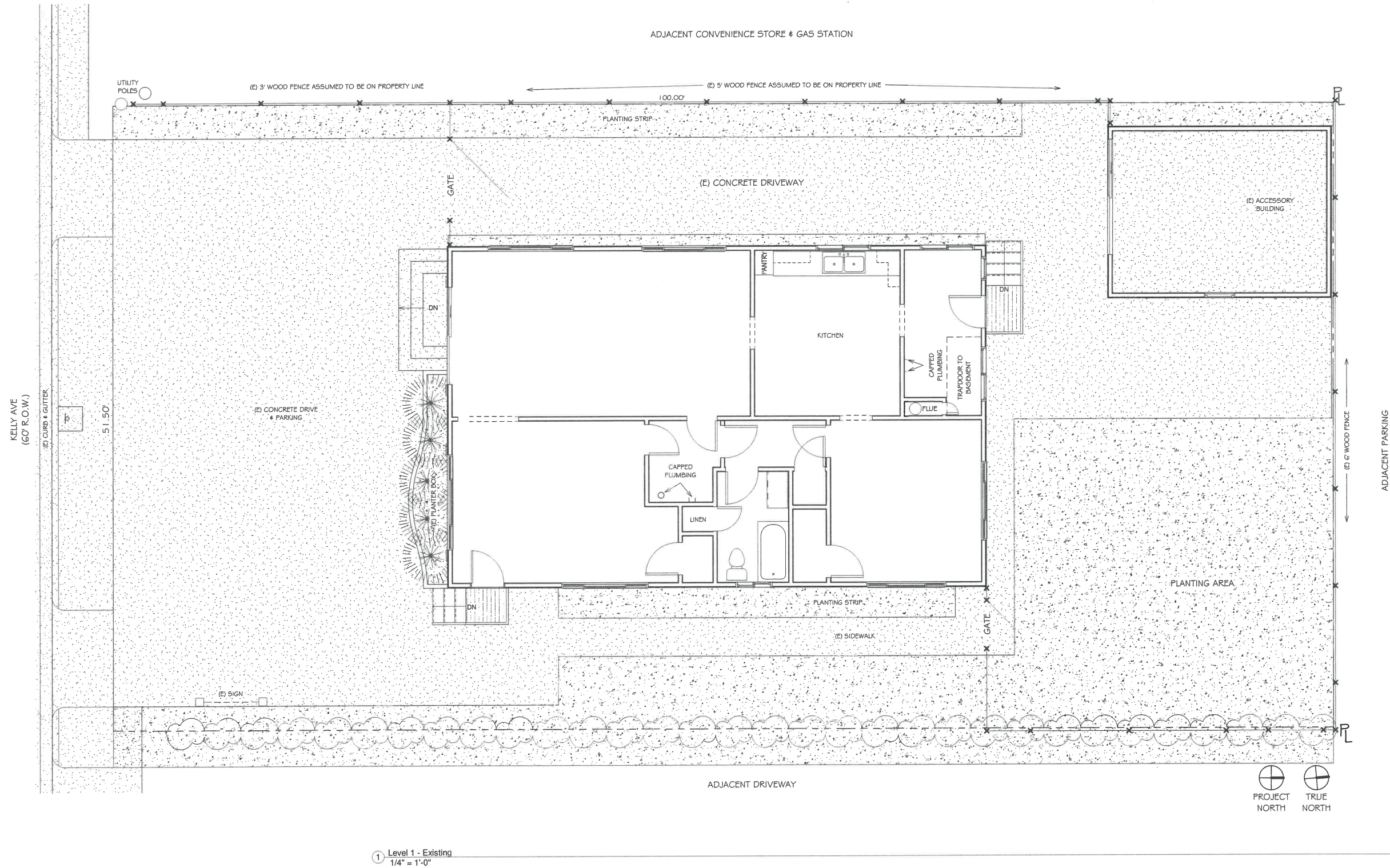
Edward C. Love
Architect
720 MILL STREET
HALF MOON BAY, CA 94019
(650) 728-7615
edwardclovearch@gmail.com

Building Remodel for
Abundant Grace
515 Kelly Ave
Half Moon Bay, CA

Cover Sheet

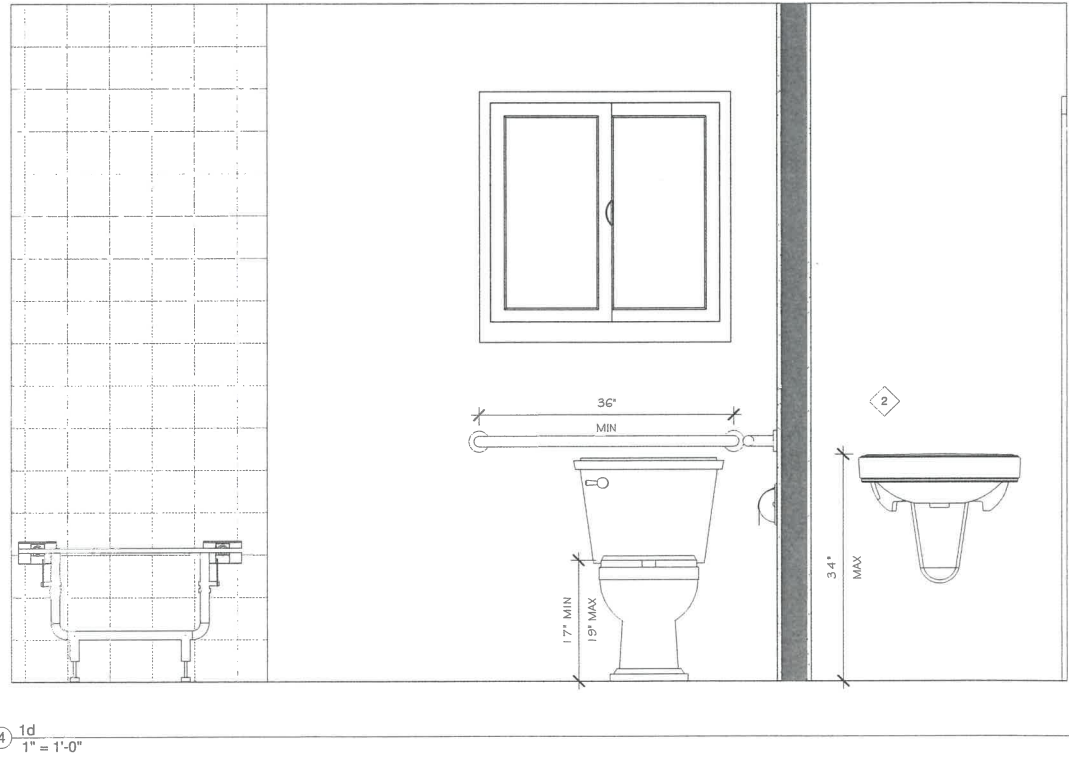
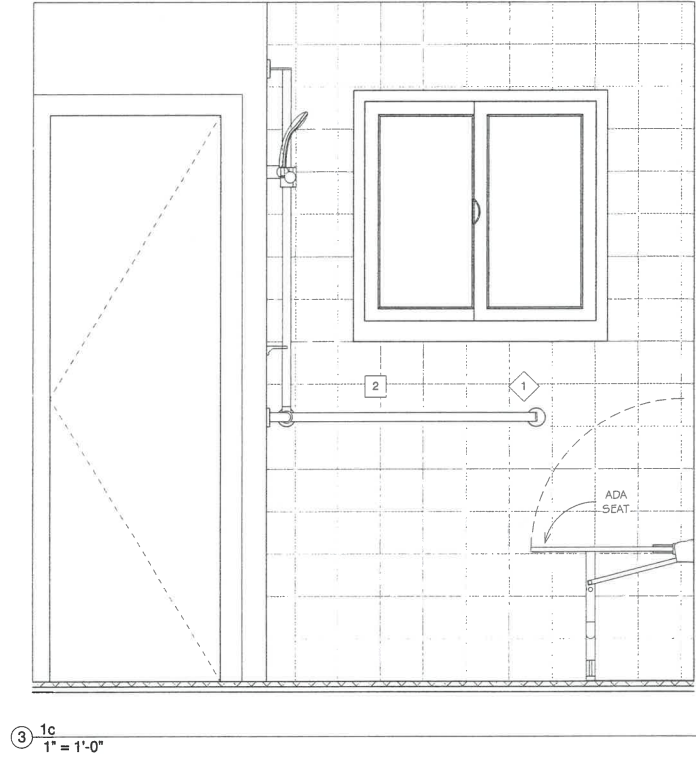
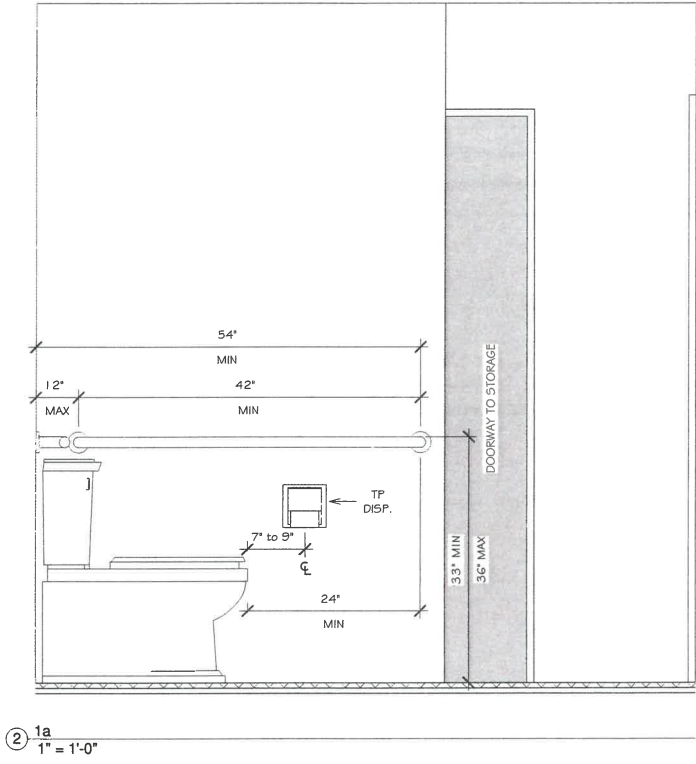
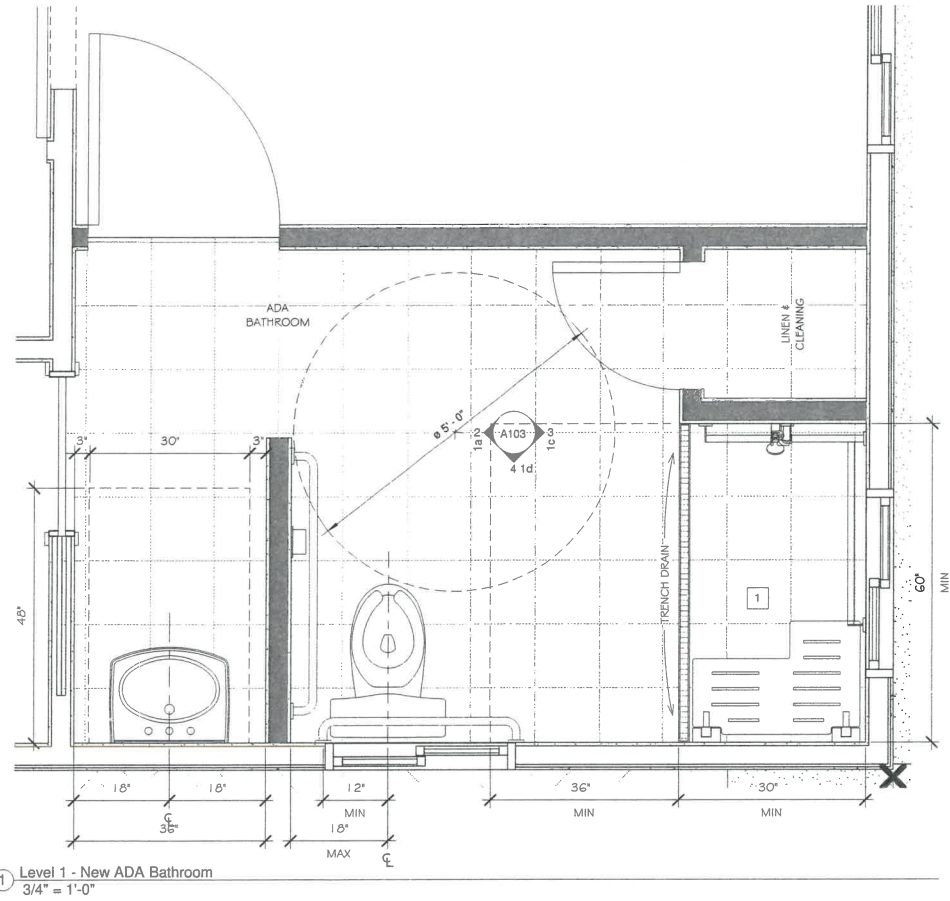


DATE: 09/09/19
SCALE:
DRAWN: GMH
JOB: AbundantGrace
SHEET: CS
OF SHEETS



REVISIONS	
 EDWARD C. LOVE, ARCHITECT	
Edward C. Love Architect 720 MILL STREET HALF MOON BAY, CA 94019 (650) 728-7615 edwardclovearch@gmail.com	
Building Remodel for Abundant Grace 515 Kelly Ave Half Moon Bay, CA	
Existing Site & Floor Plans	
	
DATE:	09/09/19
SCALE:	1/4" = 1'-0"
DRAWN:	GMH
JOB:	AbundantGrace
SHEET:	A101
OF	SHEETS



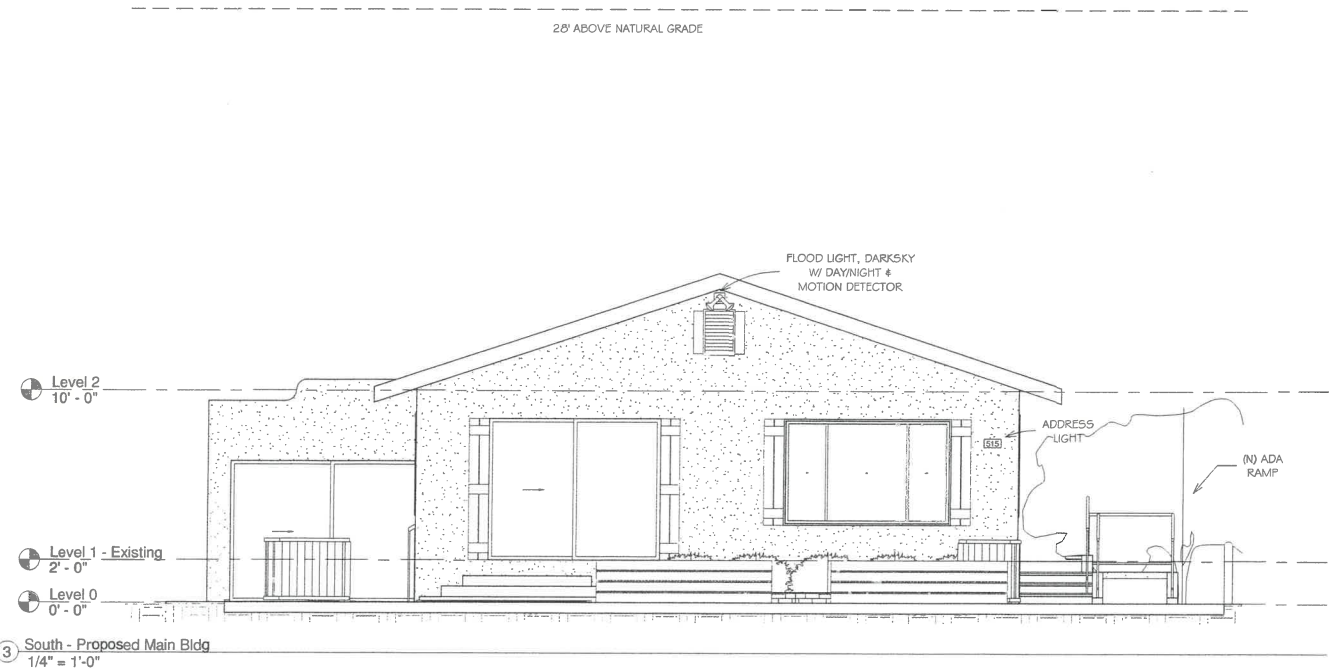
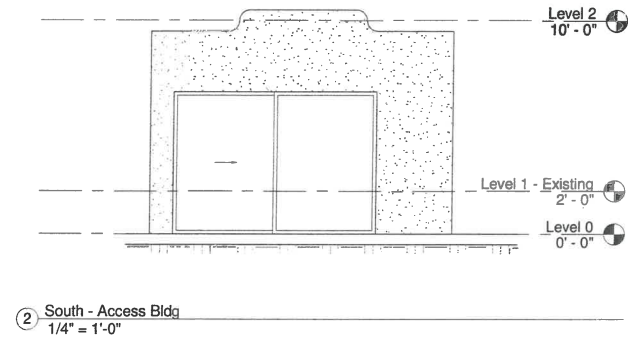
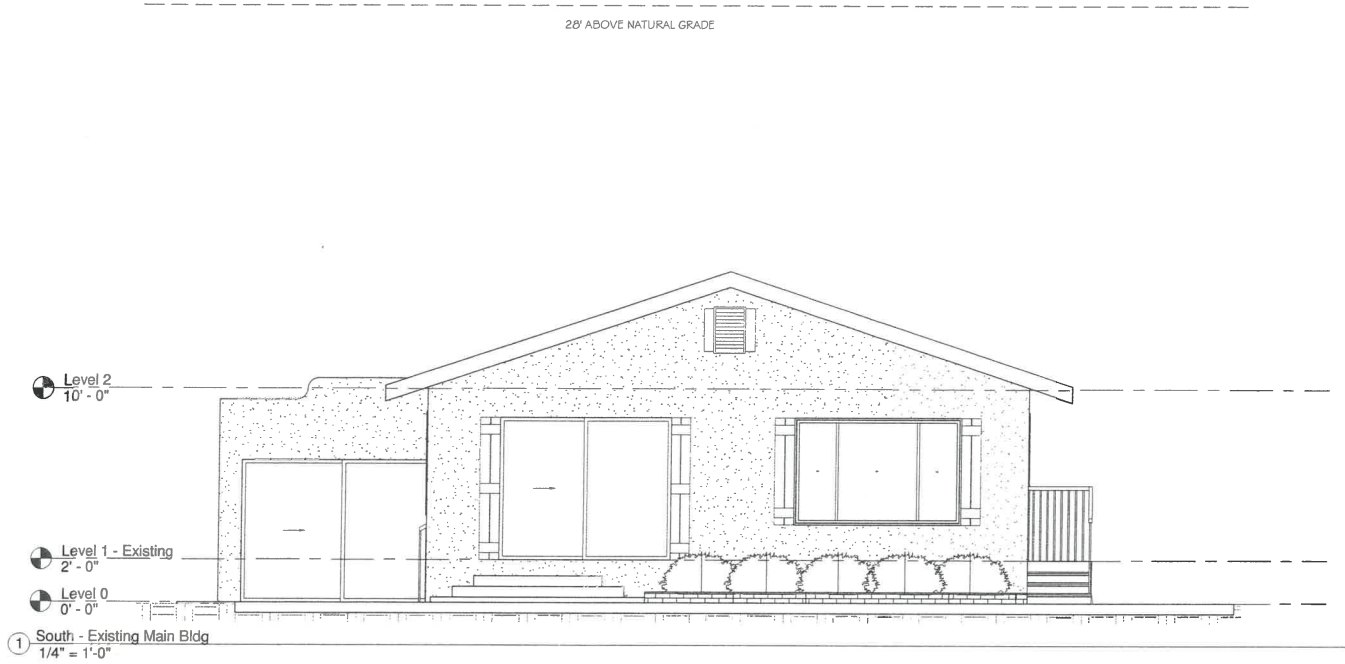



- 1 GRAB BAR SHALL NOT ENCR OACH INTO SPACE ABOVE SEAT.
- 2 SINK SHALL BE WALL-HUNG ADA COMPLIANT WITH NO CABIN ETRY

- 1 SHOWER FLOORING TO BE SLIP RESISTANT W/ MAX SLOPE OF .25" PER 1' FOOT
- 2 SHOWER WALLS TO BE FINISHED IN NON-ABSORBANT MATERIAL TO NO LESS THAN 6 FEET ABOVE THE FLOOR

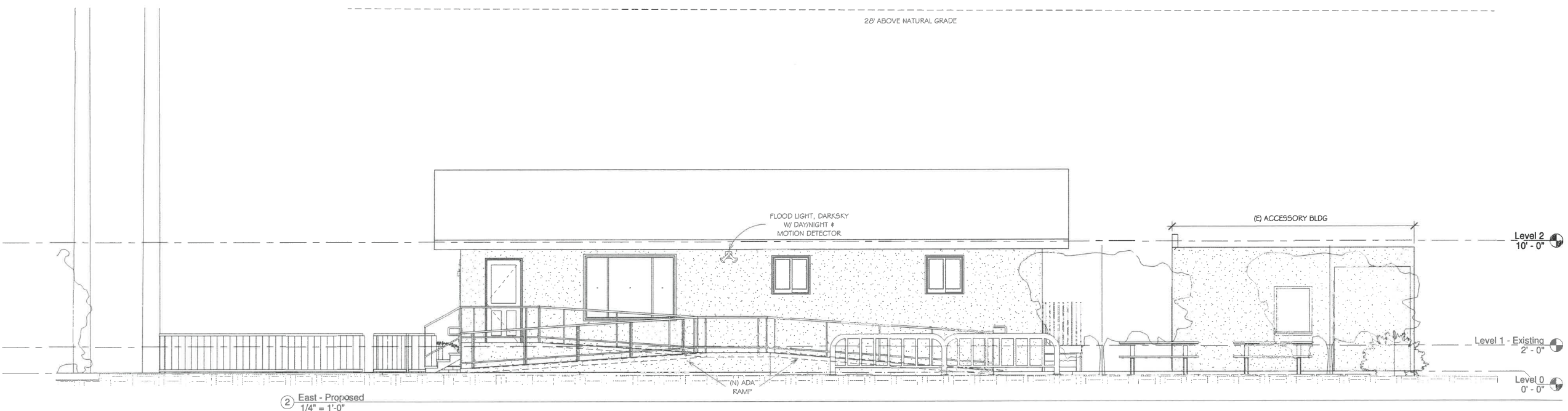
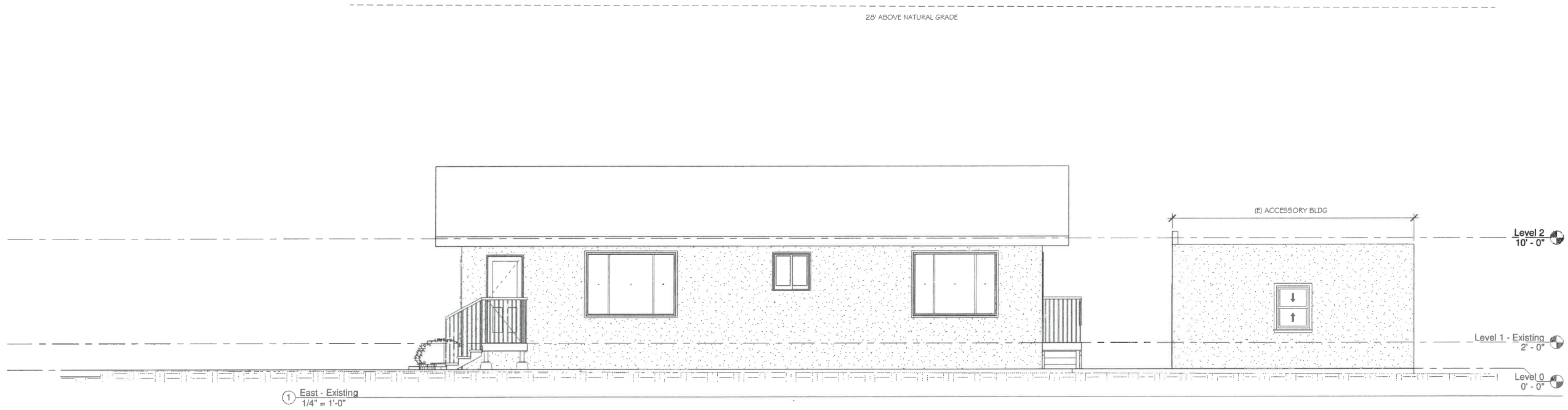
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Edward C. Love Architect 720 MILL STREET HALF MOON BAY, CA 94019 (650) 728-7615 edwardclovearch@gmail.com	
Building Remodel for Abundant Grace 515 Kelly Ave Half Moon Bay, CA	
Floor Plans - ADA Bathroom	
	
DATE:	09/09/19
SCALE:	As indicated
DRAWN:	Author
JOB:	AbundantGrace
SHEET:	A103
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REVISIONS	
 EDWARD C. LOVE, ARCHITECT	
Edward C. Love Architect 720 MILL STREET HALF MOON BAY, CA 94019 (650) 728-7615 edwardclovearch@gmail.com	
Building Remodel for Abundant Grace 515 Kelly Ave Half Moon Bay, CA	
Elevations - South	
	
DATE:	09/09/19
SCALE:	1/4" = 1'-0"
DRAWN:	GMH
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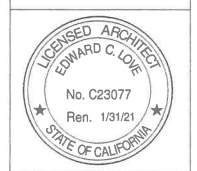


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Abundant Grace
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Half Moon Bay, CA

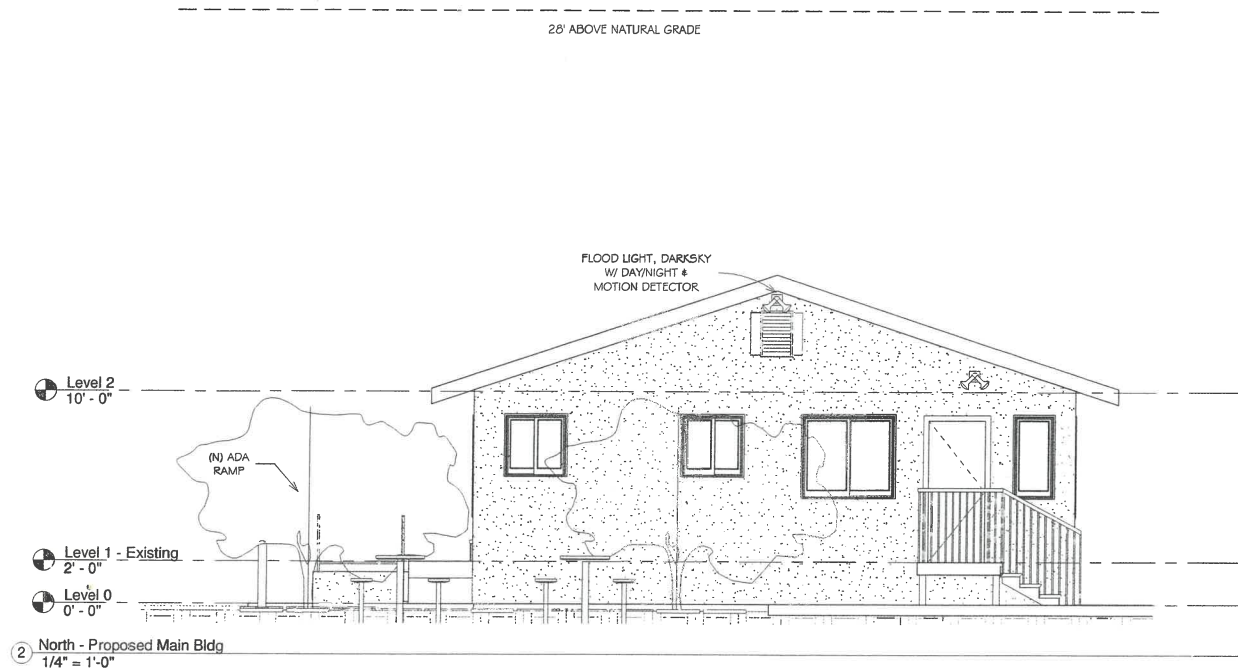
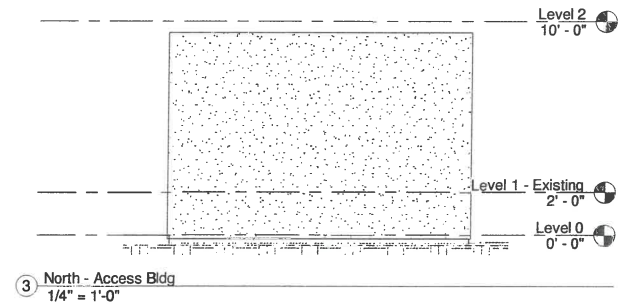
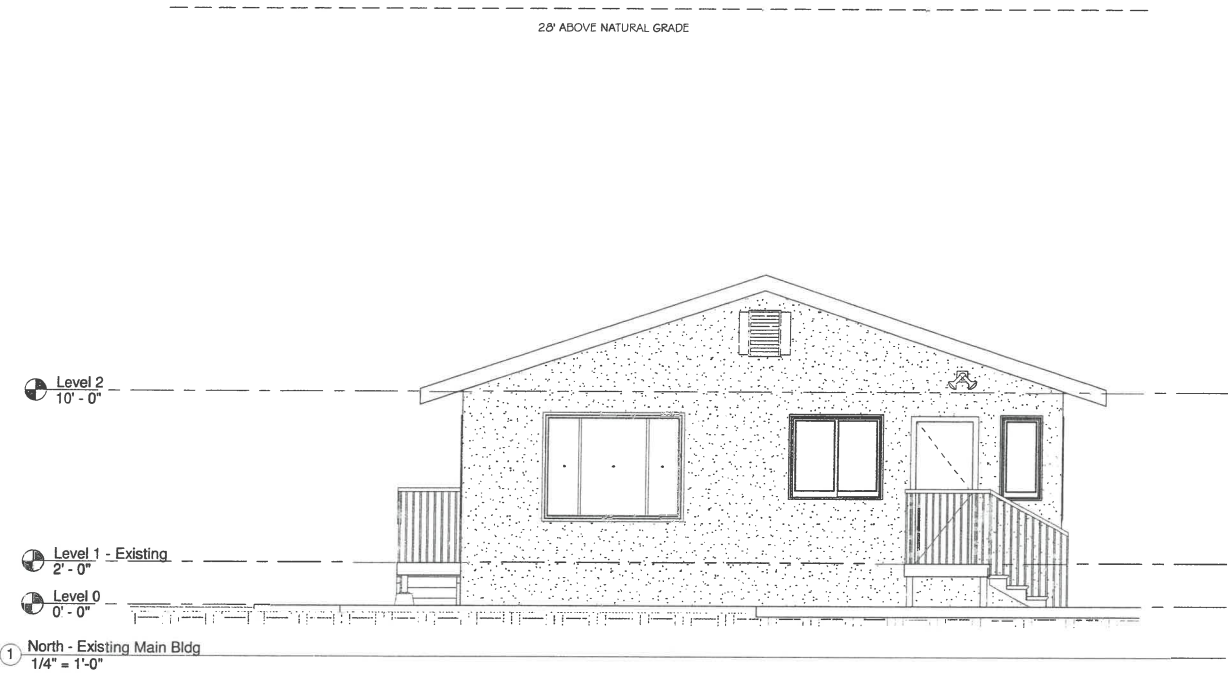
Elevations - East



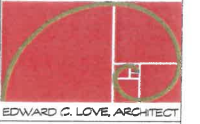
DATE: 09/09/19
SCALE: 1/4" = 1'-0"
DRAWN: GMH
JOB: AbundantGrace
SHEET: A202
OF SHEETS

ALL DRAWINGS, SPECIFICATIONS, AND COPIES THEREOF, PREPARED AND/OR SUPPLIED BY THE ARCHITECT, SHALL REMAIN HIS PROPERTY. THEY ARE TO BE USED ONLY WITH RESPECT TO THIS PROJECT AND ARE NOT TO BE USED ON ANY OTHER PROJECT. WITH THE EXCEPTION OF ONE CONTRACT SET FOR EACH PARTY TO THE CONTRACT, SUCH DOCUMENTS ARE TO BE RETURNED OR SUITABLY ACCOUNTED FOR UPON REQUEST OF THE ARCHITECT AT THE COMPLETION OF THE WORK. SUBMISSION OR DISTRIBUTION TO MEET OFFICIAL REGULATORY REQUIREMENTS OR FOR OTHER PURPOSES IN CONNECTION WITH THE PROJECT IS NOT TO BE CONSTRUED AS PUBLICATION IN THE DEROGATION OF THE ARCHITECT'S COMMON LAW COPYRIGHT OR OTHER RESERVED RIGHTS.

S:\Client Projects 2019\AbundantGrace\Revit\Abundant.rvt



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Building Remodel for
Abundant Grace
515 Kelly Ave
Half Moon Bay, CA

Elevations - North



DATE: 10/30/19

SCALE: 1/4" = 1'-0"

DRAWN: Author

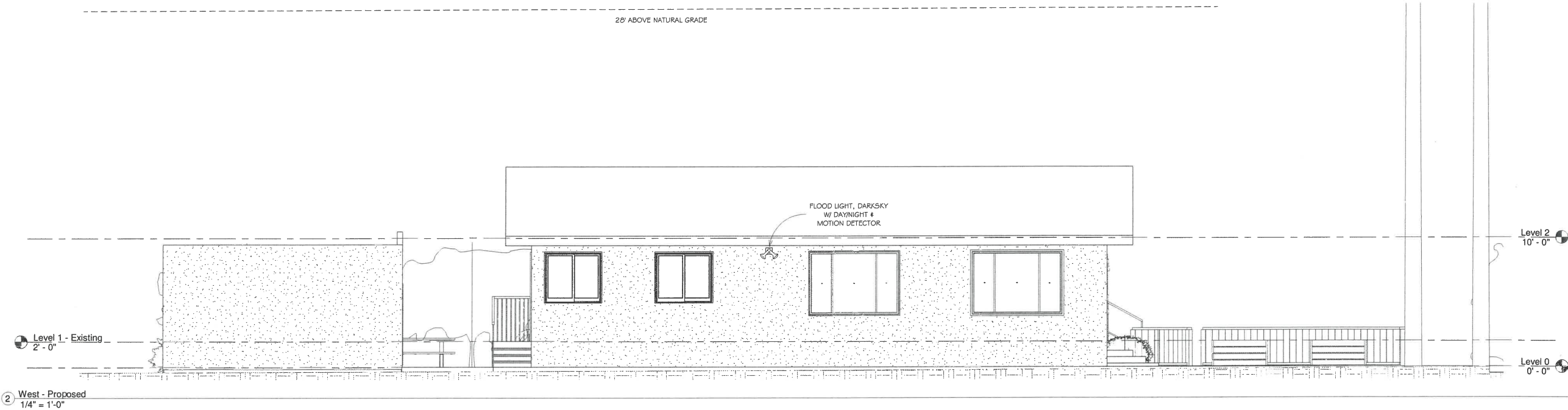
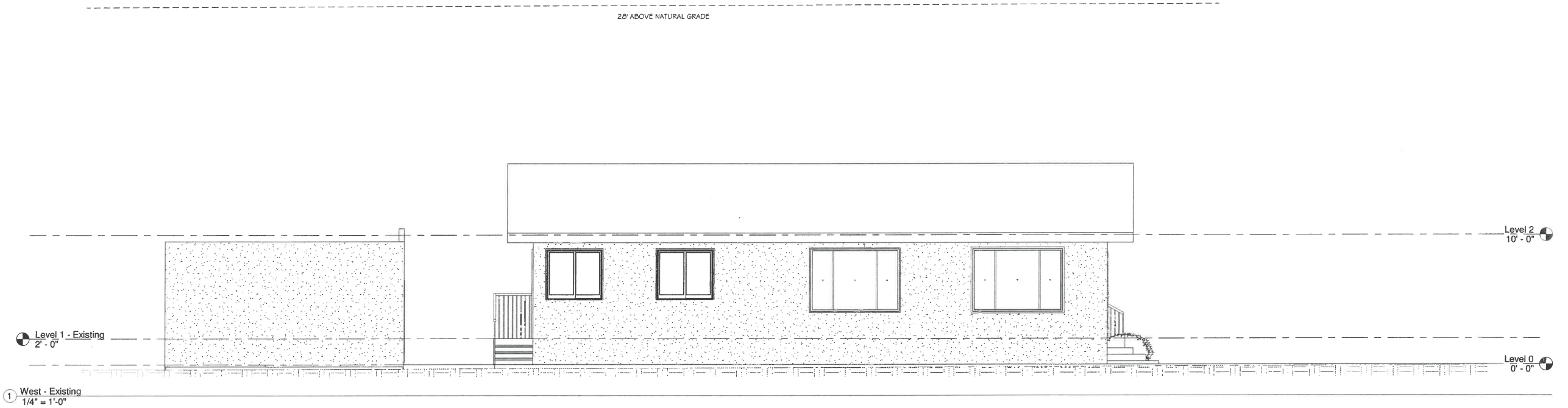
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SHEET:

A203

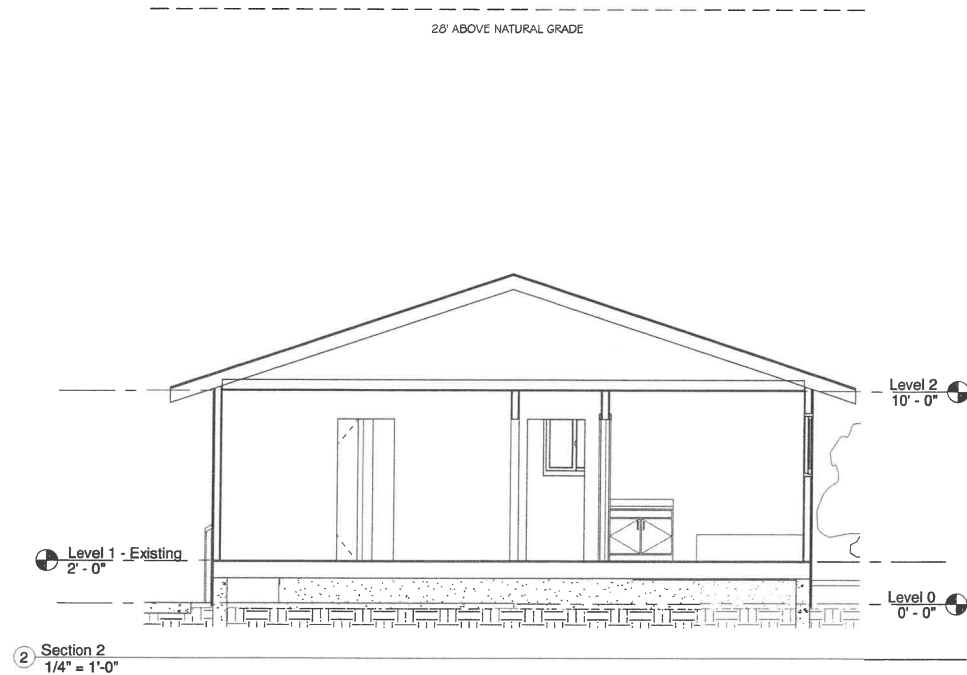
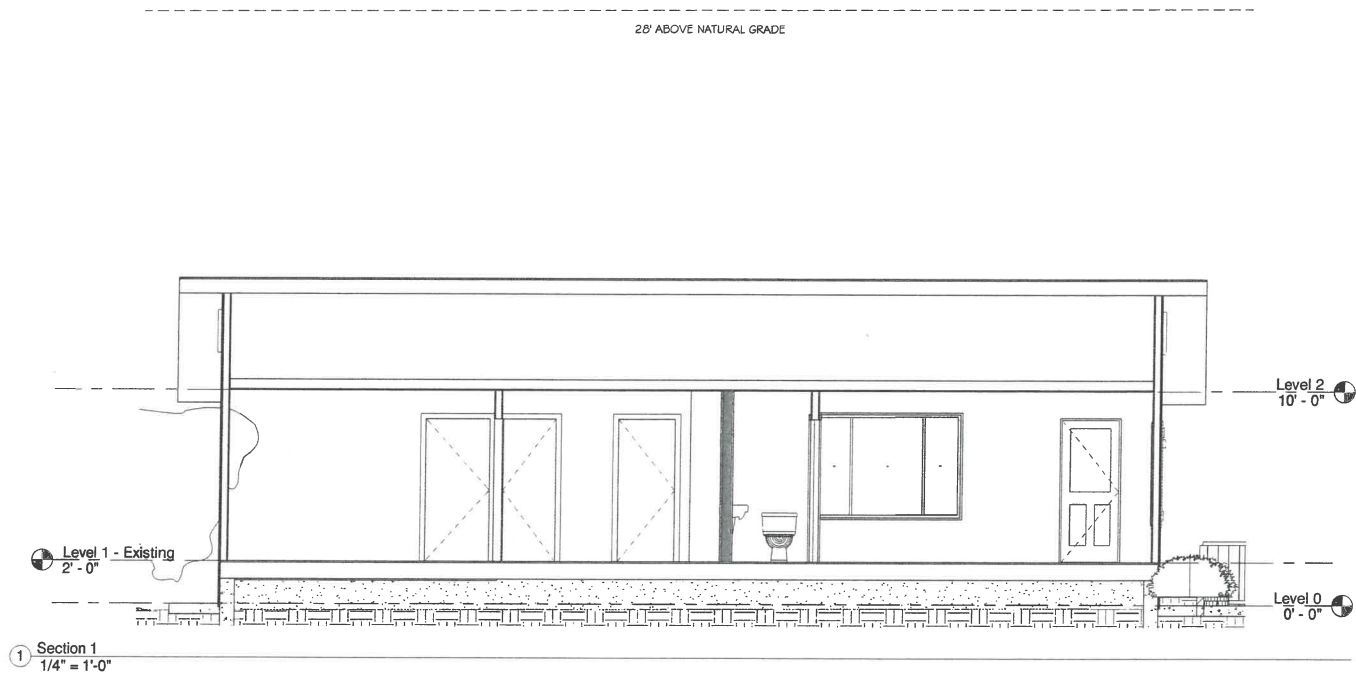
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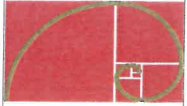

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Elevations - West	
	
DATE:	10/30/19
SCALE:	1/4" = 1'-0"
DRAWN:	Author
JOB:	AbundantGrace
SHEET:	A204
OF	SHEETS

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Building Remodel for Abundant Grace 515 Kelly Ave Half Moon Bay, CA	
Section Views	
	
DATE:	10/30/19
SCALE:	1/4" = 1'-0"
DRAWN:	Author
JOB:	AbundantGrace
SHEET:	A301
OF	SHEETS

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of **December 17, 2019**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Matthew Chidester, Deputy City Manager

TITLE: **HALF MOON BAY HISTORY ASSOCIATION LEASE AGREEMENT FOR 503 JOHNSTON STREET**

RECOMMENDATION:

Adopt a resolution authorizing the City Manager to execute a Lease Agreement with the Half Moon Bay History Association for use of the premises at 503 Johnston Street as a local history museum, including modifications to the garage building (previously referred to as the Johnston Barn), for a term of 25 (twenty-five) years, with no annual fee.

FISCAL IMPACT:

There is no annual fee for use of the Premises for the Lease Agreement. Maintenance, improvements, regulatory requirements, assessments, taxes and utilities related to the Premises are the responsibility of the Half Moon Bay History Association during the term of the Lease.

STRATEGIC ELEMENT:

This recommendation supports the *Infrastructure and Environment* and *Healthy Communities and Public Safety* elements of the Strategic Plan.

BACKGROUND:

In August of 2017, Council directed staff to explore future use of the Premises, including the possibility of major renovations, with initial focus on the jail structure. Council expressed a desire to use the Premises to provide access and education consistent with the historic nature and character of the site and its structures, and as a benefit to the residents and visitors of Half Moon Bay.

The City entered into a short-term license agreement with the Half Moon Bay History Association ("Association") in April of 2018, which provided authorization to open the jail to the public and operate a micro-museum. The Association developed displays, exhibits, and educational materials in addition to making the jail open to the public each Saturday and Sunday for six (6) hours per

day. Individual and group tours (including for new city employees who may be unaware of Coastside history), as well as school presentations are provided at no cost.

An additional purpose of the license agreement was to allow the Association the ability to investigate the feasibility of a longer-term use of the Premises and development of a full-scale museum in the Garage structure. In October 2018, the City of Half Moon Bay Planning Commission approved the Coastal Development Permit, Architectural Review, Use Permit and Parking Exception to allow for modifications to the Premises. The Association was recently granted a one-year extension to the existing building permit and remains active in the permit and entitlement process.

Staff commissioned and received a Historic Resource Evaluation prepared by Garavaglia Architecture, Inc., as a condition prior to the consideration of any significant building alterations. The findings indicated whether or not the jail and/or garage met the criteria for the National Register of Historic Places/California Register of Historical Resources. The jail appears to be individually eligible meeting two of the four criteria, and the garage structure, while viewed as an ancillary building to the jail, does not appear to be historically significant.

More recently, a structural evaluation of the jail was conducted by Crosby Group, and staff are awaiting the findings. The purpose of the assessment was to perform a full inspection of visible imperfections in the jail prior to a long-term commitment to public access and use. The Association is aware that the City may require, as a condition of the Lease, the repair and maintenance of these or any other imperfections found in the structure, or to prepare and execute a repair and maintenance plan during the initial term of the Lease.

The Association launched a fundraising campaign including applications for grant funding and the financial support of individual donors and to date has raised over \$900,000, double the estimate of funds needed to complete the approved renovations to the Premises. The remaining funding will be used to develop exhibits and materials for the museum, as well as offset operating costs.

DISCUSSION:

Since the commencement of the license agreement, the Association has met its requirements to operate the micro-museum for the benefit of the public and has made quality enhancements to the site. The Association has also developed construction plans, obtained many of the required regulatory approvals in order to develop the full-scale museum, and raised significant funds towards its construction and operation.

Staff has concluded that the Association has demonstrated its ability to construct and operate the full-scale museum as well as provide quality exhibits and programs for residents and visitors to the Coastside. Staff recommends a 25-year Lease for the Association's use of the entirety of the Premises as a full-scale, local history museum, under the following proposed terms and conditions:

Use - The Association will use the Premises to operate a local history museum and provide educational and cultural exhibits for public viewing, and to host events for the benefit of the community, the Association and the City, and for no other purpose without the prior consent of the City.

Construction – The Association will be authorized to make improvements to the garage structure and property in order to develop a full-scale museum. The plans have been approved through the Planning Commission and are included as Attachment 2.

Fee – In light of significant investment in renovating the Premises and developing the museum, as well as the public benefit of a local history museum, the Association will not be charged a fee for the use of the Property.

Operational Requirements - The Museum will be open each Saturday and Sunday for six (6) hours per day, excluding major holidays or other special events. The Museum will also be available by appointment for special group tours. Museum tours will be free to the public with the exception of special events, exhibits or fundraisers. The Association can operate a small gift shop and collect donations for the purpose of offsetting operation costs, maintaining the Premises, and making additional renovations.

Maintenance - During the Term of the Lease, the Association shall be responsible for the maintenance, repair, and operation of the property and any improvements (existing or new), at its sole cost and expense.

Utilities, Taxes, any other Costs of Operation - During the Term of the Lease, the Association will be responsible for the payment of any and all utilities, taxes or other costs to operate the Museum or Property, at its sole cost and expense.

Additional Conditions - The Association is expected to demonstrate achievement of periodic milestones related to the entitlement process, construction, and fundraising.

The Parks and Recreation Commission has reviewed and discussed the terms of the proposed Agreement and recommends approval by the Council. If approved, staff will complete drafting the agreement and the City Manager will execute the final version.

ATTACHMENTS:

1. Resolution authorizing the City Manager to execute a Lease Agreement with the Half Moon Bay History Association for use of the premises at 503 Johnston Street as a local history museum, including modifications to the garage building (previously referred to as the Johnston Barn), for a term of twenty-five years.
2. Approved plans for the Barn Museum Conversion, dated 07/30/18.

Resolution No. C-2019-_____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY
AUTHORIZING THE CITY MANAGER TO EXECUTE A LEASE AGREEMENT WITH THE HALF MOON
BAY HISTORY ASSOCIATION FOR USE OF THE PREMISES AT 503 JOHNSTON STREET AS A LOCAL
HISTORY MUSEUM, INCLUDING MODIFICATIONS TO THE GARAGE BUILDING (PREVIOUSLY
REFERRED TO AS THE JOHNSTON BARN), FOR A TERM OF TWENTY-FIVE YEARS, WITH NO
ANNUAL FEE.**

WHEREAS, the City owns the historic property located at 503 Johnston Street (the “Premises”), which includes a historic jail structure and associated garage structure, which each have distinct cultural and historic value; and

WHEREAS, the Half Moon Bay History Association was formed and organized with one of its purposes being to educate, preserve, and maintain places of significant historical interest for use and benefit of the public; and

WHEREAS, the City desires that the Premises be preserved as a location of historical interest and be used for public purposes consistent with the historic nature and character of the Jail and Garage; and

WHEREAS, in 2018, the City and Association entered into an agreement to further this purpose; and the Association has been operating a micro-museum in the Jail with the intention of expanding to a full-scale local history museum on the entire Premises in the longer term; and

WHEREAS, the Planning Commission approved modifications to the existing jail and garage building and change of use of the garage building to museum as described in PDP-18-053 on October 9, 2018; and

WHEREAS, the City and Association have negotiated a long-term lease agreement that will allow the Association to operate a public local history museum for a term of twenty-five years, and make improvements to the Premises.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Half Moon Bay hereby authorizes the City Manager to execute to execute a Lease Agreement with the Half Moon Bay History Association for use of the premises at 503 Johnston Street as a local history museum, including modifications to the garage building (previously referred to as the Johnston Barn), for a term of twenty-five years, with no annual fee.

I, the undersigned, hereby certify that the foregoing resolution was duly passed and adopted on the 17th day of December, 2019 by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

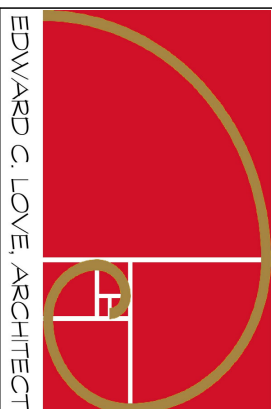
ATTEST:

APPROVED:

Jessica Blair, City Clerk

Mayor

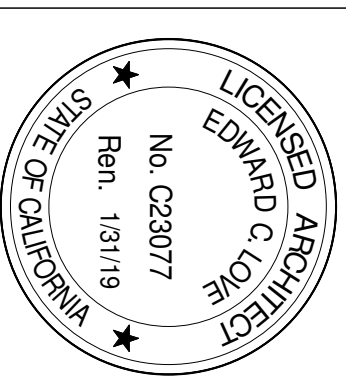
REVISIONS



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edwardclovearch@gmail.com

Barn Museum Conversion
City of Half Moon Bay
511 Johnston St
Half Moon Bay, CA

Cover Sheet



DATE:	07/30/18
SCALE:	1/8" = 1'-0"
DRAWN:	GMH
JOB:	HMB
SHEET:	CS
OF	SHEETS

	EXISTING		PROPOSED		TOTAL		ALLOWED	
	AREA (SQFT)	%	AREA (SQFT)	%	AREA (SQFT)	%	AREA (SQFT)	%
LOT AREA	5000							
COVERAGE	2080	41.6	0	0.0	2080	41.6	2500	50.0
FLOOR AREA	JAIL BARN 1600				JAIL BARN 1600			
Total	2080	41.6	Total	0	0.0	Total	2080	41.6

SITE DATA:
APN: 056-177-080
ZONING: CR
OCCUPANCY GROUP:
TYPE OF CONSTRUCTION:

APPLICABLE CODES:
CITY OF HALF MOON BAY ZONING & BUILDING ORDINANCES

- 2016 CALIFORNIA RESIDENTIAL CODE
- 2016 CALIFORNIA BUILDING CODE
- 2016 CALIFORNIA MECHANICAL CODE
- 2016 CALIFORNIA PLUMBING CODE
- 2016 CALIFORNIA ELECTRICAL CODE
- 2016 CALIFORNIA ENERGY CODE
- 2016 CALIFORNIA FIRE CODE
- 2016 CALIFORNIA DECK, BELT, ORDNANCES, OR AMENDMENTS TO THE CALIFORNIA BUILDING CODE

Sheet List	
Sheet Number	Sheet Name
A202	Elevation - South
CS	Cover Sheet
ESP	Existing Site Plan
F3P	Proposed Site Plan & Roof Plan
A101	Floor Plan - Existing
A102	Floor Plan - Proposed
A103	ADA Restroom
A201	Elevation - West
A203	Elevations - East & North
A301	Sections & Details
A302	Interior Elevation
E101	Lighting & Electrical
M101	Mechanical



1 Site - CS
1/8" = 1'-0"

MAIN ST

HMB JAIL

JOHNSTON
BARN

50.0'

100.0'

(E) SIDEWALK
PLANTING STRIP

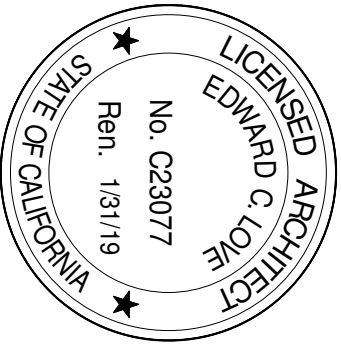




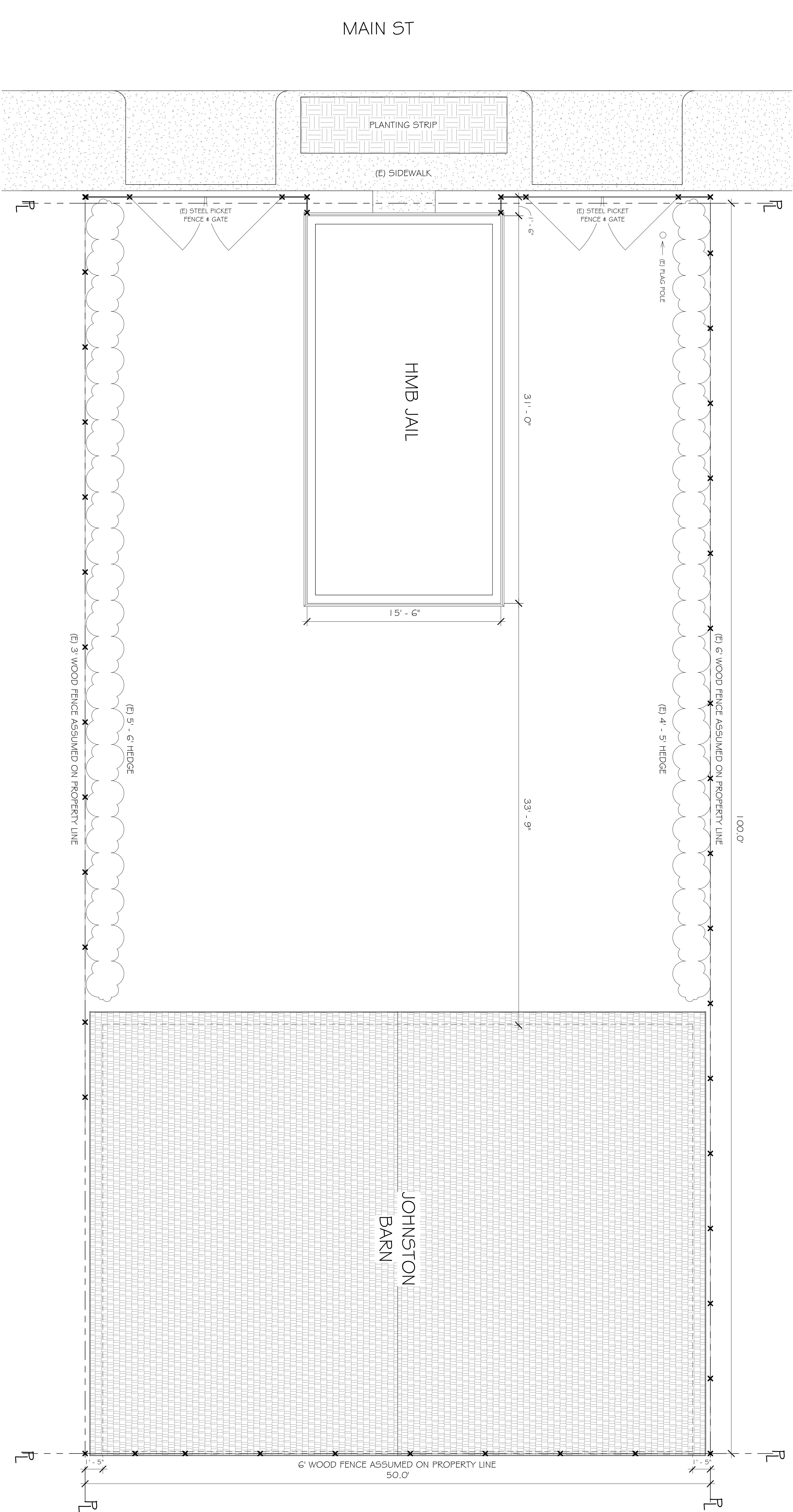
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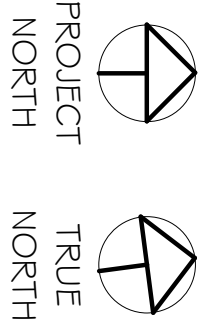
Existing Site Plan

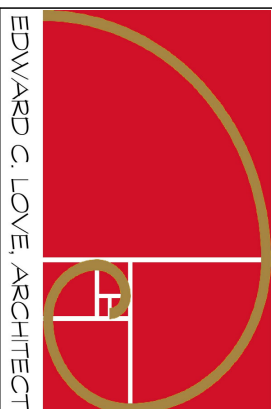


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DRAWN:	GMH
JOB:	HMB
SHEET:	ESP
OF	SHEETS



1 Site - Existing
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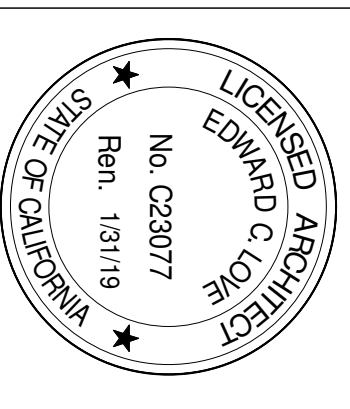




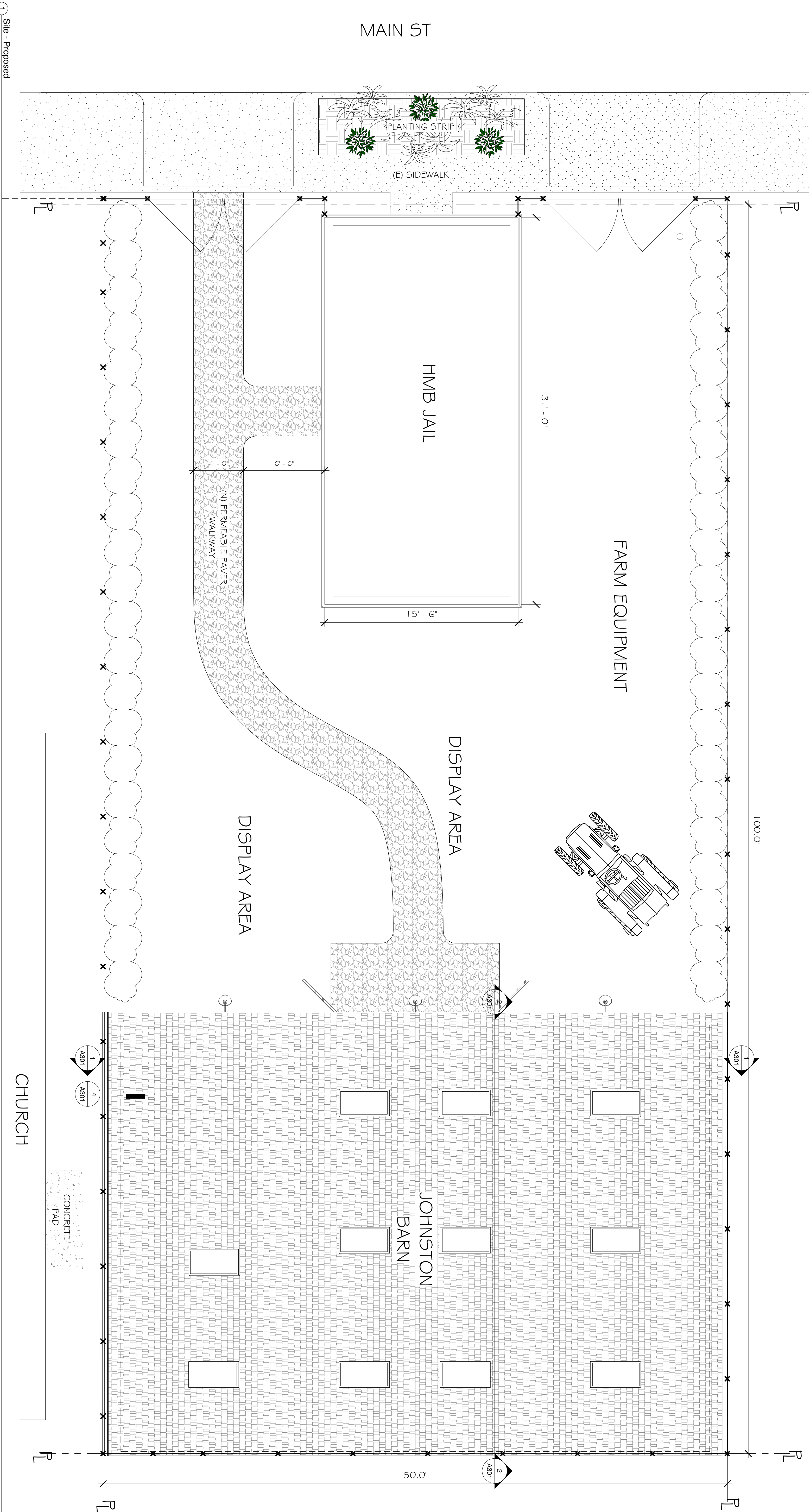
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Barn Museum Conversion
City of Half Moon Bay
511 Johnston St
Half Moon Bay, CA

Proposed Site Plan &
Roof Plan



DATE:	07/30/18
SCALE:	1/4" = 1'-0"
DRAWN:	GMH
JOB:	HMB
SHEET:	PSP
OF	SHEETS



REVISIONS

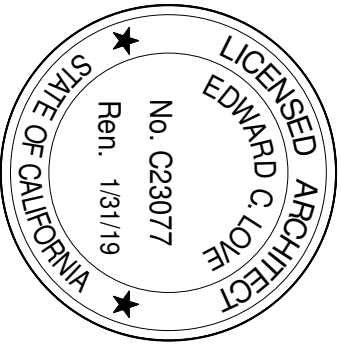
NOTE:
Currently the jail is a museum and the barn is being utilized
for storage



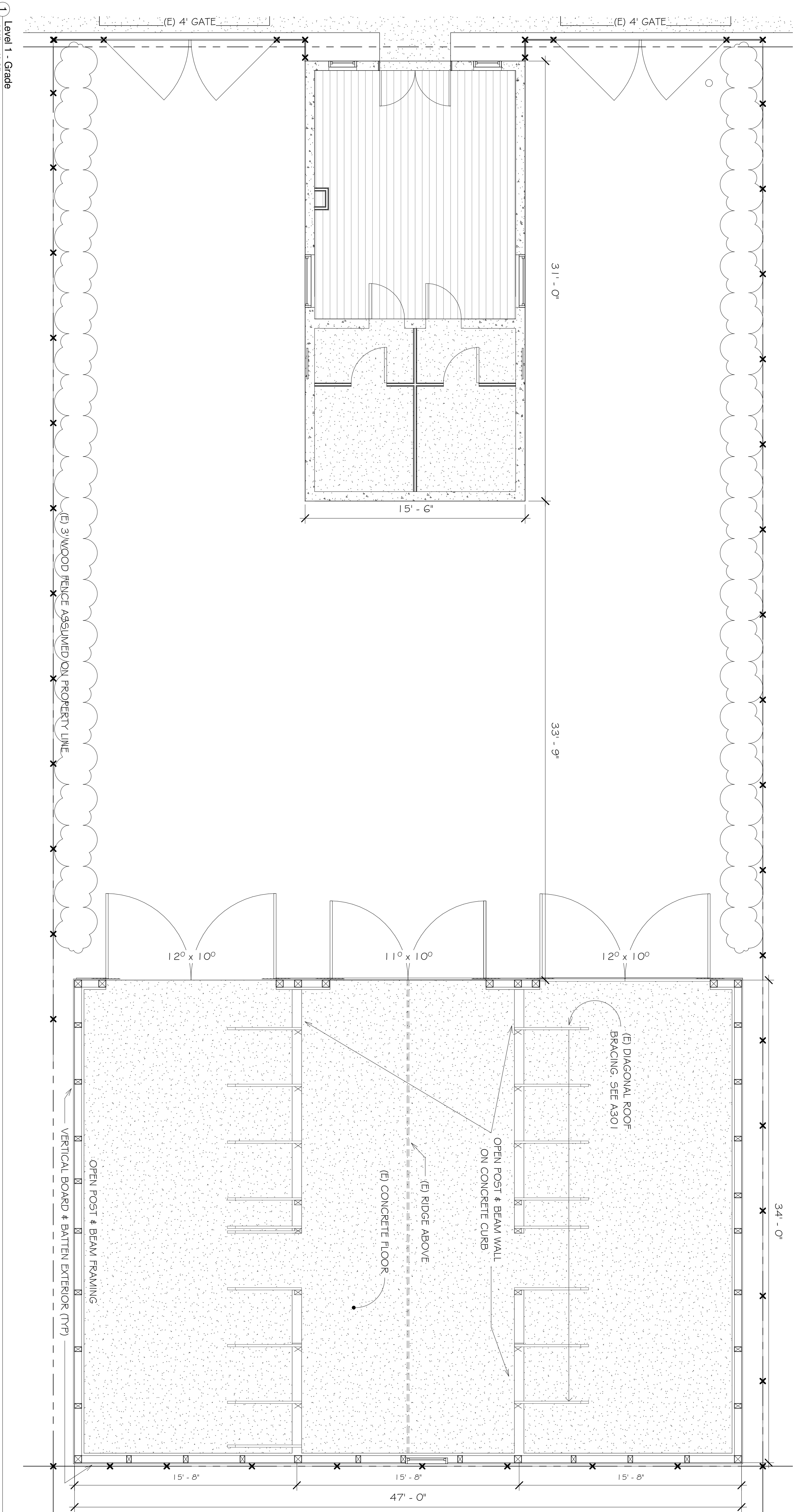
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Barn Museum Conversion
City of Half Moon Bay
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Half Moon Bay, CA

Floor Plan - Existing



DATE: 07/30/18
SCALE: 1/4" = 1'-0"
DRAWN: GMH
JOB: HMB
SHEET: A101
OF SHEETS



1 Level 1 - Grade
1/4" = 1'-0"

REVISIONS

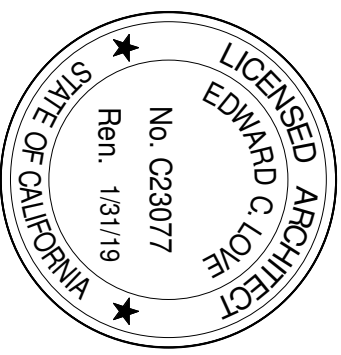
NOTE:
Proposed use of the jail is the same as current, museum. The use of the barn will be local historic museum.



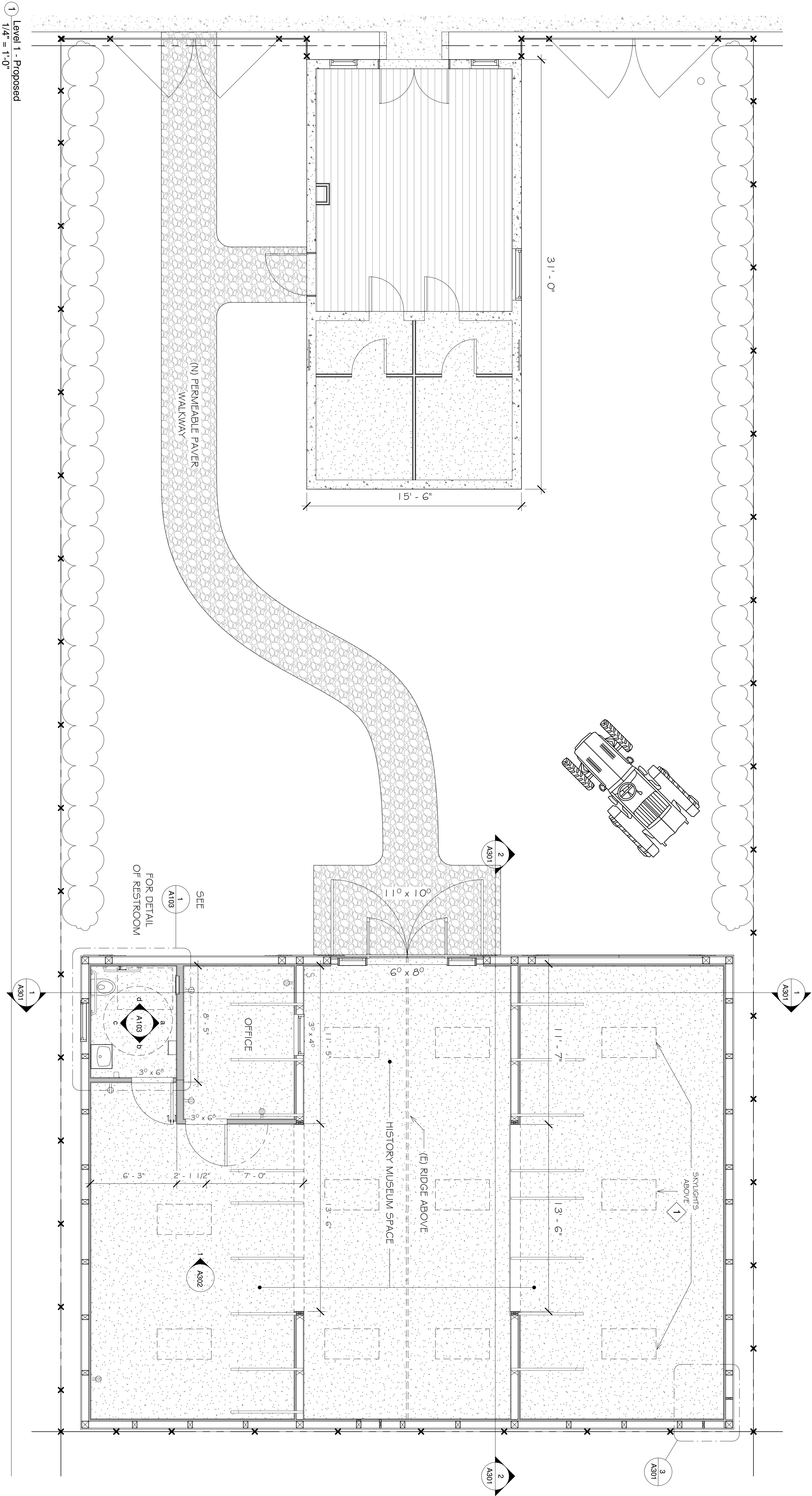
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Barn Museum Conversion
City of Half Moon Bay
511 Johnston St
Half Moon Bay, CA

Floor Plan - Proposed



DATE: 07/30/18
SCALE: 1/4" = 1'-0"
DRAWN: GMH
JOB: HMB
SHEET: A102
OF SHEETS



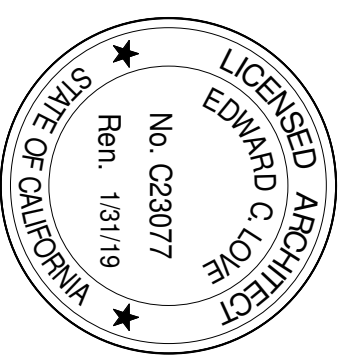
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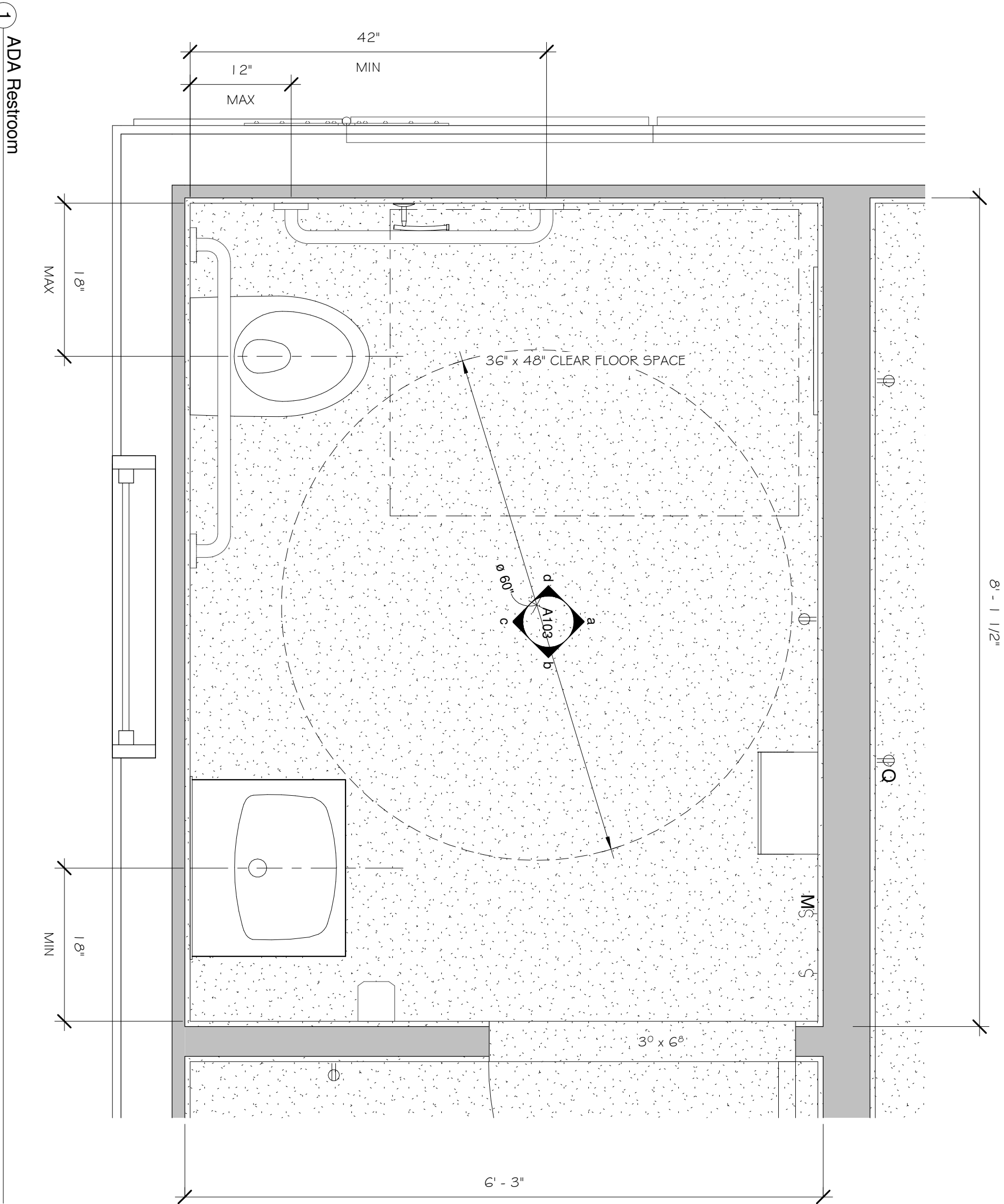
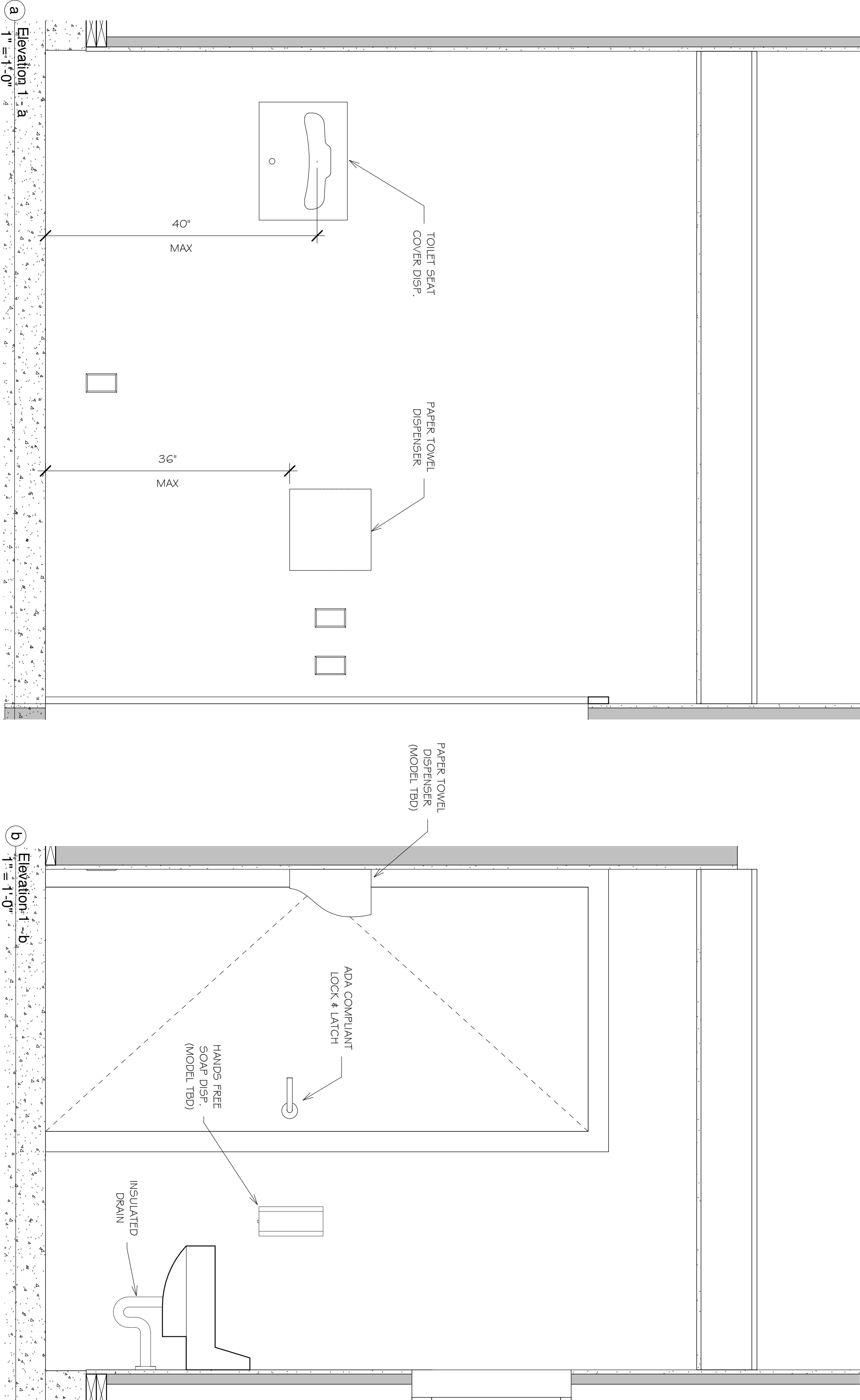
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Barn Museum Conversion
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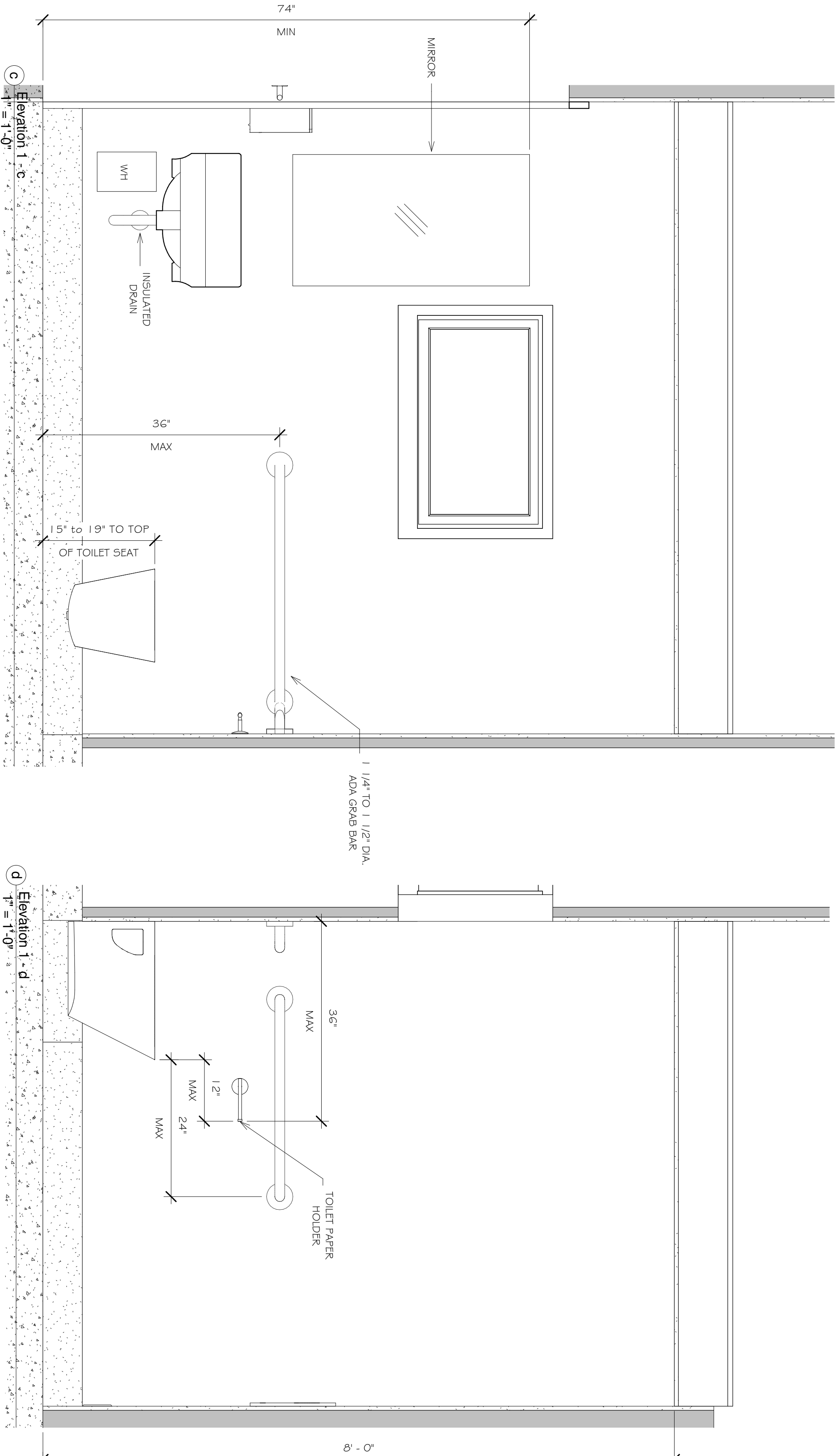
ADA Restroom



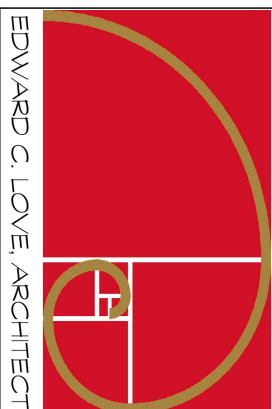
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OF SHEETS



1 ADA Restroom
1" = 1'-0"



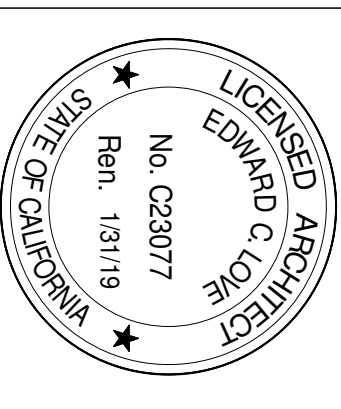
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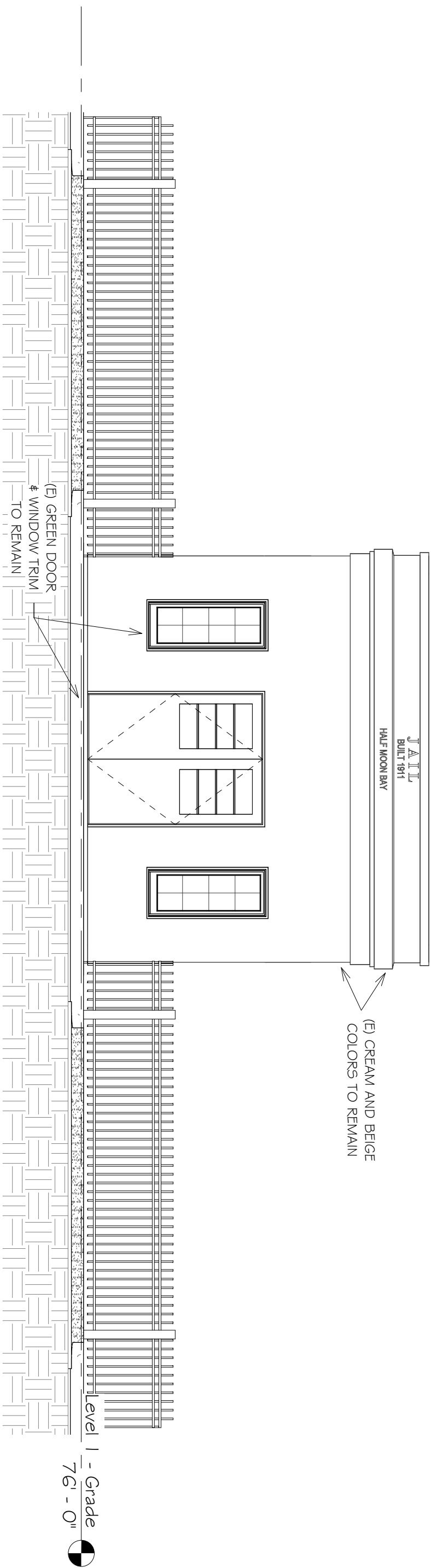
Barn Museum Conversion
City of Half Moon Bay
511 Johnston St
Half Moon Bay, CA

Elevation - West

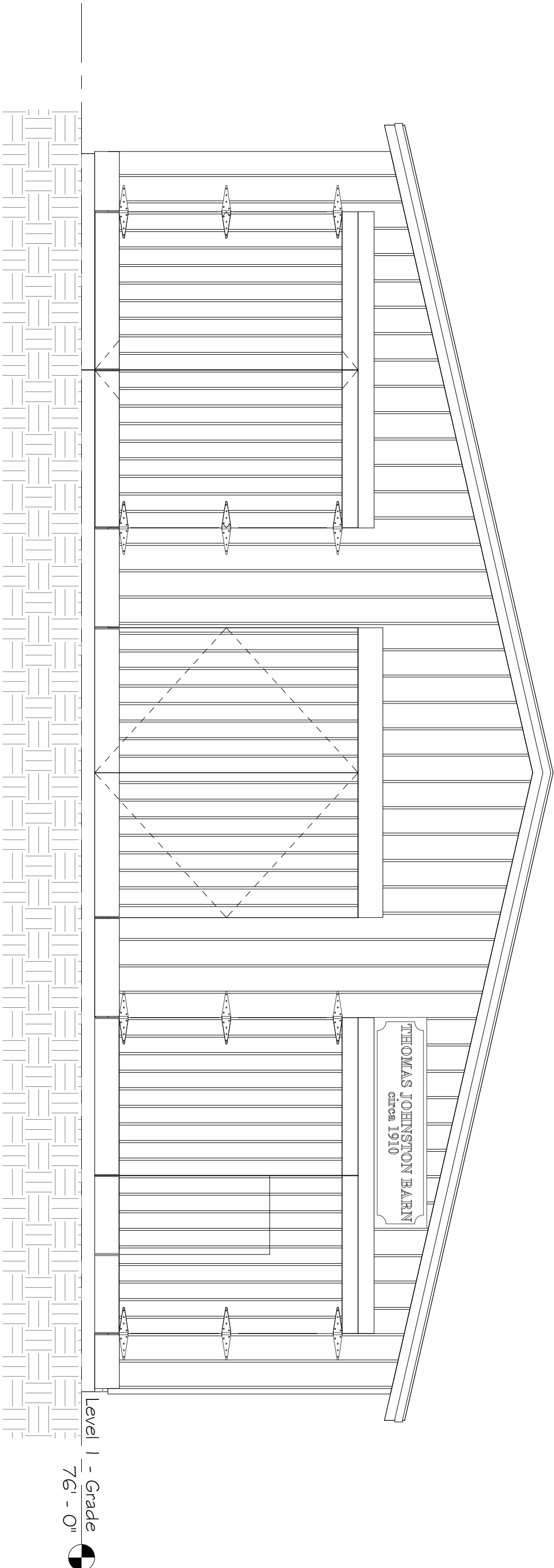


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OF	SHEETS

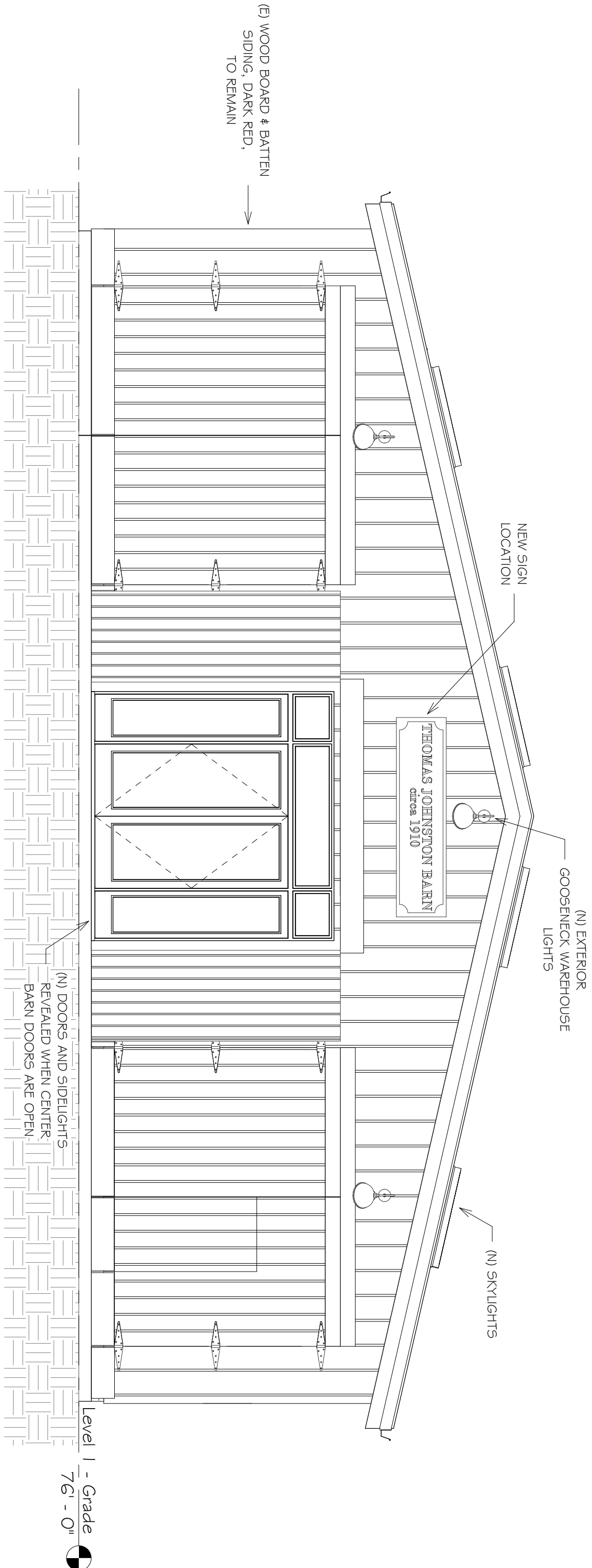
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2 West - Barn
1/4" = 1'-0"



3 West - Barn, Proposed
1/4" = 1'-0"

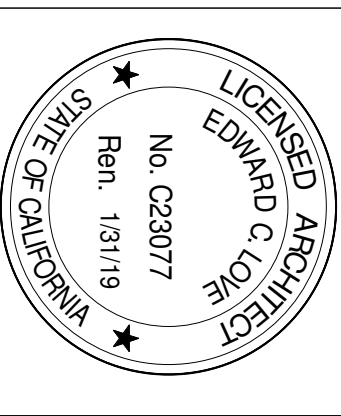




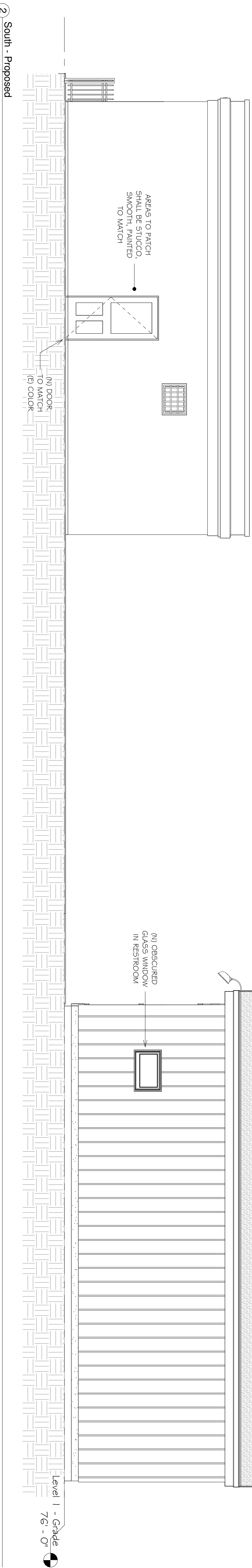
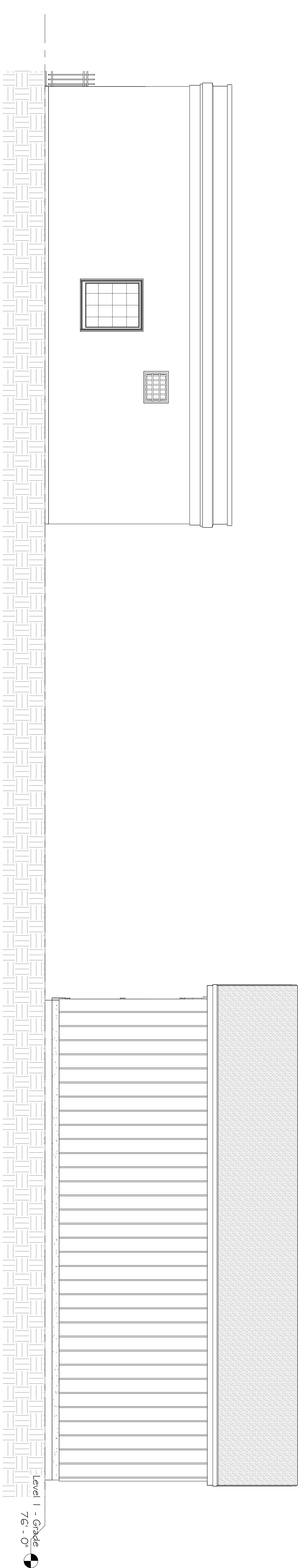
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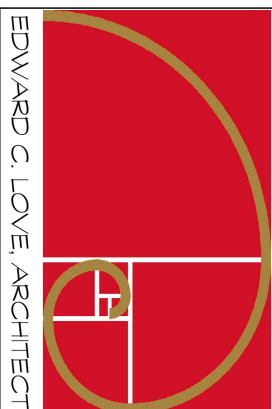
Barn Museum Conversion
City of Half Moon Bay
511 Johnston St
Half Moon Bay, CA

Elevation - South



DATE:	07/30/18
SCALE:	1/4" = 1'-0"
DRAWN:	GMH
JOB:	HMB
SHEET:	A202
OF	SHEETS

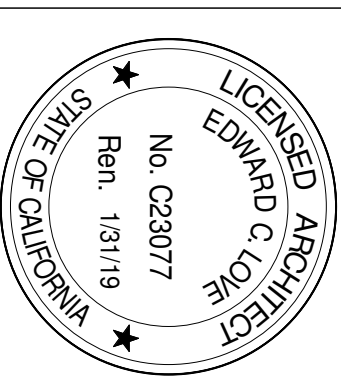




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Barn Museum Conversion
City of Half Moon Bay
511 Johnston St
Half Moon Bay, CA

Elevations - East &
North



DATE: 07/30/18

SCALE: 1/4" = 1'-0"

DRAWN: GMH

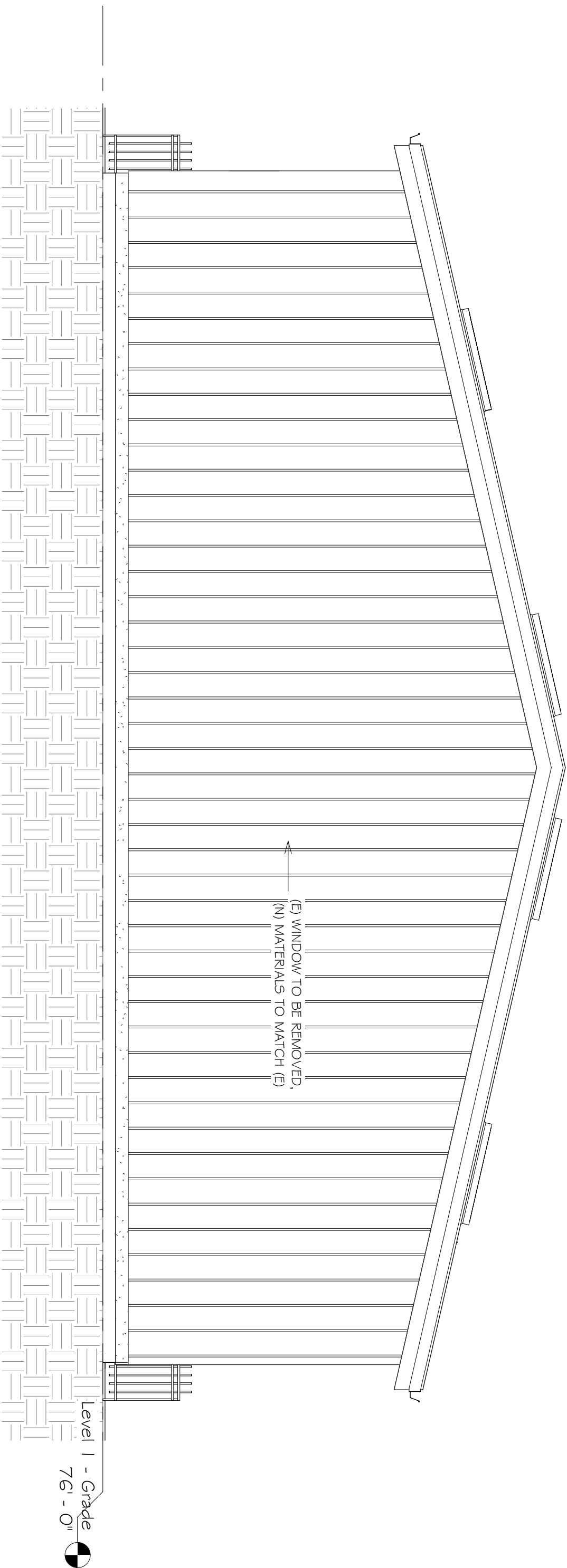
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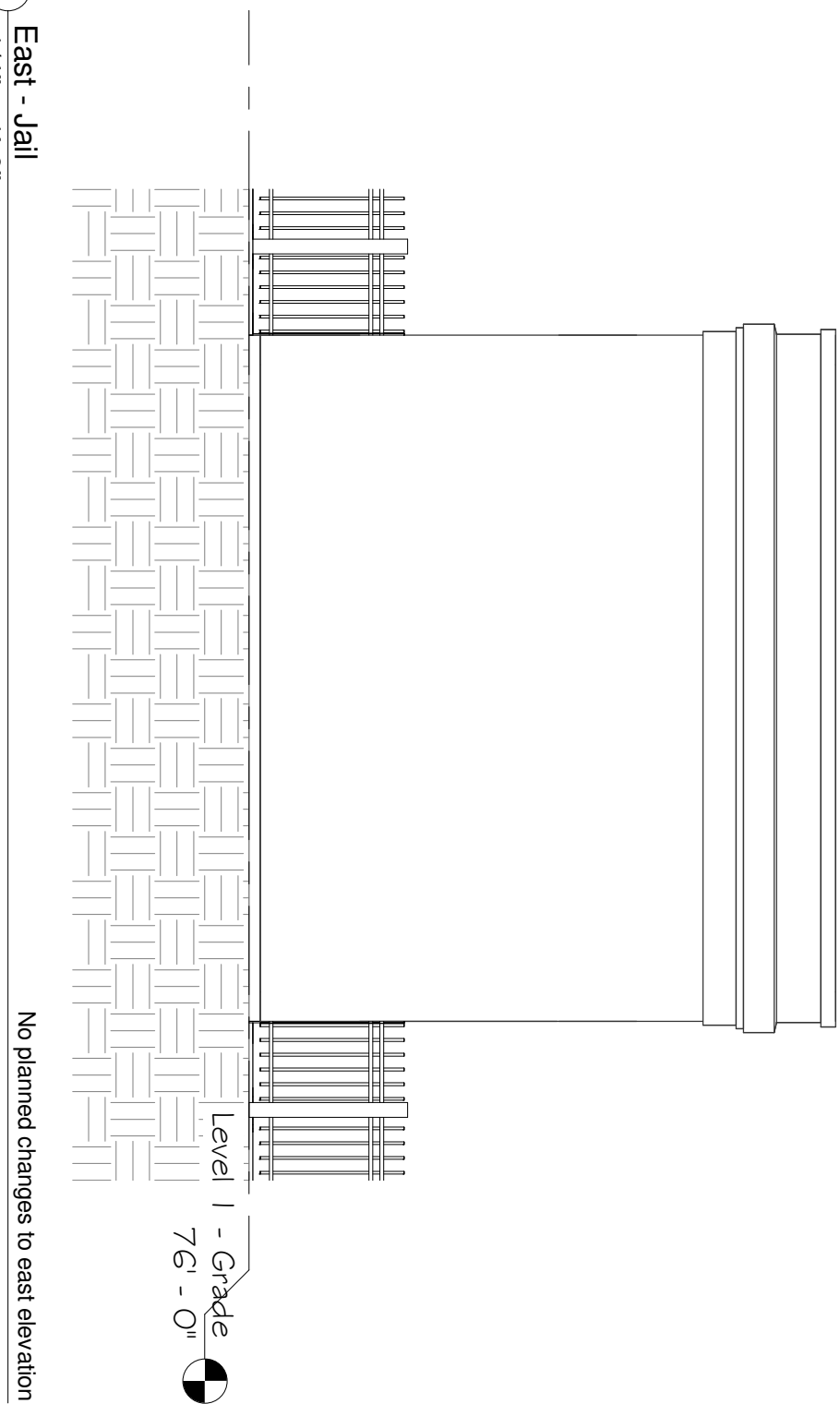
A203

OF SHEETS

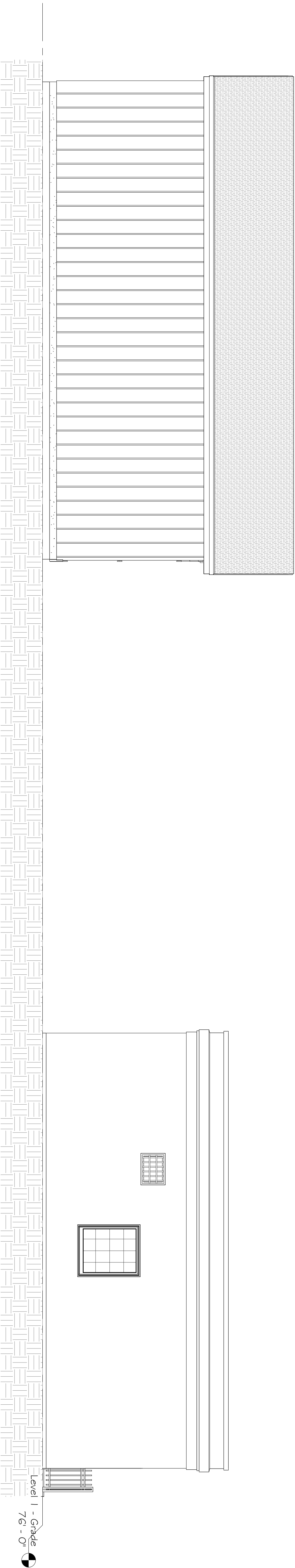
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1/4" = 1'-0"



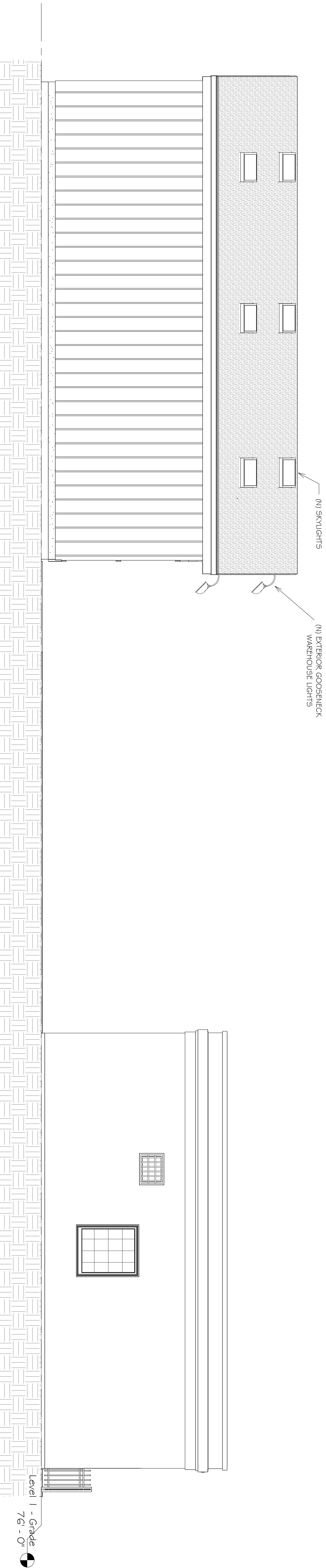
2 East - Jail
1/4" = 1'-0"



3 North
1/4" = 1'-0"



4 North - Proposed
1/4" = 1'-0"



REVISIONS

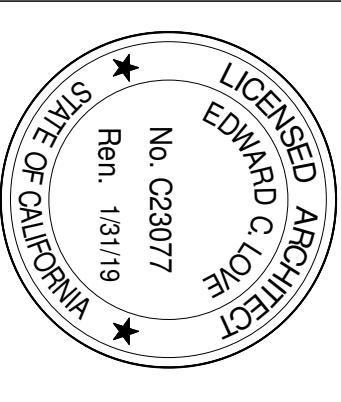


EDWARD C. LOVE ARCHITECT

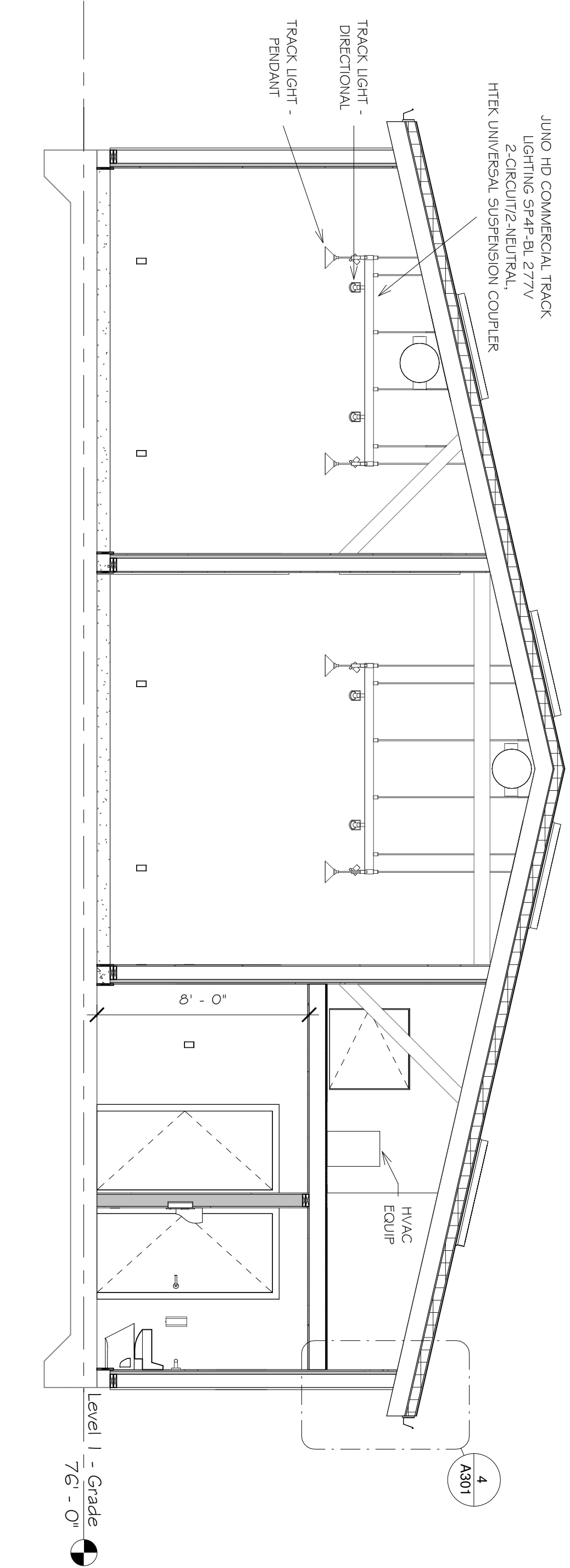
Edward C. Love
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edwardclovearch@gmail.com

Barn Museum Conversion
City of Half Moon Bay
511 Johnston St
Half Moon Bay, CA

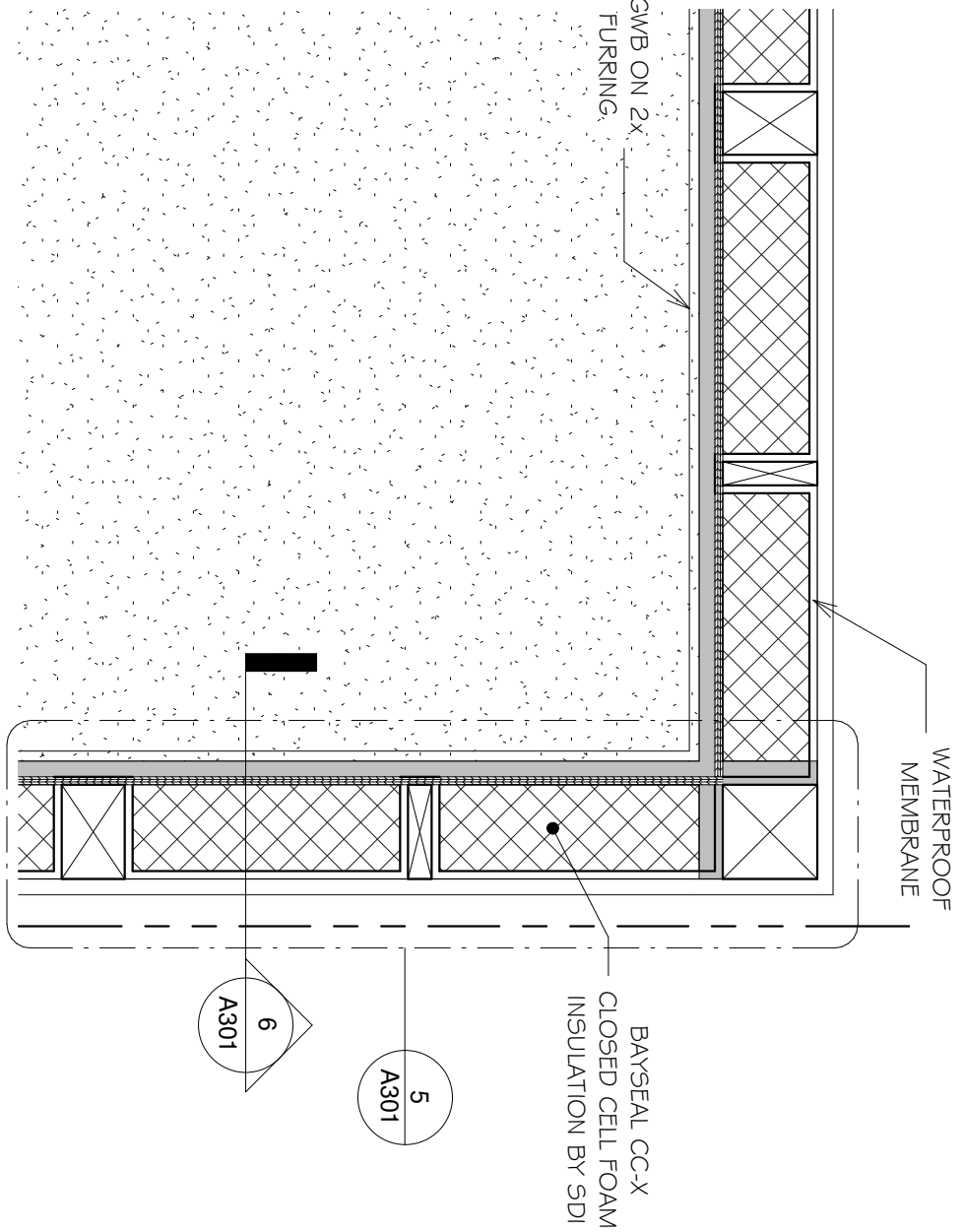
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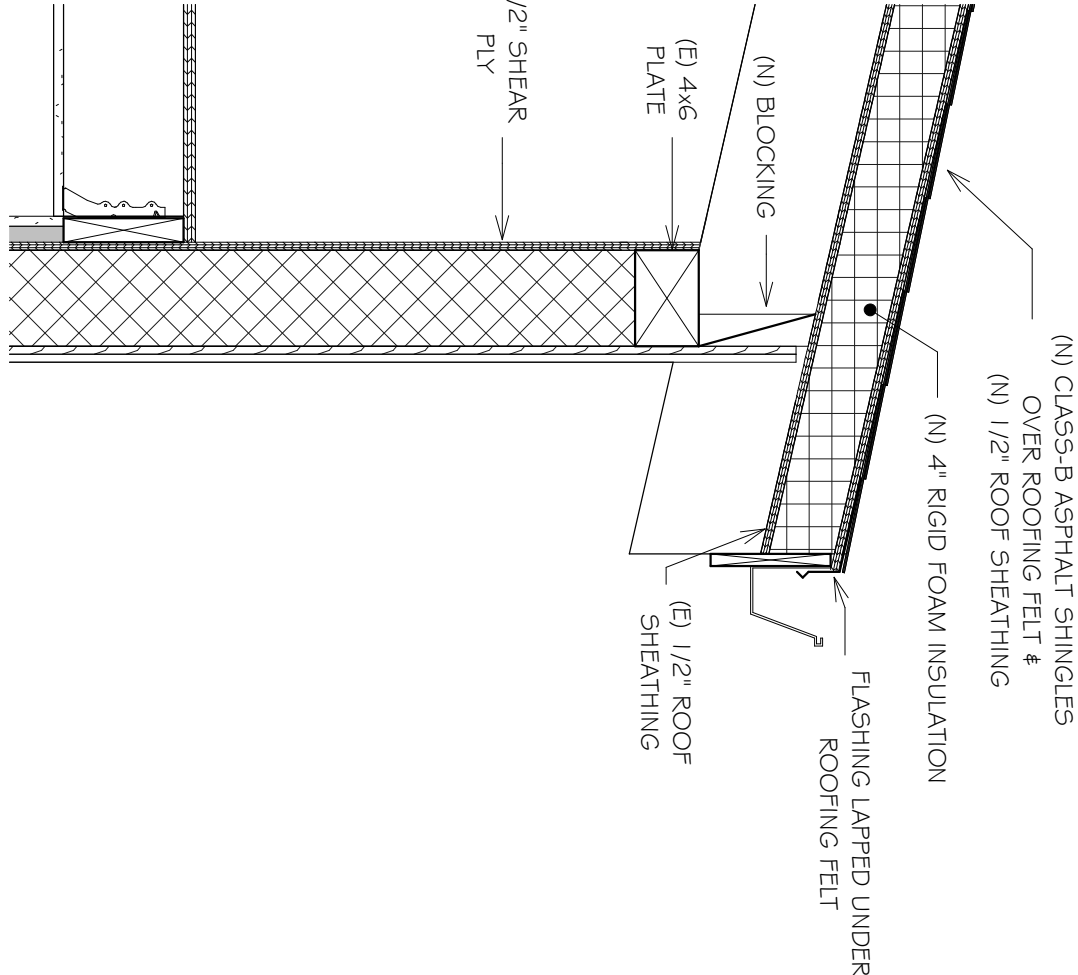
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DRAWN:	Author
JOB:	HMB
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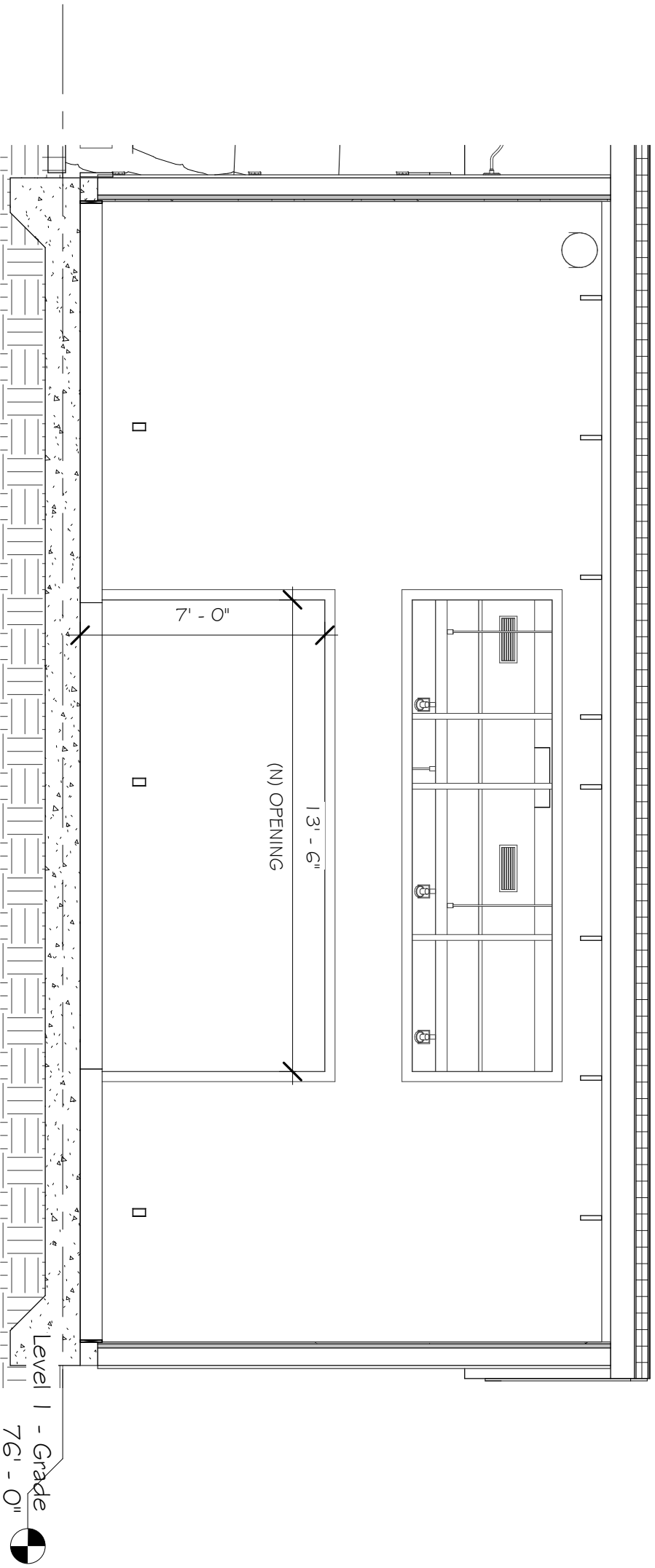
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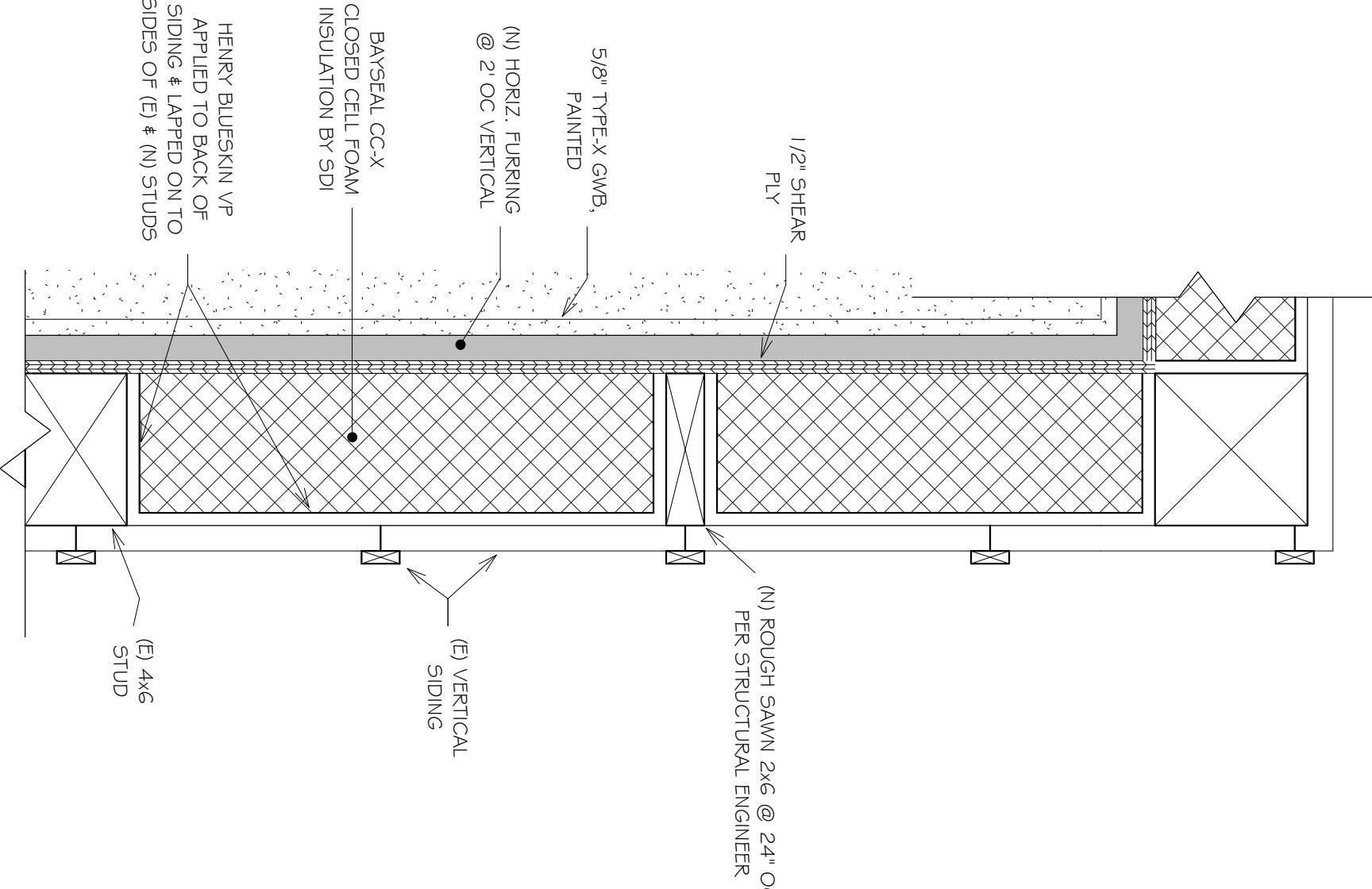
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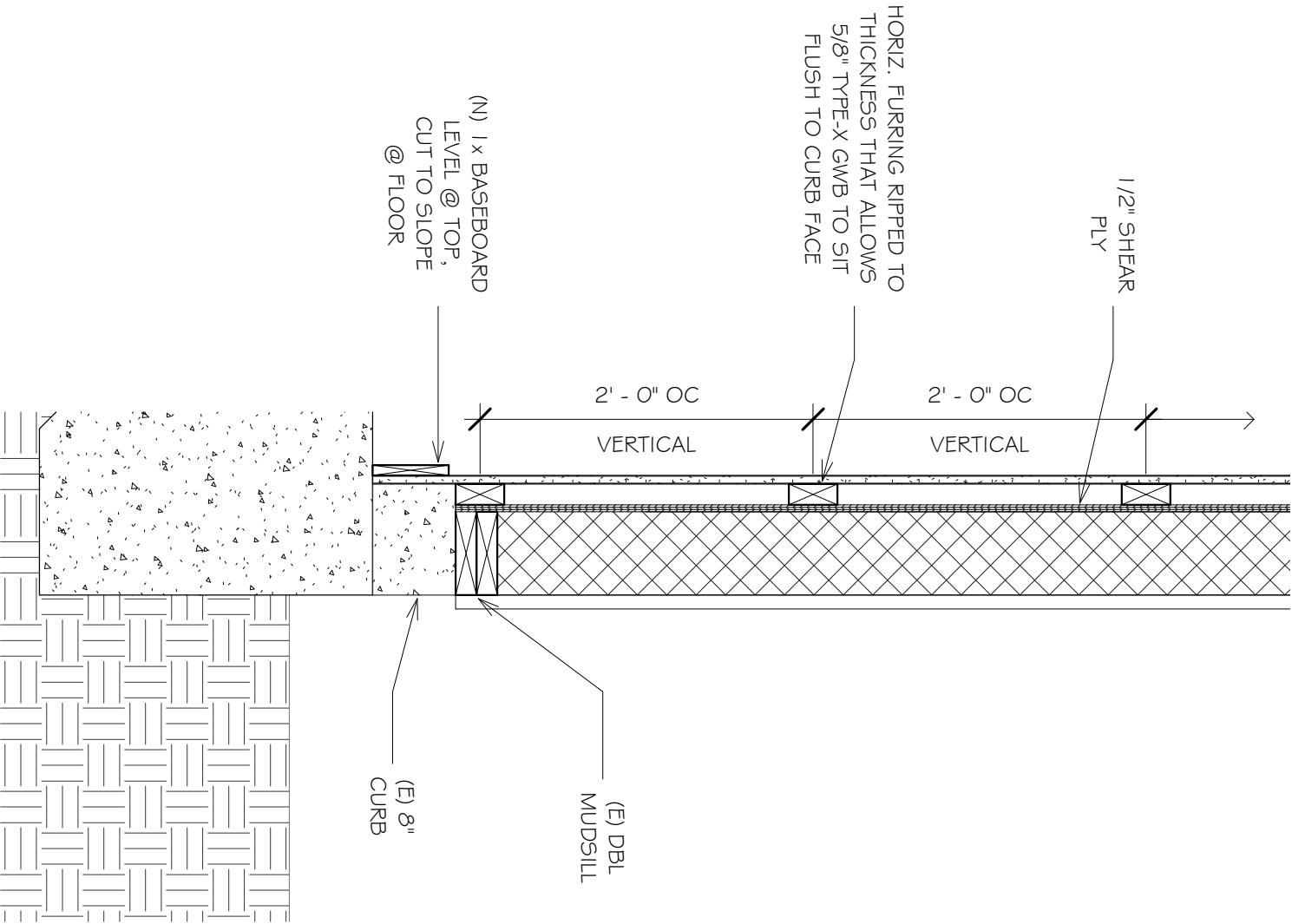
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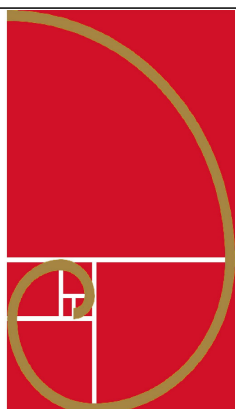
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5 Wall Detail
1:6



6 Wall Detail
1" = 1'-0"

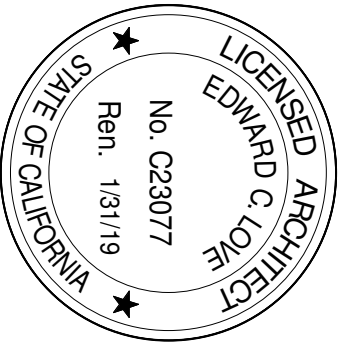


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Half Moon Bay, CA

Interior Elevation



DATE: 07/30/18

SCALE: 1" = 1'-0"

DRAWN: Author

JOB: HMB

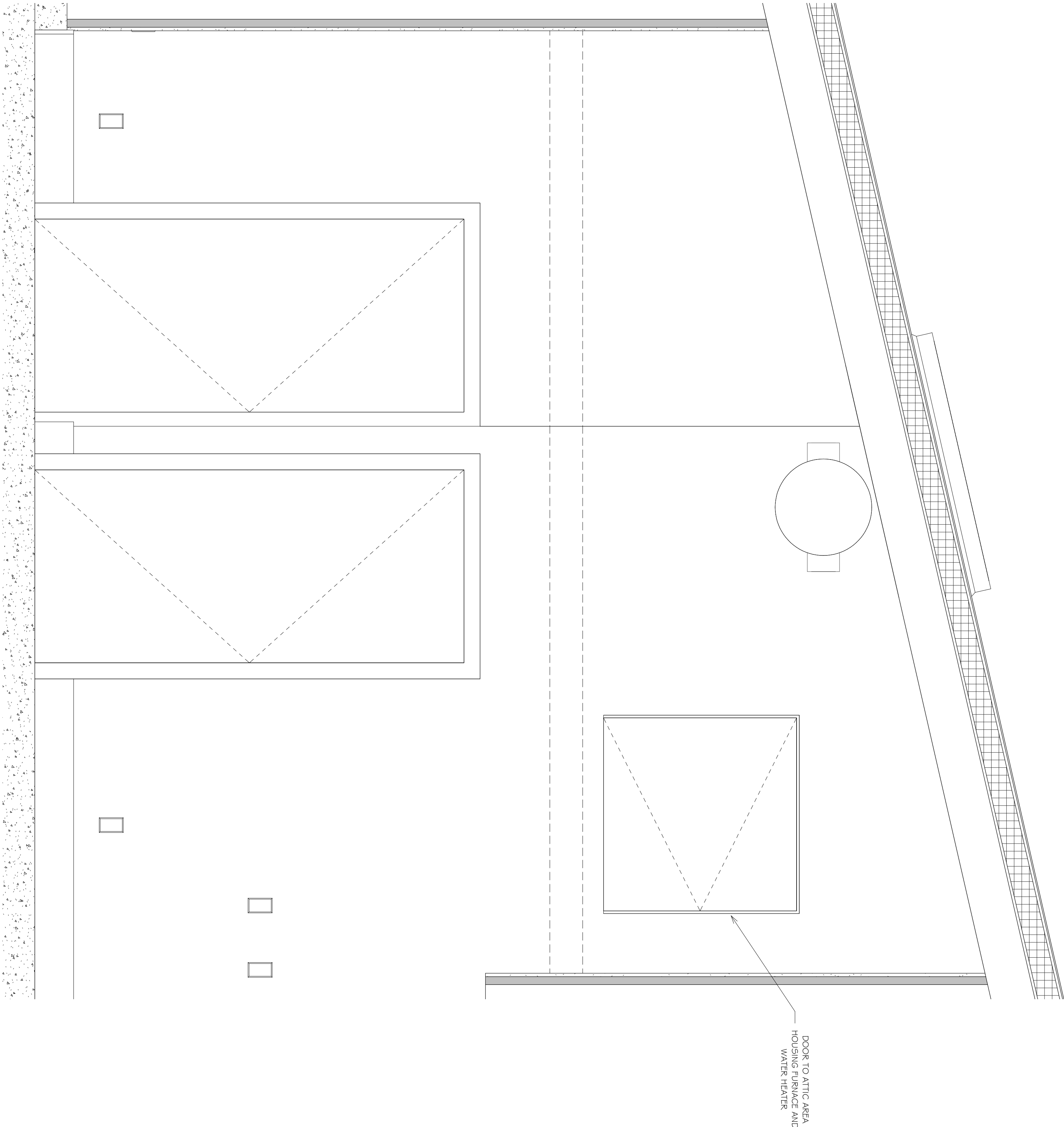
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A302

OF SHEETS

1 Elevation 2 - d

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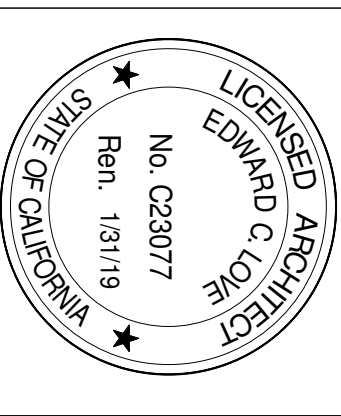




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Barn Museum Conversion
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Half Moon Bay, CA

Mechanical



DATE: 07/30/18

SCALE: 1/4" = 1'-0"

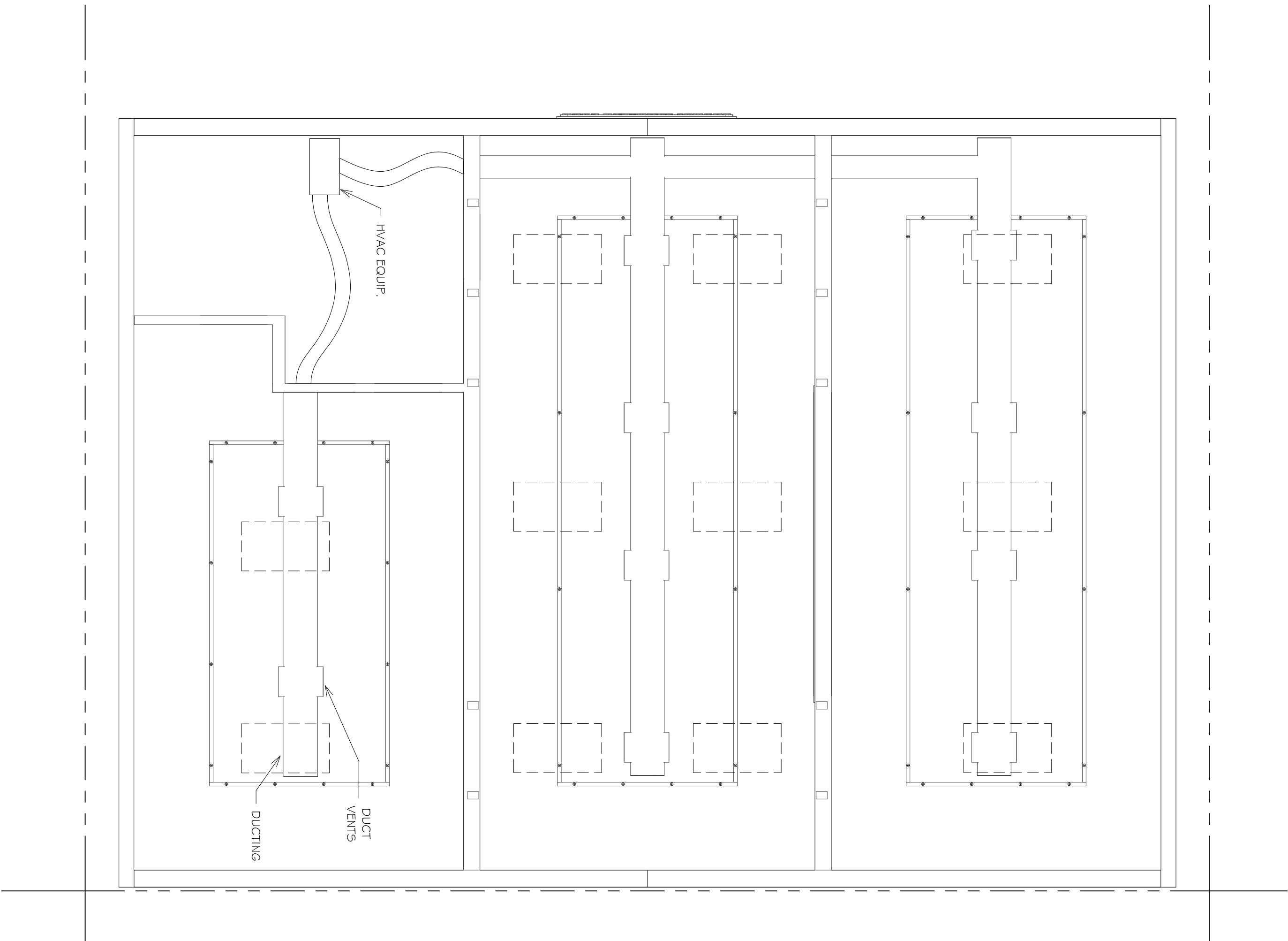
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JOB: HMB

SHEET:

M101

OF SHEETS



1 Level 3 - Mechanical
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BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 17, 2019**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Matthew Chidester, Deputy City Manager
Victor Gaitan, Management Analyst

TITLE: **MINIMUM WAGE ORDINANCE STUDY SESSION**

RECOMMENDATION:

Receive an update on the research, findings and outreach regarding a local minimum wage ordinance in the City of Half Moon Bay, and provide direction for the development of the recommended ordinance.

FISCAL IMPACT: There is no impact related to the update. If the City moves forward with a local minimum wage, staff estimates the annual fiscal impact to be between \$20,000 - \$40,000 to account for the administration, outreach, and enforcement of the ordinance. These costs include staff time and any contracted support that may be necessary for enforcement. Funding would come from the general fund.

STRATEGIC ELEMENT:

This action supports the *Fiscal Sustainability* and *Inclusive Governance* elements of the Strategic Plan.

BACKGROUND:

The City Council made exploring the establishment of a local minimum wage one of their five priorities for FY 2019-20. Following this direction, staff compiled research about the effects of local minimum wage ordinances on other cities and conducted outreach to local business stakeholders to collect feedback on the proposed policies.

Federal, State, and Local Minimum Wages

The minimum wage established by Federal, State and local government law sets the lowest wage an employer legally may pay to workers. The highest of any of these laws prevails. The Federal minimum wage for covered nonexempt employees has been set at \$7.25 per hour since 2009.

On April 4, 2016, the California Governor signed legislation (SB 3, Leno) which will raise California's minimum wage to \$15 per hour by January 1, 2022 for employers with 26 employees

or more and January 1, 2023 for employers with 25 employees or less. After January 1, 2023, future wage increases will be tied to changes in the Consumer Price Index (CPI), up to 3.5% per year. The Governor may suspend minimum wage increases during economic downturns. The increased minimum wage levels are applied uniformly across the state. The law also maintains existing exemptions in the minimum wage law.

State of California Minimum Wage		
Effective Date	Employers w/ 25 Employees or Less	Employers w/ 26 Employees or More
January 1, 2016	\$10.00	\$10.00
January 1, 2017	\$10.00	\$10.50
January 1, 2018	\$10.50	\$11.00
January 1, 2019	\$11.00	\$12.00
January 1, 2020	\$12.00	\$13.00
January 1, 2021	\$13.00	\$14.00
January 1, 2022	\$14.00	\$15.00
January 1, 2023	\$15.00	\$15.00
January 1, 2024	CPI	CPI

Local governments retain the ability to adopt local minimum wage ordinances. Such ordinances can increase the minimum wage more rapidly than the statewide timeframe or can increase the minimum wage beyond the level set by the State. Currently, Half Moon Bay employers are subject to Federal and State minimum wage laws. Since the State's law on minimum wage is higher than the Federal law, covered employers are required to pay the State's minimum wage. Similarly, should the City enact a local minimum wage ordinance that is higher than State law, covered employers are required to pay the City's minimum wage.

Twenty-nine states and the District of Columbia have wages higher than the federal minimum of \$7.25 per hour. As of October 2019, forty-nine local agencies (cities and counties) across the country had enacted a local minimum wage ordinance. Nineteen of the forty-nine agencies are cities located in the Bay Area.

Currently, there are six cities in San Mateo County with adopted local minimum wage ordinances (San Mateo, Belmont, Redwood City, Daly City, Menlo Park, and South San Francisco). In addition to Half Moon Bay, the Cities of San Carlos and Burlingame are also currently considering adopting local minimum wage ordinances. A summary of the adopted ordinances is attached.

Minimum Wage Studies

Staff looked at half a dozen contemporary minimum wage studies, including reports from the Congressional Budget Office, Center on Wage and Employment Dynamics, and the National Bureau of Economic Research. These studies focused on dozens of American cities, particularly a 2018 report from the London School of Economics, which tracked and discussed the impacts of 138 minimum wage increases in the United States from 1979 to 2016.

Increased minimum wage costs can affect businesses in several ways. In the studies the City reviewed, common responses to an increased minimum wage included passing on the additional cost to consumers via the price of goods and services, as well as reducing staff hours. None of the studies, however, showed statistically significant findings of businesses going out of business solely because of the increase in minimum wage costs. According to the Congressional Business Office, “over time, as businesses increasingly pass their higher costs on to consumers, the losses in business income diminish and the losses in families’ real income grows.” Collectively, these studies agreed that research on minimum wage impacts for employees and employers is outpacing policymaking, but that current data showed positive or neutral effects for employees receiving minimum wage increases.

The most critical study of minimum wage increases that the City researched was “Minimum Wage Increases and Individual Employment Trajectories,” from the National Bureau of Economic Research. It stated that workers had 45 minutes cut from their shift each week by employers, but employees made up the difference in lost earnings from increased wages. The Institute for Research on Labor and Employment found in its research of approximately 40 American cities that increased minimum wages from 2005 to 2017 lead to “substantial declines in household and child poverty,” but stressed more long-term research is needed.

Outreach and Feedback

Over the last two months, City staff have conducted outreach to business owners and key business stakeholder groups about the proposed increase to the local minimum wage in Half Moon Bay. Outreach methods included e-mails, phone calls, 1-on-1 meetings, roundtable business meetings, and a postcard that was mailed to every business registered in the city (approximately 550 businesses) inviting businesses to attend a business stakeholder meeting. In addition, the City has established a dedicated webpage on the city’s website for the minimum wage initiative.

City staff met or spoke with the following key business stakeholder groups:

- Half Moon Bay Coastside Chamber of Commerce
- Half Moon Bay Hotel Business Improvement District
- Downtown Business Association
- San Mateo County Central Labor Council
- San Mateo County Convention and Visitors Bureau
- California Restaurant Association
- San Mateo County Farm Bureau

Stakeholder Feedback

Organized Labor

Representatives of the San Mateo County Central Labor Council expressed overwhelming support for a \$15.00 per hour minimum wage and expressed that they have supported every minimum wage increase that has occurred in San Mateo County.

Small Group Business Meetings / One-on-One Meetings

Based on the research collected, staff conducted outreach with the premise of establishing a local minimum wage of \$15 per hour by July 1, 2020. Outreach to local businesses in Half Moon Bay included a mix of small group business meetings (mainly with the Downtown Business Association and the Hotel Business Improvement District) and some One-on-One interactions. Several of the retail and professional businesses shared that they are already paying employees at least \$15 or more and don't feel that the local minimum wage ordinance would adversely affect them. Restaurants and Hotels expressed the greatest concern about having a significant increase in local minimum wage. Concerned businesses shared that going straight to \$15 on July 1, 2020 is a big jump (\$2 over the state minimum) and would be difficult to bear in the middle of the calendar year. These businesses mentioned that budgets have already been set for 2020 and considering the significant payroll administration work that has to be conducted to adjust employees' wages, they would be much more open to a wage increase taking effect on January 1, 2021. Some businesses expressed that the largest wage increase they could realistically handle with minimal adverse effects is \$1.50 increase at most, and ideally, they'd prefer an incremental increase over a one to two-year period.

Business also addressed the issue of wage compaction noting that as wages for their lowest paid workers are raised, wages for all other workers must increase as well leading to increased costs across the board. Some conveyed that increases in wages also leads to increases in operating costs on Social Security, Medicare, and Workers Compensation as they are tied to employee compensation. Additionally, some restaurateurs had concerns around the impact of tipped employees and the wage disparity with kitchen staff. In mentioning that several other cities in San Mateo County have already enacted their own local minimum wage ordinances, businesses repeatedly mentioned that due to the nature of Half Moon Bay being a tourist economy, businesses run on thinner margins and don't see the foot traffic that larger cities see. Due to this, they expressed that it is difficult to compare Half Moon Bay to other cities and that businesses in Half Moon Bay would be more adversely affected by minimum wage increases than other cities.

Overall, while some businesses who are already paying \$15 or more per hour expressed support, the general feedback staff received from most businesses was of concern and asking for more time to prepare for any potential increase or for an incremental increase.

Tipped vs. Non-Tipped Employees

Some of the feedback staff received from restaurants and hotels asked about the possibility of excluding tipped workers from any local minimum wage. Consistent with an opinion from the State of California Office of Legislative Counsel, cities cannot allow for a different minimum wage for tipped employees vs non-tipped employees. All employees would be subject to the same local minimum wage requirement regardless of tips or gratuities received.

Exceptions for Federal, State, and County Agencies, including School Districts

Local minimum wage ordinances cannot impose a minimum wage on Federal, State, or County agencies, including school districts. Each has their own jurisdiction and is not subject to our oversight when it relates to their government function. They can subject themselves to the City's ordinance, if they choose, but they are voluntarily consenting to the City's regulations in that case.

Learners Wage

An employee who is a learner, as defined by the California Industrial Welfare Commission Order No. 4-2001, shall be paid no less than 85 percent of the applicable Minimum Wage for the first 160 hours of employment. Thereafter, the employee shall be paid the applicable minimum wage rate.

DISCUSSION:

Based on the direction staff received from the City Council at its priority setting session and input from key stakeholders, staff has prepared the following alternatives for City Council consideration, input, and further direction:

- **Alternative A:** Take no action at the local level with Half Moon Bay Employers adhering to the State's phased-in minimum wage schedule, which will reach \$15 an hour by 2022.
- **Alternative B:** Adopt a local minimum wage ordinance that increases the minimum wage in Half Moon Bay to \$15 per hour for all employers starting on July 1, 2020. Annual increases based on the Consumer Price Index would begin on January 1, 2021.
- **Alternative C:** Adopt a local minimum wage ordinance that increases the minimum wage in Half Moon Bay to \$15 per hour for all employers starting on January 1, 2021. Annual increases based on the Consumer Price Index would begin on January 1, 2022.
- **Alternative D:** Adopt a local minimum wage ordinance that increases the minimum wage in Half Moon Bay to \$14 per hour for all employers starting on July 1, 2020. This would be followed by an increase to \$15 per hour on January 1, 2021. Annual increases based on the Consumer Price Index would begin on January 1, 2022.

Options that other cities have explored and implemented include having separate wage tiers for non-profits vs all other businesses or different wage tiers for employers with 26 or more employees vs employers with 25 employees or less.

RECOMMENDATION:

Staff seeks direction from council on how to proceed with one of the proposed alternatives, or with any other feedback the council may have.

Attachments:

- A. Summary of Minimum Wage Ordinances in San Mateo County

Attachment A:
Summary of Minimum Wage Ordinances in San Mateo County

San Mateo - On August 15, 2016, the San Mateo City Council adopted a Minimum Wage Ordinance with a wage schedule whereby most employers are required to pay \$15 per hour by 2019. Non-profit organizations that are tax-exempt per Section 501(c)(3) of the tax code were provided with an extended time frame to reach \$15 per hour beginning January 1, 2020.

City of San Mateo Minimum Wage		
Effective Date	Citywide	Nonprofit
January 1, 2016	\$10.00	\$10.00
January 1, 2017	\$12.00	\$10.50
January 1, 2018	\$13.50	\$12.00
January 1, 2019	\$15.00	\$13.50
January 1, 2020	\$15.00+CPI	\$15.00+CPI
January 1, 2021	CPI	CPI
January 1, 2022	CPI	CPI
January 1, 2023	CPI	CPI

Belmont – On November 14, 2017, the City Council adopted an ordinance to increase Belmont’s minimum wage rate to \$15.00 per hour by 2020. Beginning on January 1, 2021, the minimum wage will adjust annually based on the regional Consumer Price Index (CPI). On January 1, 2021, the Belmont minimum wage will be increased by the 2020 and 2019 CPI; this will align Belmont’s minimum wage with the City of San Mateo’s minimum wage program - \$15.00 + 2020 CPI + 2019 CPI.

City of Belmont Minimum Wage	
Effective Date	Citywide
January 1, 2018	\$12.50
January 1, 2019	\$13.50
January 1, 2020	\$15.00
January 1, 2021	\$15.00 + 2020 CPI + 2019 CPI
January 1, 2022	CPI
January 1, 2023	CPI

Redwood City – On April 9, 2018, the City Council adopted an ordinance to increase the minimum wage rate to \$15 an hour plus an amount corresponding to the prior years increase in the cost of living by January 1, 2020. Beginning on January 1, 2021 the minimum wage will adjust annually based on the regional Consumer Price Index (CPI).

City of Redwood City Minimum Wage	
Effective Date	Citywide
January 1, 2019	\$13.50
January 1, 2020	\$15.38 (\$15.00 + 2019 CPI)
January 1, 2021	CPI

Daly City – On January 14, 2019, the City Council adopted an ordinance that will increase the local minimum wage to \$15.00 per hour by 2021. Beginning on January 1, 2022 the minimum wage will adjust annually based on the regional Consumer Price Index (CPI).

City of Daly City Minimum Wage	
Effective Date	Citywide
February 13, 2019	\$12.00
January 1, 2020	\$13.75
January 1, 2021	\$15.00
January 1, 2022 and thereafter	CPI

South San Francisco – On August 28, 2019, the City Council adopted an ordinance to increase South San Francisco's minimum wage rate to \$15 per hour by January 1, 2020. Beginning on January 1, 2021 the minimum wage will adjust annually based on the regional Consumer Price Index (CPI).

City of South San Francisco Minimum Wage	
Effective Date	Citywide
January 1, 2020	\$15.00
January 1, 2021 and thereafter	CPI

Menlo Park – On September 24, 2019, the City Council adopted an ordinance to increase Menlo Park’s minimum wage rate to \$15 per hour by January 1, 2020. Beginning on January 1, 2021 the minimum wage will adjust annually based on the regional Consumer Price Index (CPI).

City of Menlo Park Minimum Wage	
Effective Date	Citywide
January 1, 2020	\$15.00
January 1, 2021 and thereafter	CPI