CITY COUNCIL AGENDA
REGULAR MEETING
CITY OF HALF MOON BAY

TUESDAY, DECEMBER 1, 2020

REMOTE PARTICIPATION (SEE NEXT PAGE)

Adam Eisen, Mayor
Robert Brownstone, Vice Mayor
Deborah Penrose, Councilmember
Harvey Rarback, 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/

SPECIAL REMOTE PROTOCOLS

In accordance with Governor Newsom's Executive Order No-29-20, this will be a teleconference meeting without a physical location to help stop the spread of COVID-19. This meeting will be conducted entirely by remote participation, in compliance with the Governor's Executive Order N-29-20 allowing for deviation of teleconference rules required by the Ralph M. Brown Act.

This meeting will be conducted via Zoom Webinar. Members of the public are welcome to login into the webinar as Attendees. During any public comment portions, attendees may use the "raise your hand" feature and will be called upon and unmuted when it is their turn to speak. Written comments (jblair@hmbcity.com) submitted by 5:00 p.m. on meeting day will be added to the online agenda packet and emailed to the City Council. The meeting will also be streamed on Channel 27, on pacificcoast.tv, on Facebook in English at www.facebook.com/cityofhalfmoonbay and in Spanish at www.facebook.com/halfmoonbayrecreation. Please click to join the webinar: https://zoom.us/j/93627876187 or join by phone at 669-900-9128, using Webinar ID 936-2787-6187.

CALL TO ORDER / ROLL CALL

PUBLIC FORUM

PROCLAMATIONS AND PRESENTATIONS
COUNTY OF SAN MATEO - CONTACT TRACING PRESENTATION

MAYOR'S ANNOUNCEMENTS OF COMMUNITY ACTIVITIES AND COMMUNITY SERVICE

REPORT OUT FROM RECENT CLOSED SESSION MEETINGS

CITY MANAGER UPDATES TO COUNCIL
COVID-19 UPDATE
POPLAR PILOT PARKING PROJECT UPDATE

1. CONSENT CALENDAR

1.A WAIVE READING OF RESOLUTIONS AND ORDINANCES

1.B SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT BOARD OF TRUSTEES APPOINTMENT

Staff Recommendation: By motion, reappoint Kati Martin as the City of Half Moon Bay's representative to the San Mateo County Mosquito Abatement District Board of Trustees for a four-year term commencing on January 4, 2021.

STAFF REPORT

1.C APPROVE CITY'S RESPONSE TO THE OCTOBER 7, 2020 GRAND JURY REPORT ENTITLED "RANSOMWARE: IT IS NOT ENOUGH TO THINK YOU ARE PROTECTED"

Staff Recommendation: By motion, authorize the Mayor to sign and submit a letter of response to the October 7, 2020 Grand Jury Report titled "Ransomware: It Is Not Enough To think You Are Protected" no later than January 5, 2020.

STAFF REPORT

ATTACHMENT 1

ATTACHMENT 2

1.D AB1600 REPORT ON DEVELOPMENT IMPACT FEES FOR FISCAL YEAR ENDED JUNE 30, 2020

Staff Recommendation: Accept the AB 1600 Report on Development Impact Fees for fiscal year ended June 30, 2020.

STAFF REPORT

1.E AGREEMENT WITH STEPFORD, INC. FOR INFORMATION TECHNOLOGY SERVICES

Staff Recommendation: Adopt a resolution authorizing the City Manager to execute a revision to the three-year contract agreement with Stepford, Inc. for fiscal years 2019 through 2022. The revisions will cover the remaining two years of the agreement beginning July 1, 2020 and ending June 30, 2022 for the continuation of information technology services at a cost of $180,180 per year.

STAFF REPORT

RESOLUTION

1.F 2021 RESIDENTIAL DWELLING UNIT ALLOCATION PURSUANT TO HALF MOON BAY MUNICIPAL CODE CHAPTER 17.06 (MEASURE D)

Staff Recommendation: Adopt a resolution setting the 2021 Residential Dwelling Unit Allocation and Administration System pursuant to Half Moon Bay Municipal Code Chapter 17.06 for 66 residential dwelling units, 44 units for Downtown and 22 units outside of Downtown.

STAFF REPORT

RESOLUTION

ATTACHMENT 2

1.G FIRST AMENDMENT TO THE HALF MOON BAY HISTORY ASSOCIATION LEASE AGREEMENT FOR 503 JOHNSTON STREET

Staff Recommendation: Adopt a resolution authorizing the City Manager to execute a First Amendment to the Lease Agreement with the Half Moon Bay History Association by granting a one-year extension to begin construction of a new museum on the history property located at 503 Johnston Street.

STAFF REPORT

RESOLUTION

ATTACHMENT 2

ATTACHMENT 3

ATTACHMENT 4

2. ORDINANCES AND PUBLIC HEARINGS

3. RESOLUTIONS AND STAFF REPORTS

3.A PROPOSED ACQUISITION OF THE COASTSIDE INN BY THE COUNTY OF SAN MATEO FOR USE AS AN EMERGENCY HOMELESS SHELTER

Staff Recommendation: Receive a report on the County's proposed acquisition of the Coastside Inn, located at 230 Cabrillo Highway S, in Half Moon Bay, for use as emergency shelter for homeless residents on the Coastside during the COVID-19 pandemic, and future uses to be determined.

STAFF REPORT

ATTACHMENT 1

3.B UPDATE ON LOCAL RECOVERY EFFORTS FROM COVID-19 AND DEVELOPMENT OF RECOMMENDATIONS TOWARD A MORE RESILIENT, VIBRANT, AND DIVERSIFIED COASTSIDE ECONOMY

Staff Recommendation: Receive an update on efforts to assist local businesses and the Coastside community in recovery from COVID-19 and in developing recommendations toward a more resilient, vibrant, and diversified Coastside economy.

STAFF REPORT

3.C 880 STONE PINE ROAD ACQUISITION

Staff Recommendation: Adopt a resolution, in relation to the acquisition of 880 Stone Pine Road from the Peninsula Open Space Trust, for use as the City's corporation yard, authorizing:

1. An additional deposit of $25,000 to POST, if the City chooses to exercise an extension of the escrow period;
2. The use of no more than $2,180,000 in Operating Reserves to close escrow on the acquisition;
3. Receipt of iBank financing proceeds for reimbursement of expenses related to the acquisition and potential improvements to the property; and
4. Authorizing the City Manager to take any required actions to complete the transaction, including accepting any non-substantive changes to the terms and conditions of the acquisition and financing.

STAFF REPORT

RESOLUTION

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 1, 2020**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

From: Jessica Blair, Communications Director/City Clerk

TITLE: **SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT BOARD OF TRUSTEES APPOINTMENT**

RECOMMENDATION:
By motion, reappoint Kati Martin as the City of Half Moon Bay's representative to the San Mateo County Mosquito Abatement District (SMCMAD) Board of Trustees for a four-year term commencing on January 4, 2021.

FISCAL IMPACT:
None associated with this report.

STRATEGIC ELEMENT:
This recommendation supports the Inclusive Governance Element of the Strategic Plan.

BACKGROUND:
The District's stated mission is to safeguard the health and comfort of the citizens of San Mateo County through a planned program to monitor and reduce mosquitoes and other vectors. San Mateo County voters approved annexation to the District in 2003. Each city in San Mateo County nominates one individual to serve as the representative on the Board of Trustees. Ms. Martin has indicated her continuing interest to serve as the City of Half Moon Bay's representative.

DISCUSSION:
The City Council reappointed Kati Martin to the Board on March 7, 2017, for a term of four years. The District has asked that the City align its appointment date to be in compliance with Health and Safety Code Section 2020, which dictates that terms of office for this board shall commence on the first Monday in January and can extend for two or four years. The District Manager has asked that the City Council make an appointment to expire on December 31, 2022, or December 31, 2024. The Council may use its discretion to decide which term length it desires. The staff recommendation includes a four-year term per past practice.

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 1, 2020**

TO: Honorable Mayor and City Council

FROM: Bob Nisbet, City Manager

TITLE: **APPROVE CITY'S RESPONSE TO THE OCTOBER 7, 2020 GRAND JURY REPORT ENTITLED "RANSOMWARE: IT IS NOT ENOUGH TO THINK YOU ARE PROTECTED"**

RECOMMENDATION:
By motion, authorize the Mayor to sign and submit a letter of response to the October 7, 2020 Grand Jury Report titled "Ransomware: It Is Not Enough To think You Are Protected" no later than January 5, 2020.

FISCAL IMPACT:
There is no fiscal impact associated with responding to the Grand Jury Report.

STRATEGIC ELEMENT:
This action supports the Inclusive Governance Elements of the Strategic Plan.

BACKGROUND:
The Grand Jury issued a report on October 7, 2020 on the risks of ransomware and other Information Technology security recommendations and best practices. The San Mateo County Grand Jury report is included as Attachment 1.

DISCUSSION:
As required by the San Mateo County Civil Grand Jury, each City including Half Moon Bay is obligated to respond to the Findings and Recommendations contained in the report by January 5, 2020. Attachment 2 includes the draft letter of response.

The October 7, 2020 Report focuses on recommendations and best practices as recommended by the Grand Jury, U.S. Department of Homeland Security, and the FCC. As is detailed in the response, many of the recommendations and best practices have already been completed as part of an annual review of City security measures.

The City generally concurs with the Grand Jury report and believes that we should always be looking at ways to improve our IT security measures which include providing staff with the best tools along with education on best practices to mitigate possible risk to City technology infrastructure. Many of the recommendations and requests had already been completed prior to the publication of this Grand Jury report. The City regularly reviews and plans its security

measures and at least once a year takes steps to mitigate the latest risks to its security. In an effort to greater enhance the measures taken to keep City technology safe and reduce risks, the City will consider enlisting the tools and services provided by the U.S. Department of Homeland Security and the FCC as an extra measure to ensure the continued security and reliability against the risks posed by cyber criminals.

ATTACHMENT:

1. San Mateo County Grand Jury Report "Ransomware: It Is Not Enough To Think You Are Protected"
2. Response Letter to San Mateo Grand Jury

2019-2020 Grand Jury

COUNTY OF SAN MATEO
Hall of Justice
400 County Center
Redwood City, CA 94063-1655
(650) 261-5066; Fax (650) 261-5147
grandjury@sanmateocourt.org

October 7, 2020

To: City Manager
City of Half Moon Bay

From: 2019-2020 San Mateo County Grand Jury

Re: Grand Jury Report: "Ransomware: It Is Not Enough To Think You are Protected"

THE ENCLOSED GRAND JURY REPORT IS AN INFORMATIONAL COPY. NO RESPONSE IS REQUIRED.

Superior Court of California, County of San Mateo
Hall of Justice and Records
400 County Center
Redwood City, CA 94063-1655

NEAL TANIGUCHI
COURT EXECUTIVE
OFFICER
CLERK & JURY
COMMISSIONER

(650) 261-5066
FAX (650) 261-5147
www.sanmateocourt.org

October 7, 2020

Councilmember
City of Half Moon Bay
501 Main Street
Half Moon Bay, CA 94019

Re: Grand Jury Report: "Ransomware: It Is Not Enough To Think You Are Protected"

Dear Councilmembers:

The 2019-2020 Grand Jury filed a report on October 7, 2020 which contains findings and recommendations pertaining to your agency. Your agency must submit comments, within 90 days, to the Hon. Danny Y. Chou. Your agency's response is due no later than January 5, 2021. **Please note that the response should indicate that it was approved by your governing body at a public meeting.**

For all findings, your responding agency shall indicate one of the following:

1. The respondent agrees with the finding.

2. The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

Additionally, as to each Grand Jury recommendation, your responding agency shall report one of the following actions:

1. The recommendation has been implemented, with a summary regarding the implemented action.

2. The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.

3. The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the Grand Jury report.

4. The recommendation will not be implemented because it is not warranted or reasonable, with an explanation therefore.

Please submit your responses in all of the following ways:

1. **Responses to be placed on file with the Clerk of the Court by the Court Executive Office.**

   - **Prepare original on your agency's letterhead, indicate the date of the public meeting that your governing body approved the response address and mail to Judge Chou.**

     Hon. Danny Y. Chou
     Judge of the Superior Court
     c/o Jenarda Dubois
     Hall of Justice
     400 County Center; 8th Floor
     Redwood City, CA 94063-1655.

2. **Responses to be placed at the Grand Jury website.**

   - **Copy response and send by e-mail to: grandjury@sanmateocourt.org. (Insert agency name if it is not indicated at the top of your response.)**

3. **Responses to be placed with the clerk of your agency.**

   - **File a copy of the response directly with the clerk of your agency. Do not send this copy to the Court.**

For up to 45 days after the end of the term, the foreperson and the foreperson's designees are available to clarify the recommendations of the report. To reach the foreperson, please call the Grand Jury Clerk at (650) 261-5066.

If you have any questions regarding these procedures, please do not hesitate to contact Paul Okada, Chief Deputy County Counsel, at (650) 363-4761.

Very truly yours,

Neal Taniguchi
Court Executive Officer

Enclosure

cc: Hon. Danny Y. Chou
Paul Okada

Information Copy: City Manager

Ransomware:
It Is Not Enough To Think You Are Protected

ISSUE

City and county government computer systems are at risk of Ransomware attacks. Are adequate measures being taken by local government agencies to mitigate the risks and provide recovery options?

SUMMARY

Ransomware has already hit many governmental Information Technology (IT) systems in San Mateo County. In December 2019 the Grand Jury sent an online survey to all 68 public entities in San Mateo County,[1] received 37 survey responses (a 54% response rate), and interviewed several responders including one IT Manager (who had refused to respond to the survey for fear of being successfully attacked once again), for a total of 38 responses via survey and interview. More than 25% (10 of 38) of the public entities responding to the Grand Jury reported that they have been a victim of one or more Ransomware attacks. More concerning is the certainty that there will be more attempts to violate the integrity of our local governments' electronic infrastructure.

This report is intended to present "best practices" in developing a Cybersecurity strategy, then implementing and testing that plan. It addresses actions that can be taken (and have been taken, in some cases) in order to guard against Ransomware attacks, recover from an attack and the additional measures that can be taken to reduce the possibility of an attack. However, it is not an exposé with details of potential system weaknesses, in light of the need for Cybersecurity strategies and practices to be highly confidential. As such, this report walks the line between providing an informed discussion of potential concerns without providing a road map of how to breach public government IT systems.

The single largest exposure every organization has to cyber-thieves is phishing, the illegal practice of sending legitimate-looking emails to an organization's employees. These emails may contain malware or links that, when clicked, infect the computer with a virus that can spread to the entire information systems network.

Although many email software programs include some level of protection against Ransomware attacks, such protections require customization and activation, and it is not clear that local public entity IT departments are undertaking these necessary customization and activation steps. In addition, training for new employees and recurring training for existing employees is critical to dramatically reducing the probability of a Ransomware infection. In some agencies, it appears

[1] See Appendix F: Public Entities in San Mateo County (Cities, County, School Districts, Special Districts)

that only limited training is provided for new employees with little or no recurring training provided for current employees.[2]

Ransomware and other malware attacks are a test to an organization's backup and restoration procedures.[3] The Grand Jury found that none of the survey responders has actually performed a full restore as a test of their backup process. However, without adequate testing, backups do not provide sufficient protection.

Rigorous preparation for an attack is essential if fast and full recovery is desired and the payment of a ransom is to be avoided. There are several significant steps that local public entities should take to improve their defenses, their ability to detect incursions, and their responses to Ransomware attacks. These steps include:

- Using firewalls to protect internal environments from breaches;
- Using malware detection software to monitor incoming emails and network activity;
- Ensuring that users are educated and tested to learn what to watch for and avoid, especially in emails;
- Developing and fully testing a thorough backup and restore strategy to enable a complete recovery from an attack;
- Putting in place internal controls such as subnets, which require departmental authorization to access other department's data or programs.

In addition, cloud hosting should be considered for email and certain applications to reduce the success of Malware and Ransomware attacks on information systems infrastructure.

While all attacks are malicious in terms of time and potential data loss, in the case of Ransomware (or worse, Ransomware 2.0 that also infects backup data) the financial cost of paying the ransom in order to remove the infection and restore a data system can be significant. Alternatively, if the decision is to not pay the ransom but to attempt to recover from the infection manually, the direct and indirect costs could be considerably more.

This report is directed to the governing bodies of government entities in San Mateo County urging them to have their IT staff confidentially and urgently assess their respective Ransomware protection strategies and training and then move with all deliberate speed to address any shortcomings in their Cybersecurity programs.

GLOSSARY

CLOUD COMPUTING
Cloud computing is the delivery of on-demand computing services -- from applications to storage and processing power -- typically over the internet and on a pay-as-you-go basis. Rather than owning their own computing infrastructure or data centers, companies can rent access to

---

[2] Grand Jury interviews

[3] Epicor Corporation, *Protecting Yourself From Ransomware*, January 2020

anything from applications to storage from a cloud service provider.[4] Some examples of this are Yahoo Mail, services like Google Docs, and customer relationship management software.[5]

CYBERSECURITY
Cybersecurity refers to the body of technologies, processes, and practices designed to protect networks, devices, programs, and data from attack, damage, or unauthorized access.[6] Cybersecurity is a combination of secure systems (hardware and software) built into technology as well as human intervention, monitoring, training, awareness, and recovery.

ENCRYPTION
The process of locking out the contents of a file and the renaming of the file such that it cannot be opened and used in the intended application (e.g. Microsoft Excel). Typically, a 128 Bit (or larger) encryption key (a long series of letters and numbers) is used first to encrypt then later to un-encrypt a file.

MALWARE
Short for "malicious software," this software is designed specifically to damage or disrupt computer systems. Not all malware is Ransomware because some malware has no related attempt to extort money.

PHISHING
The illegal practice of sending email claiming to be from reputable companies to induce individuals to reveal personal information or click on website links or open attachments that then install malware.

RANSOMWARE
Ransomware can be simply described as an infection on a host machine that prevents access to data until a ransom is paid. The most common method of infection is to encrypt files making them totally unreadable by a user. The infection is usually delivered by a *Trojan Horse* (a term referring to the misleading of users of its true intent) installed when a user clicks on a malicious link or attachment in an email.

RANSOMWARE 2.0
This newer version of Ransomware no longer is just malware that encrypts data and asks for ransom, the attacker also threatens to release the data onto the internet and demands money in order not to do so. This newer Ransomware works in such a way that even backup copies of most important files will not be able to save an infected organization.[7] By planting the malware but delaying its activation, Ransomware 2.0 can infect backups thus defeating their value.

---

4 https://www.zdnet.com/article/what-is-cloud-computing-everything-you-need-to-know-from-public-and-private-cloud-to-software-as-a/

5 Pearson Education, Ubuntu Unleashed 2015 Edition: Covering 14.10 and 15.04, page 655

6 https://digitalguardian.com/blog/what-cyber-security

7 https://www.itproportal.com/news/welcome-to-the-era-of-ransomware-20/

BACKGROUND

Ransomware is a real and serious threat to every entity: government organizations, corporations, and individuals. The more dependence an organization has on the software and data in its network(s), the more important the concern should be. Loss of access to mission-critical data, systems, and software can severely impact an organization in both the short and long term.

According to an October 2019 report by the National League of Cities, since 2013, Ransomware attacks have been reported by at least 170 county, city or state government entities across the United States.[8] The actual number is likely to be much higher because it represents only those attacks that have been reported. Many infections go unreported when ransoms are paid,[9] when organizations are seeking to avoid embarrassment, or when the attacks were simply undetected or untraceable.[10] This has been true even in San Mateo County where local public governing entities have had Ransomware attacks that were not publicly reported.[11]

Not only do such data breaches embarrass and slow organizational productivity, they can be very expensive. For example, the MIT Technical Review (2019) asserts: "Ransomware may have cost the U.S. more than $7.5 billion in 2019… the victims were 113 governments and agencies, 764 health-care providers, and up to 1,233 individual schools affected by Ransomware attacks…most local governments do a poor job of practicing Cybersecurity."[12] The cost to the city of Atlanta to recover from its Ransomware breach was estimated at $17 million.[13] Similarly, a recent Baltimore Ransomware breach is estimated to have cost over $18 million.[14] In 2020, the UC San Francisco School of Medicine paid $1.14 million in ransom to recover its own data.[15] These are large cities and entities and although the ransom amounts they paid may not represent the expenses a San Mateo County public organization could incur, they provide examples of the severity of the potential threat and the enormous costs.

Specifically, the costs of a Ransomware attack could include some or all of the following:[16]

- Direct Costs:
    - Paying the ransom to obtain an encryption key and hoping that it works;
    - Expenditures for outside IT professionals and new systems providers to plan and implement improved breach security based on new Ransomware strategies;

---

[8] National League of Cities report, *Protecting Our Data: What Cities Should Know About Cybersecurity*. Forward by Clarence Anthony, CEO and Executive Director.

[9] https://healthitsecurity.com/news/as-ransomware-attacks-increase-dhs-alerts-to-Cybersecurity-insights

[10] Sheehan, Patrick, Ohio Emergency Management Agency, *Cascading Effects of Cyber Security on Ohio*, September 19, 2012

[11] Grand Jury survey responses

[12] MIT Technology Review, *Ransomware may have cost the US more than $7.5 billion in 2019*, January 2, 2020

[13] The Atlanta Journal- Constitution, Stephen Deere. *Confidential Report: Atlanta's cyber attack could cost taxpayers $17 million.* August 2018.

[14] Baltimore Sun, Ian Duncan, Baltimore *estimated cost of ransomware attack at $18.2 million as government begins to restore email accounts*. May 29, 2019.

[15] San Jose Mercury News, David Wu, "*UCSF pays $1.14 million ransom to recover data*", July 4, 2020

[16] https://www.sentinelone.com/blog/what-is-the-true-cost-of-a-ransomware-attack-6-factors-to-consider/

- Paying for enrollments in credit reporting bureaus to stop or correct identity thefts (from the release of previously confidential or secure personal information) for client/customers.
- Replacing hardware and/or software.

- Indirect Costs:
  - Operations efforts to restore systems and data;
  - Organizational downtime as well as employee overtime;
  - Reputation loss including negative public relations and loss of confidence by the organizations' constituents;
  - Liabilities for legal costs, including defense of lawsuits for breach of private and confidential information and poor handling of personal data.

According to the Coveware Report,[17] the median ransom payment in the first quarter of 2020 was $44,021. This was an increase of roughly 10% over the last quarter of 2019. Public sector entities represented 12% of attacks, about half of which were school systems. The average days of downtime was 15 representing an alarming number of days of inability to service constituents.[18] This underlines an urgent need to understand and evaluate current local governments' Cybersecurity strategies.

The discussion that follows is intended to encourage local public agencies and their IT staff to confidentially evaluate their respective Cybersecurity plans, software and prevention strategies. Since data and systems security are essential to the operation of every public entity in the County, the discussion will not present a specific road map for potential Ransomware-prevention actions but rather establish a "best practice model" that will enhance understanding of the elements essential for an adequate protection plan.

DISCUSSION

In December 2019, the Grand Jury developed an online survey that was sent to all 68 public entities in San Mateo County.[19] Responses were received from 37 of the entities (a 54% response rate). Additionally, follow-up interviews were conducted with three local public IT Managers, one of whom had refused to complete the online survey for fear of disclosing confidential information that could lead to a successful malware or Ransomware attack. These interviewees were questioned regarding the adequacy of Cybersecurity planning and execution. Following a general analysis of local government practices, this report concludes with a review of Cybersecurity best practices which local agencies should consider adopting.

Two Ransomware Attacks Derailed: Best Practices in Action

In order to better understand how to successfully defeat a Ransomware attack, the Grand Jury interviewed an IT Manager of a private enterprise that was attacked twice by Ransomware and was able to fully restore the environment and re-establish workflow within just a few hours.

---

17 https://www.coveware.com/blog/q1-2020-ransomware-marketplace-report

18 https://www.msspalert.com/Cybersecurity-research/average-ransomware-payment-rises-again-research/

19 Appendix F

Given the usual secrecy involved in most malware incursions, the following description of this IT manager's actual experience is instructive since it offers an example of "best practices" that can guide others anticipating or facing a Ransomware threat.[20]

This organization suffered two serious breaches less than two months apart and successfully recovered both times. In the first breach, within 45 minutes of a user clicking on an email attachment, the Crypto virus had spread to 12 of the organization's 23 servers. The IT Manager was alerted to the problem both by the user whose PC was locked with the Ransomware demand on his screen and an auto alert from the network scanning software that reported unusual activity.

The IT Manager's first action was to rapidly shut down the entire server network. This of course stopped the spread of the virus, but also prevented users from performing their jobs. Fortunately, their backup strategy implementation worked well as they were able to fully recover within hours.

The major components of the protection strategy employed included:

- Separating the network into discrete departments or segments (creating subnets) which restricted individuals' access to only servers containing their department's software and network storage. This limited the spreading of the virus across various departments within the organization. The analogy is a modern ship with rooms and decks that can be completely closed off from each other in the event of a fire or explosion.
- Taking snapshots (copies) of their Storage Area Network (SAN) twice a day.
- Completing full nightly backups of their SQL databases and incremental backups of the databases at five-minute intervals.
- Performing server backups with a commercial external backup appliance and/or service. See Appendix D for examples of companies in this market.[21]
- Regularly testing the restore process to ensure the successful recovery of critical server hardware. Without testing, there is no assurance that the Cybersecurity plan will work. Moreover, even if it works once, that is no assurance it will work again, without periodic re-testing.
- Conducting weekly backups of critical personnel's full PC hard drives.
- Use the "3-2-1 strategy"[22]: do three backups into two different media including one offsite.

Having all of these Cybersecurity plan components was a good start but it took much more to affect a recovery. First a commercial Virus Removal Software Tool was used which did not work (in this case). Therefore, the IT team used the snapshot copies to replace corrupted data on infected server units followed by the application of the incremental backups of the database to complete the restore.

---

[20] Grand Jury Interview

[21] These services include onsite and offsite backup and recovery services which are usually located outside the immediate locale.

[22] Management Wire, *The 3-2-1 Backup Rule and Effective Cybersecurity Strategy,* January 7, 2020.

This detailed example represents a well thought out and highly prepared plan, executed with precision. The first breach resulted in 4½ hours of downtime as 12 servers were infected. The second breach resulted in 6 ½ hours of downtime to recover 19 affected servers. The IT team was able to recover the servers and their data both times, become fully operational within hours, and the organization did not pay any ransom demands.

Grand Jury Cybersecurity Survey and Follow-up Interviews

Survey question:[23] "*Has your Organization had a Ransomware attack? Specifically, has there been an instance or multiple instances when an attack has locked up a computer or computers and presented a demand for ransom to unlock the infection?*"

Nine survey responders and one non-survey responder interviewee, a total of 10 of 38 (37 responders to the online survey and one non-survey responder) affirmed an attack had occurred or had possibly occurred in their organization, a 26% "hit" rate. The circumstances of their attacks were reviewed.[24] The non-survey interviewee was the IT manager from a public entity in the County who was unwilling to complete the survey because they did not want to reveal that their organization had been subject to "one or more" Ransomware attacks. Nor were they willing to disclose how successful the Ransomware attack(s) were for fear that they would open themselves up to more attacks.

Survey Question:[25]
"*Is your Information Systems Budget adequate to secure your network properly from malicious attack?*"

Thirty-two of the 37 survey respondents, or 86%, answered Yes to this question. This high percentage of "Yes" responses either indicates a high level of confidence in their defense setup, a reluctance to complain about their IT budget, or as two of our follow-up interviewees revealed[26], a lack of understanding of the complexity of a well-written, well-executed Cybersecurity Plan.[27] Suggesting the latter, The National League of Cities conducted a similar survey of 165 city governments nationwide and asked the same question, ("*Is your budget adequate enough to secure your network properly?*"): 67% replied "No".[28]

Investigation Results Regarding Backup/Restore/Maintenance

The Grand Jury survey and follow-up interviews revealed that, while many local agencies have backup plans,[29] only a portion of those same agencies had successfully recovered lost files from backups and none of the survey responders had ever done a full restore of a server.[30] When an

---

23 Appendix A – Question #1

24 Grand Jury Interview

25 Appendix A – Question #2

26 Grand Jury Interviews

27 Federal Communications Commission, *Cyber Security Planning Guide*, October 2012.

28 National League of Cities report, *Protecting Our Data: What Cities Should Know About Cybersecurity*, page 8

29 Appendix A – Question #3

30 Appendix A – Question #4

attack occurs with inadequate backup processes in place, there is no way to recover. Moreover, a proactive and well-thought-out business continuity plan is something that all system and data administrators must embrace.

What is a good backup strategy? Certain applications provide the ability within the applications themselves to set up different types of backups and schedule them to be performed automatically. A good example of this is SQL.[31] Using a SQL-based approach, both nightly full database backups can be scheduled as well as intermittent transaction log backups (which capture activity during small time increments), so that a recovery could be completed with virtually no loss of data. These backups should then be stored according to the 3-2-1 backup rule[32] whereby three copies or versions are taken, stored on two different media, one of which is offsite. Operating systems and third-party vendors offer a multitude of backup solutions for servers. Snapshots or image backups[33] provide the most complete backup and the fastest restore option.[34]

Raj Samani, Chief Technology Officer for Europe at Intel Security captures the importance of a complete backup strategy, "Most Ransomware attacks can be avoided through good cyber hygiene and effective, regular data backups that are continually tested to ensure they can be restored if needed."[35]

As this discussion shows, the technology to prevent and if necessary, correct, the impact of a malware attack is available. Local government agencies must be pro-active and vigilant in using such to protect their data and their businesses.

Investigation Results Regarding Employee Training

Education is the best defense. "Preventing infection is far easier than correcting the situation as most of the infections are acquired either from a socially engineered email (one that appears reputable or from a familiar source), or from visiting an infected website, so controlling risk on your side is the easiest method."[36]

Answers to Survey Question #5 provide strong evidence for the need for the governing boards to review with their IT managers their defenses against cyberthreats: "*Do you provide training to employees regarding malware?*" 12 responded with a non-qualified "Yes". Nine responded "No" (24%) and 16 responded with a qualified "Yes" (42%) and described their training as needing improvements.[37] As one survey responder commented, "The answer is yes, but a lot more needs to be done."

---

31 Structured Query Language (SQL) is a programming language

32 Management Wire, *The 3-2-1 Backup Rule and Effective Cybersecurity Strategy,* January 7, 2020.

33 Image backup consists of block by block storing of the contents of a hard drive

34 https:\\www.ltnow.com/file-backup-vs-image-backup-which-is-best/

35 Zerto, Raj Samani, *Ransomware – Mitigating the Threat of Cyber Attacks, 2019*

36 Epicor, *Protecting Yourself from Ransomware,* January 2020

37 Grand Jury Survey responses

Cybersecurity training is a well-established industry – providing a focused set of classes and materials designed to reduce users' clicks on harmful links and attachments. Security training, awareness, and assessment should be a routine part of the Cybersecurity strategy in government. Deploying such a program covers the education, training and testing of employees to recognize, delete and report attempted attacks. Studies show these programs reduce but do not eliminate user error.

Government Technology magazine captured it best in their cover story entitled "In the quest to guard against cyberthreats, can we solve the people problem? The Weakest Link."[38] The article concluded that even with the best training programs and defenses, the human element may never be completely overcome.[39] This is precisely why recurring training and user testing is encouraged by best practices.

Handling Incoming Emails – Phishing Defenses

In a worldwide survey of Managed IT Service Providers (MSP's) in 2019, "67% of Ransomware attacks originated from a phishing or spam email…the easiest method of delivery and man does it pay off."[40] The greatest threats take advantage of users "within" the network, i.e., users who click on malicious links or open email attachments that contain viruses or make other mistakes that allow hackers to gain access to the entity's system or network. Trend Micro estimates that the vast majority of all attacks occur when a user clicks on something they should not.[41]

There are different ways to help the user community recognize and protect against a phishing attack. Most network environments utilize spam filters to automatically filter incoming messages. Spam filters are used to detect unsolicited, unwanted, and virus-infested email and stop it from getting into email inboxes.[42] "Additionally, malware detection software can also be highly successful in reducing the risk of Ransomware but the anti-malware definitions (a database of known infectious code) need to be constantly updated…which takes effort and time but represents the single most effective defensive strategy."[43]

Message rules can be used to flag external emails and thereby decrease the probability that a user clicks on bad content. An administrator can set up message rules on a users' client or the email server. An example of a message rule might be if the sending organization includes *@smithco.com* in the sender's address, the message is automatically moved the incoming message into a personal folder called "Smith Company." A better example would be a rule that flags all external emails (not from the host's domain) and warns about the threats of clicking on attachments or weblinks. An example of this visual potential threat message rule is displayed in Appendix C.

---

38 Government Technology Magazine, Adam Stone, *The Weakest Link*, Oct/Nov 2018

39 Ibid

40 VadeSecure – Predictive Email Defense, *Ransomware Attacks: Why Email is still the #1 Delivery Method"*, January 16, 2020

41 https://blog.trendmicro.com/online-phishing-how-to-stay-out-of-the-hackers-nets/

42 https://www.mailchannels.com/what-is-spam-filtering/

43 Epicor, *Protecting Yourself from Ransomware"*, January 2020

Message rules can be very powerful to alert users of potential threats or to be careful about what they might click on and endanger their system. Some of the vendors listed in Appendix B also can "report" a suspected phishing attempt to an IT administrator. The Grand Jury's review revealed that some of the Information Technology Services departments for local public entities have installed message rules on their email servers to notify users of external emails.[44] This is a "best practice" which all local governmental agencies should consider.

Phishing emails are easy to create, as they do not take a high level of skill to provide the illusion of legitimacy by mimicking web-site brands or using logos from Google images. They can also easily spoof (fake) an email address to look like a trusted source.[45] It can often be very difficult to catch these risky emails, as the spoofed emails are cleverly disguised. A YouTube video created by Cisco Systems illustrates the sophisticated approach a phishing email may take – "Anatomy of an Attack".[46] It shows an attacker constructing a realistic identity deception email and can be viewed at https://www.youtube.com/watch?v=4gR562GW7TI After you watch this video please note, had an email filter caught this message and flagged it as external and warned about clicking on links, the deception may have been caught.

What Does Excellent Cyber Defense Look Like?

Survey Question[47]: *"What defenses do you currently employ to block malware? Please be specific. (Firewall brand/model, Software filters/spam blocker, etc.)"*

Five survey responders did not divulge the infrastructure of their environment. 17 responders provided abbreviated details indicating they do have Cybersecurity protections in place. The remaining 15 responses were explicit about their organizations' hardware and software defense strategies. Below is a survey response that illustrates a well-protected environment using some of the best practices of Cybersecurity:

"At the first layer, we use a PAN 220 Firewall with all subscriptions enabled, (URL Filtering, Antivirus/Vulnerability, Wildfire, etc.), block all international countries both in and outbound. Once traffic is passed for email, it passes through a Barracuda spam filter, filtering and scanning phishing and virus emails, checks with External Reputation servers for known virus and spamming servers, then passes to an on-premise exchange server. The exchange servers have another layer installed, Symantec Antivirus, giving a third layer of scanning. All servers and workstations have the latest version of the antivirus installed controlled by a centralized server. Window patches are applied on a monthly basis to all servers and workstations, and servers are retired once Microsoft ends support for an operating system." [48]

The survey respondent's best practices:

- Filtering incoming email for viruses, malware, and phishing attempts;
- Utilizing protection software from multiple vendors;
- Utilizing multiple layers of defense;

---

[44] Grand Jury interviews

[45] Ibid

[46] Cisco Systems, *Ransomware - Anatomy of an Attack*, https://www.youtube.com/watch?v=4gR562GW7TI

[47] Appendix A - Question #6

[48] Grand Jury Survey response

- Keeping systems up-to date.

Breaches and attacks that manage to extract data (Ransomware 2.0) expose additional risks to sensitive information. Security professionals point out additional options for securing organizational data:[49]

- Use Subnets[50] to section out servers with separate security permissions and limited access;
- Disable and block unused services, protocols and ports;
- Perform Backup & Recovery (focus on full testing of recovery);
- Strengthen the password policy (long, complex, with expiration dates);
- Employ 2-factor authentication (password then keycode) for external user access.[51]
- Install Anti-malware / Antivirus software on all machines and keep current (update at least monthly);
- Update at least monthly, patches for operating systems, firewalls, spam filters, malware, and other key applications;
- Perform monitoring and auditing of failed logins, password changes, resource usage, and services stopping.

Local public entities can get assistance from The Federal Communications Commission's (FCC) Cyber Security Planning Guide that includes a customized Cyber Security Planning Tool to craft and execute a customizable Cybersecurity plan.[52] As their introduction explains, "data security is crucial … customer and client information, payment information, personal files, bank account details … all of this information is often impossible to replace if lost and dangerous in the hands of criminals… losing (your data) to hackers or malware infection can have far graver consequences."[53] Public entities should take advantage of this Guide in reviewing the current status of their own data system security.

When answering questions of respondents via email it was found that some already use cloud hosting for email.[54] During the interviews it was further uncovered that a school IT manager is considering additional cloud hosting of one or more of their applications. Cloud providers are able to provide layers of protection for a customer's network and software, as well as creating a segregation between their network and their customers. A cloud provider will patch and maintain current software versions, leverage security and malware and have a dedicated security team (24x7x365) that is responsible for staying on top of the security risks.[55]

---

49 Government Technology Magazine, Adam Stone, *The Weakest Link,* Oct/Nov 2018

50 https://searchnetworking.techtarget.com/tutorial/Protocols-Lesson-6-IP-subnetting-The-basic-concepts

51 The County's Office of the Assessor-County Clerk-Recorder and Elections has already instituted 2-factor authentication. 2018-2019 Grand Jury Report – Security of Election Announcements.

52 Federal Communications Commission, *Cyber Security Planning Guide* https://transition.fcc.gov/cyber/cyberplanner.pdf and FCC *Cyber Security Planner* (customizable) https://www.fcc.gov/cyberplanner

53 Ibid, page PDS-1

54 eMails received from public domain accounts

55 Government Technology Magazine, Adam Stone, *The Weakest Link,* Oct/Nov 2018

Conclusions

Grand Jury survey results and in-depth interviews determined that some local government agencies have Cybersecurity strategies in place. For them, this report is asking those IT departments to re-challenge the sufficiency of their employee training, the regular (full) testing of their defense strategies and the adequacy/age of their Cybersecurity strategy including consideration of cloud hosting. For the rest, this is a good time to complete a review and see what additional measures can be taken to beef up their IT security using the information provided in this report as a guide. The biggest trap is believing that a malware attack, or in the worst case a Ransomware attack, is unlikely to happen to organizations and that the Cybersecurity strategies already in place are sufficient to successfully recover.

As learned from the best practices example of the IT manager who thwarted two attacks successfully, a comprehensive Cybersecurity plan includes user prevention steps, spam and malware software, back-ups and full recovery testing. These suggestions as well as those from the professional literature on Cybersecurity include the following list of best practices:

- Anti-Malware definitions need to be constantly updated to retain their effectiveness.
- Software updates need to be kept current.
- To identify external emails, message rules can be used to flag external emails and thereby decrease the probability that a user clicks on bad content.
- To thwart phishing attempts, footers can be added to incoming emails to warn about opening attachments and clicking on links (see Appendix C).
- Security training, awareness and assessment need to be routine along with testing all employees to recognize, delete and report attempted attacks (See Appendix B).
- Establishing a thorough and comprehensive backup process for all Servers using the 3-2-1 rule and establishing a separate backup process for key users' critical folders (e.g., administration, accounting, human resources) to be able to restore/recover from a secure onsite and/or offsite backup.
- Snapshots and/or image backups provide the most complete backup and the fastest recovery option.
- Consider cloud-hosting of email and other applications to provide added security, backup & restore capabilities and filtering benefits to close the largest and easiest route for Ransomware to penetrate entity systems.

FINDINGS

F1. Ransomware is a real and growing threat to public entities including those in San Mateo County.

F2. Across the country, local governments and schools represent 12% of all Ransomware attacks.

F3. The direct and indirect costs of Ransomware can be significant.

F4. Cybersecurity reviews and assessments, and an updated, well-executed Cybersecurity plan, are critical components of IT security strategy.

F5. A comprehensive Cybersecurity plan should include, at a minimum, information concerning prevention steps, spam and malware software, and backups and full recovery testing.

F6. The identification of phishing attempts, including the use of spam filters, is an important component to protecting an IT system from Ransomware attacks.

F7. Testing a full restore of a server to ensure that backups are reliable should be undertaken regularly as part an entity's backup plan to recover lost information.

F8. Training of new employees, and the recurring training of existing employees, is an important component of defense against Ransomware.

RECOMMENDATIONS

The Grand Jury recommends that each governing body undertake its own confidential effort to protect against Ransomware attacks. Specifically:

R1. Each of the governmental entities in San Mateo County with an IT department or IT function (whether in-house, handled by another government unit or outsourced to a private enterprise) as listed in Appendix F, should by November 30, 2020, make a request for a report from their IT organization that addresses the concerns identified in the report, specifically:

1. System Security (Firewalls, Anti-malware/Antivirus software, use of subnets, strong password policies, updating/patching regularly)
2. Backup & Recovery (In the event of an attack, can you shut down your system quickly? What is being backed up, how it is being backed up, when are backups run, and where are the backups being stored? Have backups been tested? Can you fully restore a Server from a backup?)
3. Prevention (turning on email filtering, setting up message rules to warn users, providing employee training on phishing and providing a reporting system to flag suspect content)

R2. These confidential internal reports should be provided to the governing body by June 30, 2021. This report should describe what actions have already been taken and which will be given timely consideration for future enhancements to the existing cybersecurity plan.

R3. Given the results of their internal reports, governmental entities may choose to request further guidance by means of a Cybersecurity review from the U.S. Department of Homeland Security[56] and/or a cyber hygiene assessment from the County Controller's Office.[57]

---

[56] https://www.us-cert.gov/resources/assessments

[57] 2018-2019 San Mateo Grand Jury Report – Security of Election Announcements

R4. Given the results of their internal reports, governmental entities may choose to ask their IT departments to review their own Cybersecurity Plan with the detailed template provided by the FCC's Cybersecurity Planning Guide and consider customizing it using FCC's Create Custom Cybersecurity Planning Guide tool (see footnote 52).

METHODOLOGY

Documents

- Attack incident reports were requested from IT Departments who experienced attack(s). No incident reports were received.

Site Tours

- No site tours were performed as a part of this report.

Interviews

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Civil Grand Jury.

- Three Information Systems Managers of three different public entity IT organizations.
- Two non-public professional IT Managers. Both of these Managers' IT infrastructure environments had been infected with Ransomware attacks. One paid the ransom and the other did not.
- A professional Ransomware expert who often consults with companies who have been attacked or desire assistance preventing attacks. He also teaches classes on preparing for and preventing Ransomware attacks.
- Numerous security industry professionals at the RSA Conference held at Moscone Center in San Francisco between February 24th and 28th 2020.

BIBLIOGRAPHY

Anslinger, Joe. *"File Backup vs. Image Backup – Which is Best?"* Lieberman Technology. June 11, 2013. https://www.ltnow.com/file-backup-vs-image-backup-which-is-best/

Cisco Systems. *Ransomware - Anatomy of an Attack.* https://www.youtube.com/watch?v=4gR562GW7TI

Coveware, *"Ransomware Payments Increase In Evolving Distribution of Enterprise Ransomware Variants."* April 29, 2020. https://www.coveware.com/blog/q1-2020-ransomware-marketplace-report

Davis, Jessica. *"As Ransomware Attacks Increase, DHS Alerts to Cybersecurity Insights."* Health IT Security, September 9, 2019. https://healthitsecurity.com/news/as-ransomware-attacks-increase-dhs-alerts-to-cybersecurity-insights

Deere, Stephen. *"Confidential Report: Atlanta's Cyber Attack Could Cost Taxpayers $17 Million."* The Atlanta Journal- Constitution. August 2018.

Department of Homeland Security (DHS): Cybersecurity and Infrastructure Security Agency (CISA). *"Assessments: Cyber Resilience Review (CRR)"* https://www.us-cert.gov/resources/assessments

Duncan, Ian. *"Baltimore Estimated Cost of Ransomware Attack at $18.2 Million as Government Begins to Restore Email Accounts."* Baltimore Sun, May 29, 2019.

Epicor Corporation. *Protecting Yourself From Ransomware*. January 2020.

Fadilpasic, Sead. *"Welcome to the era of Ransomware 2.0"* ITProPortal. February 12, 2020. https://www.itproportal.com/news/welcome-to-the-era-of-ransomware-20/

Federal Communications Commission. *Cyber Security Planning Guide.* https://www.fcc.gov/cyber/cyberplanner.pdf

Gutman, Yotam. *"What is the True Cost of a Ransomware Attack."* SentinelOne. January 8, 2020. https://www.sentinelone.com/blog/what-is-the-true-cost-of-a-ransomware-attack-6-factors-to-consider/

Iloh, Raphael. *"The 3-2-1 Backup Rule and Effective Cybersecurity Strategy."* Management Wire. January 7, 2020. https://www.managementwire.com/the-3-2-1-backup-rule-and-effective-cybersecurity-strategy/

Jendre, Adrien." *Ransomware Attacks: Why Email Is Still the #1 Delivery Method."* Vade Security. January 16, 2020. https://www.vadesecure.com/en/ransomware-attacks-why-email-is-still-the-1-delivery-method/

Kass, DH. *"Average Ransomware Payment Rises Again: Research."* MSSP Alert. April 30, 2020. https://www.msspalert.com/cybersecurity-research/average-ransomware-payment-rises-again-research/

Kraft Technology Group. *"When Was The Last Time You Tested Your Business Backups?"* https://www.kraftgrp.com/when-was-the-last-time-you-tested-your-business-backups/

MailChannels. *"What is Spam Filtering?"* https://www.mailchannels.com/what-is-spam-filtering/

MIT Technology Review, *"Ransomware May Have Cost the US More Than $7.5Billion in 2019."* January 2, 2020. https://www.technologyreview.com/2020/01/02/131035/ransomware-may-have-cost-the-us-more-than-75-billion-in-2019/

National League of Cities Report. *"Protecting Our Data: What Cities Should Know About Cybersecurity."* Forward by Clarence Anthony, CEO and Executive Director.

Pearson Education. *Ubuntu Unleashed.* 2015 Edition. Page 655.

Ranger, Steve. *"What is cloud computing? Everything you need to know about the cloud explained."* ZD Net, December 13, 2018. https://www.zdnet.com/article/what-is-cloud-computing-everything-you-need-to-know-from-public-and-private-cloud-to-software-as-a/

Samani, Raj. *"Ransomware – Mitigating the Threat of Cyber Security Attacks."* Zerto. 2019. https://www.zerto.com/wp-content/uploads/2019/09/ransomware-mitigating-the-threat-of-cyber-security-attacks.pdf

San Mateo Grand Jury Report. *Security of Election Announcements*. 2018-2019.

Search Networking, *"Protocols, Lesson 6: IP subnetting - The basic concepts."* October 2004. https://searchnetworking.techtarget.com/tutorial/Protocols-Lesson-6-IP-subnetting-The-basic-concepts

Sheehan, Patrick. *"Cascading Effects of Cyber Security on Ohio."* Ohio Emergency Management Agency. September 19, 2012.

Stone, Adam. *The Weakest Link.* Government Technology Magazine, October/November 2018.

Trend Micro. *"Online Phishing: How To Stay Out Of The Hackers' Nets"* November 20, 2019. https://blog.trendmicro.com/online-phishing-how-to-stay-out-of-the-hackers-nets/

Wu, David. *"UCSF pays $1.14 Million Ransom to Recover Data."* San Jose Mercury News. July 4, 2020.

APPENDIX A – SURVEY QUESTIONS

1. Has your Organization had a Ransomware attack? Specifically, has there been an instance or multiple instances when an attack has locked up a computer or computers and presented a demand for ransom to unlock the infection?

If you answered Yes or Possibly to Question 1, please provide a detailed description of the attack. What actions were taken once the attack was realized?

2. Is your Information Systems Budget adequate to secure your network properly from malicious attack?

3. Please provide an explanation of your Systems Backup processes? How often are backups run, where do you store the Backups?

4. Have you ever had to Restore from Backups? Please describe in detail why you did the Restore and describe the process used.

5. Do you provide training to employees regarding Malware?

6. What defenses do you currently employ to block malware? Please be specific. (Firewall brand/model, Software filters/spam blocker, etc.)

APPENDIX B – EMPLOYEE TRAINING OPTIONS

Phishing is the primary method of entry in cyber-attacks worldwide. Over the past few years, some security industry companies have come up with excellent testing, training, monitoring, measuring and reporting solution to help with employee training. The primary goal of an employee training program is to change user's behavior when viewing emails that might contain threats.

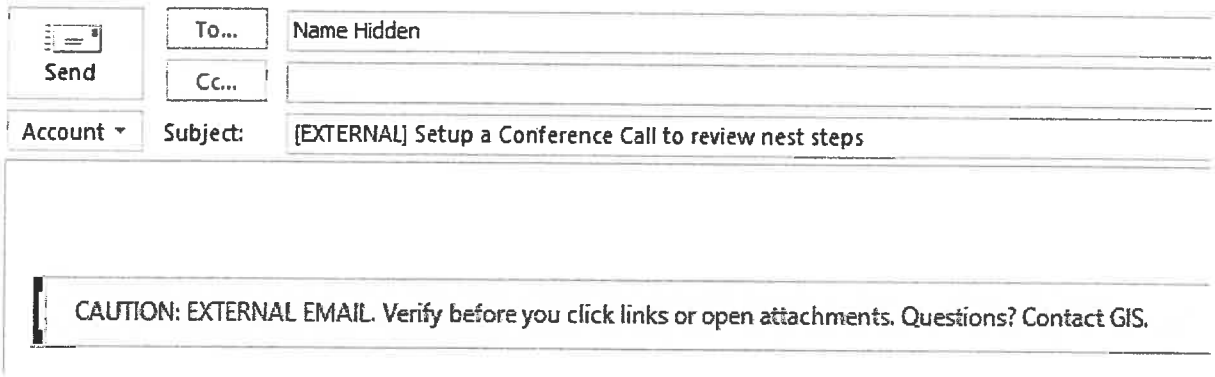
The typical components of these solutions include:

- Customized phishing attacks designed to test employees in spotting attack attempts
- Provide users a simple to use reporting tool to flag suspected attacks
- An incidence response platform for controlling the spread of an attack
- Reporting dashboards tracking user click-throughs
- Employee training programs

Here are some website links for the companies offering training solutions.
www.knowbe4.com
www.lucysecurity.com
www.metacompliance.com
www.mediapro.com
www.cofense.com
www.elevatesecurity.com
www.securitymentor.com

www.habitu8.io

APPENDIX C – EMAIL MESSAGE RULE - EXTERNAL



APPENDIX D – BACKUP & RECOVERY APPLIANCES & SERVICES

There are a large number of companies that provide Backup and Recovery solutions. Solutions Review has prepared a buyer's guide for the leading vendors. Click on the following link or copy and paste this URL into a browser to get your own copy of this guide.

https://solutionsreview.com/backup-disaster-recovery/get-a-free-backup-and-disaster-recovery-buyers-guide/

Specifically, some of the vendors in this report do not provide appliances, only virtual server support. Here is a partial list of appliance and solution vendors:

www.unitrends.com
www.barracuda.com
www.carbonite.com
www.commvault.com
www.dellemc.com
www.axcient.com
www.cohesity.com
www.datto.com
www.infrascale.com

APPENDIX E – PHISHING DEFENSE VENDORS

Some companies that provide solutions that improve email defenses are:

https://www.opswat.com/products/metadefender/email-gateway-security
https://www.agari.com/products/phishing-defense/
https://www.inky.com/anti-phishing-software
https://www.mimecast.com/products/email-security-with-targeted-threat-protection/

APPENDIX F: PUBLIC ENTITIES IN SAN MATEO COUNTY (68)

City/Town Governments (20)

Town of Atherton
City of Belmont
City of Brisbane
City of Burlingame
City of Colma
City of Daly City
City of East Palo Alto
City of Foster City
City of Half Moon Bay
City of Hillsborough
City of Menlo Park
City of Millbrae
City of Pacifica
Town of Portola Valley
City of Redwood City
City of San Bruno
City of San Carlos
City of San Mateo
City of South San Francisco
Town of Woodside

County Government (1)

County of San Mateo, Information Services Department

School Districts (25)

Bayshore Elementary School District
Belmont Redwood Shores School District
Brisbane School District
Burlingame School District
Cabrillo Unified School District
Hillsborough City School District
Jefferson Elementary School District
Jefferson Union High School District
La Honda Pescadero School District
Las Lomitas Elementary School District
Menlo Park City School District
Millbrae School District
Pacifica School District
Portola Valley School District
Ravenswood City School District
Redwood City School District
San Bruno Park School District
San Carlos School District

San Mateo Foster City School District
San Mateo Union High School District
Sequoia Union High School District
San Mateo County Community College School District
San Mateo County Office of Education
South San Francsico Unified School District
Woodside School District

Independent Special Districts (22)
Bayshore Sanitary District
Broadmoor Police Protection District
Coastside County Water District
Coastside Fire Protection District
Colma Fire Protection District
East Palo Alto Sanitary District
Granada Community Services District
Highlands Recreation District
Ladera Recreation District
Menlo Park Fire Protection District
Mid Peninsula Regional Open Space District
Mid-Peninsula Water District
Montara Water and Sanitary District
North Coast County Water District
Peninsula Health Care District
San Mateo County Harbor District
San Mateo County Mosquito and Vector Control District
San Mateo County Resource Conservation District
Sequoia Healthcare
West Bay Sanitary District
Westborough Water District
Woodside Fire Protection District

Not Included: County-governed special districts and subsidiary special districts governed by their respective city councils.

Issued: October 7, 2020

CITY OF HALF MOON BAY

501 Main Street
Half Moon Bay, CA 94019

December 1, 2020

Honorable Danny Y. Chou
Judge of the Superior Court
C/O Jenarda Dubois
Hall of Justice
400 County Center; 8th Floor
Redwood City, CA 94063-1655

Subject: October 7, 2020 Grand Jury Report: "Ransomware: It Is Not Enough To Think You Are Protected"

Dear Honorable Judge Chou:

The City Council of the City of Half Moon Bay, at its December 1, 2020 meeting, reviewed and approved the following responses to the San Mateo County Civil Grand Jury 2019-2020 Report entitled "Ransomware: It Is Not Enough To Think You Are Protected"

Findings

The report includes eight (8) findings covering a wide range of technology issues. The City of Half Moon Bay (City) agrees with each of the eight (8) findings (F1 through F8).

Recommendations

R1: Each of the governmental entities in San Mateo County with an IT department or IT function (whether in-house, handled by another government unit or outsourced to a private enterprise) as listed in Appendix F, should by November 30, 2020, make a request for a report from their IT organization that addresses the concerns identified in the report, specifically:

1. System Security (Firewalls, Anti-malware/Antivirus software, use of subnets, strong password policies, updating/patching regularly)
2. Backup & Recovery (In the event of an attack, can you shut down your system quickly? What is being backed up, how it is being backed up, when are backups run, and where are the backups being stored? Have the backups been tested? Can you fully restore a Server from a backup?)
3. Prevention (turning on email filtering, setting up a message rules to warn users, providing employee training on phishing and providing a reporting system to flag suspect content)

Response: The recommendation has been completed. The City requested information from the IT department which provided information on the above recommendations. The City then confirmed, verified, and improved security in all three categories. The City has now met or exceeded the recommendations.

CITY OF HALF MOON BAY

501 Main Street
Half Moon Bay, CA 94019

R2: These confidential internal reports should be provided to the governing body by June 30, 2021. This report should describe what actions have already been taken and which will be given timely consideration for future enhancements to the existing cybersecurity plan.
Response: The recommendation has already been completed as part of an annual security review.

R3: Given the results of their internal reports, governmental entities may choose to request further guidance by means of a Cybersecurity review from the U.S. Department of Homeland Security and/or a cyber hygiene assessment from the County Controller's Office.
Response: The recommendation will not be implemented at this time, but we may choose to do so in the future. The City already has a 3rd party auditor that reviews security periodically.

R4: Given the results of their internal reports, governmental entities may choose to ask their IT departments to review their own Cybersecurity Plan with the detailed template provided by the FCC's Cybersecurity Planning Guide and consider customizing it using FCC's Create Custom Cybersecurity Planning Guide Tool.
Response: The recommendation has not yet been implemented. The City will implement this recommendation within the next 6 months.

Thank you for your consideration of the foregoing.

Sincerely,

Adam Eisen
Mayor

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 1, 2020**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

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

TITLE: **AB1600 REPORT ON DEVELOPMENT IMPACT FEES FOR FISCAL YEAR ENDED JUNE 30, 2020**

RECOMMENDATION:
Accept the AB 1600 Report on Development Impact Fees for fiscal year ended June 30, 2020.

FISCAL IMPACT:
There is no fiscal impact associated with this item. All development impact fees collected to date were committed or expended within five years as of June 30, 2020 and are not subject to refund.

STRATEGIC ELEMENT:
This recommendation supports the Inclusive Governance, Fiscal Sustainability and Infrastructure and Environment Elements.

BACKGROUND:
Every year the City prepares an annual report for each fund established to account for public facilities fees, in accordance with the provisions of the State of California and Government Code Section 66006, which requires the City to make available to the public certain information regarding development impact fees for each fund within 180 days after the end of each fiscal year. The report must include the beginning and ending balances by public facility type for the fiscal year and the amount of fees, interest, other income, and expenditures for each fund.

Cities and counties often charge fees on new development to mitigate their impacts on public facilities. For example, traffic mitigation fees are used to mitigate traffic impacts by improving streets, bike lanes, and sidewalks. These fees are commonly known as development impact fees. Assembly Bill (AB) 1600, enacted in 1987, applies to development fees established, increased, or

imposed on or after January 1, 1989. AB 1600 enacts Government Code Sections 66000-66003 that generally contain four requirements:

1. A local jurisdiction must follow the process set forth in the bill and make certain determinations regarding the purpose and use of the fees and to establish a "nexus" or connection between a development project or class of projects and the public improvement being financed with the fee.
2. The fee revenue must be segregated from the general fund in order to avoid commingling of public improvement fees and the general fund.
3. If a local jurisdiction has had possession of a development fee for five years or more and has not committed that money to a project or actually spent that money, then it must make findings describing the continuing need for that money each fiscal year after the five years has expired.
4. If a local jurisdiction cannot make the findings required under paragraph 3, then the City must go through a refund procedure.

DISCUSSION:

The storm drainage fees, traffic mitigation fees, park facility fees, sewer connection fees, and capital outlay fees that the City of Half Moon Bay collects qualify as development impact fees; and therefore, must comply with the above referenced Government Code Sections. As required by law, these fees are segregated and accounted for in funds separate from the General Fund. The sections below provide detailed project discussion, analysis, and financial data tables by fund.

Traffic Mitigation Fees (Accounted for in Fund 112 - Traffic Mitigation Fund)

Traffic mitigation fees are used to construct improvements to mitigate the City's traffic and transportation impacts resulting from new developments occurring in Half Moon Bay. These funds are used by the City to reduce traffic congestion and to provide for traffic safety and street improvements such as signals, lighting, and signage within the city.

	2015-16	2016-17	2017-18	2018-19	2019-20
FUND 112 Beginning Fund Balance	237,672	380,980	850,093	1,655,380	4,073,334
Revenue					
Citywide Impact Fees	218,108	282,784	854,344	2,411,632	118,386
Interest & Unrealized Gains	2,445	4,487	15,197	49,125	131,541
Transfers In from Other Funds		220,000			
Total Revenues	220,553	507,271	869,541	2,460,757	249,927
Expense					
Other Expenditures	30,903	31,155	31,481	31,475	32,055
Projects					
Traffic Signal Coordination (0570)	45,730	(20,500)			
Hwy 1/Kelly Avenue Intersection Improvements (0571)	612	27,503	32,773	11,328	79,483
Transfers Out to Other Funds	-	-	-	-	
Total Expenditures	77,245	38,158	64,254	42,803	111,538
FUND 112 Ending Fund Balance	380,980	850,093	1,655,380	4,073,334	4,211,723

Analysis:

The funds generated by the traffic mitigation fees have averaged $777K annually over the last five years. They will be used in connection with the Five-Year Capital Improvement (CIP) Plan. In FY 2019-20 the funds were primarily used to provide pedestrian, circulation, and drainage improvements at the intersection of Highway 1 and Kelly Avenue.

Storm Drain Fees (Accounted for in Fund 152 – Storm Drain Improvements)

Storm Drain Improvement fees are assessed against new or remodeled construction projects and are used for drainage improvements.

	2015-16	2016-17	2017-18	2018-19	2019-20
FUND 152 Beginning Fund Balance	578,654	555,431	836,220	1,292,064	1,534,533
Revenue					
Citywide Impact Fees	5,817	11,687	6,643	5,134	11,175
Grants					
Interest & Unrealized Gains	3,604	4,430	5,472	33,098	35,124
Transfers In from Other Funds	200,000	462,700	535,000	292,495	150,000
Total Revenues	209,420	478,817	547,115	330,727	196,299
Expense					
Other Expenditures		94,061	20,617	76,736	37,980
Projects					
Kehoe Ditch Implementation	83,355				
Storm Drain Master Plan - Phase 2 (0563)	149,288	32,109	42,495	9,230	
Stormwater Trash Reduction (0558)		4,170			
Seymour Ditch Erosion Project (0592)		63,000	25,000		3,527
Kehoe Water Course Enhancement (534)					5,622
Kelly / Hwy 1 Drainage (9003)					577,587
Transfers Out to Other Funds		4,689	3,161	2,292	152,412
Total Expenditures	232,643	198,029	91,273	88,258	777,127
FUND 152 Ending Fund Balance	555,431	836,220	1,292,064	1,534,533	953,705

Analysis:

The funds generated from the storm drain fees have averaged $8.1K annually over the last five years. They are used to fund various capital improvement projects for drainage improvements as outlined in the Five-Year Capital Improvement Plan. Funds were primarily expended on the Kelly / Highway 1 drainage improvements.

Park Fees (Accounted for in Fund 125 - Park Development Fund)

The City uses new development fees to fund the acquisition, development, and capital improvements of the City's parks, recreation areas, and bicycle trails. Every subdivider shall be required to dedicate a portion of land, or pay a fee in lieu thereof, for the purpose of providing park and/or recreational space/facilities.

	2015-16	2016-17	2017-18	2018-19	2019-20
FUND 125 Beginning Fund Balance	553,656	406,711	1,014,840	1,514,105	2,775,042
Revenue					
Citywide Impact Fees	106,014	562,822	122,282	289,261	186,441
Grants	1,293,156	4,735			5,000
Miscellaneous	10,000	(5,000)	5,000	5,000	-
Interest & Unrealized Gains	790	-	12,886	48,949	100,978
Reimbursement - Non Govt				479,055	
Transfers In from Other Funds	45,000	882,890	541,324	804,000	1,433,078
Total Revenues	1,454,960	1,445,446	681,493	1,626,265	1,725,497
Expense					
Other Expenditures	53,762	13,872	18,181	24,767	26,830
Projects					
Seymour Bridge Replacement (0542)	39,322	608,595	3,032		
Mac Dutra Park Improvement	177,662				
Skate Park Relocation (0548)	5,000	4,372			
Carter Park Access Study (0551)	105,268	6,875	1,286		
Pilarcitos Trail Bridge Replacement (0561)	1,220,890	6,276	5,802	2,157	
Coastal Trail Erosion (0574)		87,334	1,988		
Bike and Ped Trail Master Plan (0580)		43,730	75,911	38,317	10,392
Parks Master Plan (0583)		62,062	66,764	74,295	
Smith Field Tot Lot (0584)		3,420			
Rehab of Poplar Pedbike Path (0596)			8,647	138,837	23,217
Vertical Access at Poplar Beach (0597)				4,943	152,000
Parks Master Plan Implementation Program (0609)				456	1,691
Ocean View Park - Restrooms and Site Improvements (0610)				29,778	619,745
Carter Park Improvements (0611)				31,597	382,687
Poplar Beach Gateways Plan (0617)				882	41,508
Coastal Bluff Preservation (0618)				18,782	14,865
Bike and Ped Master Plan (0615)					2,405
Bikeway Connectivity Project - North (619)					80,716
Stair Repair At Cañada Verde Creek (9007)					32,400
Transfers Out (790)		781	617	517	630,794
Total Expenditures	1,601,905	837,318	182,228	365,328	2,019,249
FUND 125 Ending Fund Balance	406,711	1,014,840	1,514,105	2,775,042	2,481,290

Analysis:

The park in-lieu funds generated by development impact fees have averaged $253.3K annually over the last five years. These funds are used for parks, trails and recreational improvements, as outlined in the Five-Year Capital Improvement Plan. New projects began in FY2020 includes the Bikeway Connectivity Project and the Stair Repair at Canada Verde Creek.

Sewer Connection Fees (Accounted for in Fund 202 - Sewer Capital Fund)

The sewer connection fees are used to fund the future sewer system capital improvements of the City's sanitary sewer capacity network that include testing, evaluation, maintenance, and repairs.

	2015-16	2016-17	2017-18	2018-19	2019-20
FD 202 Beginning Fund Balance - Cash & Investments	10,050,542	11,656,781	13,534,684	14,298,032	14,044,656
Revenue					
Citywide Impact Fees	179,393	281,040	116,068	39,223	114,957
Grants					
Other Revenue	34,397	16,669		3,915	
Interest	73,166	108,202	181,730	324,993	228,036
Sewer Usage Fees	1,700,000	1,700,000	1,700,000	51,259	35,759
Total Revenues	1,986,956	2,105,911	1,997,798	419,390	378,752
Expense					
Other Expenses	16,753		(686)	(130)	(132)
Projects					
Routine Sewer Maintenance (0506)	40,217	52,451	36,521	22,484	338,557
Ocean Colony Pump Station (0507)	20,833	(491)	78,661	149,550	47,484
Sewer Service Rate Study (0515)	105,885	7,943	35,138	440	1,394
Seymour Ditch Erosion Assessment (0592)			595,317	14,039	
Sewer Main Repair Program	8,040				
Flow Monitoring					
Sewer Main Video Inspection					
Sewer System Modeling/Mapping (0557)	30,255	3,690		169,997	78,983
Re-line Manholes	4,930				
Sewer Master Plan and Management (0557)	47,103	117,712	168,135		
Ocean Colony Pump Station (9025)					2,500
Manhole Rehabilitation Program (9026)					40,445
Inflow and Infiltration Program (9028)					62,799
Transfers Out to Other Funds	106,703	46,703	321,365	316,386	2,022,796
Total Expenditures	380,718	228,007	1,234,451	672,766	2,594,824
FD 202 Ending Fund Balance - Cash & Investments	11,656,781	13,534,684	14,298,032	14,044,656	11,828,584

Analysis:

The development impact revenues received from the sewer connection fees have averaged $146.1K annually over the last five years. These funds are used in connection with the Five-Year Capital Improvement (CIP) Plan. The current CIP Plan outlines $3.5 million of sewer projects in FY20-21 including programs for Sewer Maintenance and Repair as well as replacement for various pump stations.

Capital Outlay Fees (Accounted for in Fund 301 - Vehicle Fund)

Capital outlay fees provide funds to meet an increased need for capital items (such as buildings, land, vehicles and equipment) to serve the increasing population of the city.

	2015-16	2016-17	2017-18	2018-19	2019-20
FUND 301 Beginning Fund Balance	747,602	680,047	696,505	666,749	467,190
Revenue					
Capital Impact/Development Fees	839	18,434	16,503	5,410	17,091
Interest	3,961	4,234	6,000	9,744	6,993
Sale of Property					
Transfers In from Other Funds			11,015	-	
Total Revenues	4,800	22,668	33,518	15,154	24,084
Expense					
Other Expenditures	16,182	10,967			
Other Expenditures	28,412	20,147	36,038	31,256	125,937
Capitalize Equipment Operating	(78,565)				
Vehicle Replacement	80,902	(25,425)		122,635	
Depreciation	25,424		27,236	60,822	26,567
Transfers Out to Other Funds		521			
Total Expenditures	72,355	6,210	63,274	214,713	152,504
FUND 301 Ending Fund Balance	680,047	696,505	666,749	467,190	338,770

Analysis:

Over the last five years, the capital outlay development impact fees have generated revenues averaging $11.6K annually. Historically these funds have been used towards the purchase of vehicles to support the City's maintenance department staff.

SUMMARY:

Annual tracking of the fund activities and preparation of the compliance report are required per the California Government Code. Failure to report on activity and account balances per the applicable regulations could warrant challenges to the collection of the related fees in the future or repayment of previously collected fees. By bringing this report forward today, staff fulfills the legal obligations and compliance requirements, and provides the community with information on the status and use of fees collected under the Mitigation Fee Act (Government Code Sections 66000 et seq.), commonly called Impact Fees. Final numbers may vary slightly pending the completion of the Comprehensive Annual Financial Report.

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 1, 2020**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Lisa Lopez, Administrative Services Director
Bryan Lopez, Senior Management Analyst

TITLE: **AGREEMENT WITH STEPFORD, INC. FOR INFORMATION TECHNOLOGY SERVICES**

RECOMMENDATION:
Adopt a resolution authorizing the City Manager to execute a revision to the three-year contract agreement with Stepford, Inc. for fiscal years 2019 through 2022. The revisions will cover the remaining two years of the agreement beginning July 1, 2020 and ending June 30, 2022 for the continuation of information technology services at a cost of $180,180 per year.

FISCAL IMPACT:
The City's annual cost of network and desktop support services is $180,180, which has been included in the adopted FY 2020-21 budget. This amount is a reduction in the total cost of Information Technology services provided by Stepford which previously totaled $198,000.

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

BACKGROUND:
The City of Half Moon Bay has been partnering with Stepford since 2000 for information technology services. Since 2003, the City assigned a portion of a Management Analyst to facilitate and manage IT related projects as well as provide additional desktop support services to City staff, including adding user accounts, managing hardware, providing technical support to users and troubleshooting general information technology issues. Staff is recommending Stepford continue its services to provide both network and desktop support.

Stepford was formed in 1985 to introduce enterprise computing to small and mid-sized businesses using PCs and server-based networks. The company soon expanded to implement PC networks, supply hardware as a developer and authorized reseller, and to develop custom communications applications for customers. Stepford now provides the following expanded scope of services for the City of Half Moon Bay:

- Remote help desk for instant support via E-mail, phone and remote desktop access.
- Product sales with direct manufacturer partnerships with most major product lines.
- Communications services.
- On site services for installation and support of customer networks.
- Private, public or hybrid cloud solutions using its own data centers and other resources.
- Software subscription services and management
- Security & Risk prevention and support services

Stepford has been a significant partner to the City assisting with major projects throughout its partnership. Examples include:

- Migrated servers from Novell to Windows network.
- Implemented Microsoft Exchange for E-mail/calendaring and collaboration.
- Deployed virus protection systems and protocols.
- Established communications between City Hall and the Police Department using a dedicated T1.
- Upgraded security at the Police Department by installing a NetScreen firewall.
- Assisted with the development of policies for system security, E-mail and Internet access.
- Deployed microwave between City Hall and the Police Department to increase communications speed.
- Upgraded network applications including Exchange, Harris and others.
- Upgraded security hardware and software.
- Introduced Comcast services for Internet.
- Pulled dark fiber for private connectivity between the Coastside Emergency Operations Center, Ted Adcock Community Center, City Hall and Annex.
- Deployed virtual desktop infrastructure for remote system access by staff.
- Supported the sudden transition to remote work during the 2020 pandemic.
- Migrated City email servers to Microsoft 365 cloud-based services.

Since 2015, the City and Stepford have established and executed a plan to enhance network infrastructure and security, create a disaster recovery plan, and improve individual user hardware and applications. During this period, Stepford has:

- Upgraded the network backbone to 10GB.
- Assisted with the Installation of new workstations and upgraded operating systems and user applications.
- Installed new Juniper switches with consolidated management to treat the entire City as a single virtual chassis.
- Installed new Sophos firewalls and integrated WiFi to replace failing equipment, improving security level and reliability.
- Established a disaster recovery plan using replication of the entire network to an off-site facility out of the immediate area where server operations and access to data and applications can be restored in the event of a catastrophic loss of facilities.

- Deployed asset management system to ensure compliance and facilitate inventory reporting for systems.
- Assisted with the City Hall remodel and Annex build-out for data and electrical cabling.
- Reviewed phone system vendors to assist with the selection of a new system and vendor.

In FY 2020-21 Stepford will continue to provide network support, on-premise and remote desktop support services, and project support:

- Individual user assistance with existing applications.
- Management of user accounts and file system security.
- Desktop operating system installation, maintenance and recovery.
- Desktop application installation, maintenance and recovery.
- Installation of new workstations, printers, scanner/copier/fax systems or other equipment.
- Initial diagnostics for networking issues and reporting to next tier support or carrier as appropriate.
- Assist with Internet access and firewall modifications.
- Engage with 3rd-party vendors for support of applications as necessary.
- Training on applications and hardware.
- General Information Technology troubleshooting
- City Hall internet connection upgrade
- City Hall WiFi system upgrade
- File server migration and upgrade

Based on the history of quality services Stepford has provided to the City and the need for effective communication between the desktop support and network support providers, staff recommends the City revise the agreement with Stepford for network and desktop support for the term beginning July 1, 2020 through June 30, 2022.

ATTACHMENT:
Resolution authorizing the City Manager to execute an agreement with Stepford

Resolution No. C-2020-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY AUTHORIZING THE CITY MANAGER TO EXECUTE A THREE-YEAR AGREEMENT WITH STEPFORD, INC. FOR INFORMATION TECHNOLOGY SERVICES

WHEREAS, the City of Half Moon Bay desires to revise the remaining two years of the three year agreement with Stepford, Inc. to provide desktop and network support services; and

WHEREAS, the City has received a proposal from Stepford, Inc. to renew and revise its contract to provide desktop support services; and

WHEREAS, the City has reviewed the scope of work and fee proposed by Stepford, Inc. and determined both reasonable and necessary to provide desktop support services to the City.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Half Moon Bay hereby approves and authorizes the City Manager to execute the agreement between the City of Half Moon Bay and Stepford, Inc. for a remaining term of two years, expiring on June 30, 2022, at an amount of $180,180 per year. The agreement revisions will cover the period July 1, 2020 through June 30, 2022

****

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 1st day of December, 2020 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:

_____

Adam Eisen, Mayor

BUSINESS OF THE CITY OF HALF MOON BAY CITY COUNCIL

AGENDA REPORT

For the Meeting of: **December 1, 2020**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Jill Ekas, Community Development Director
Scott Phillips, Associate Planner

TITLE: **2021 RESIDENTIAL DWELLING UNIT ALLOCATION PURSUANT TO HALF MOON BAY MUNICIPAL CODE CHAPTER 17.06 (MEASURE D)**

RECOMMENDATION:
Adopt a resolution setting the 2021 Residential Dwelling Unit Allocation and Administration System pursuant to Half Moon Bay Municipal Code Chapter 17.06 for 66 residential dwelling units, 44 units for the Downtown and 22 units outside of the Downtown.

FISCAL IMPACT:
There is limited fiscal impact associated with the annual allocation of allowable residential building permits as the Measure D allocation application fees cover some of the costs of administering the program.

STRATEGIC ELEMENT:
This action supports all Elements of the Strategic Plan (Infrastructure and Environment, Healthy Communities and Public Safety, Fiscal Sustainability, and Inclusive Governance).

BACKGROUND:
In 1991, Measure A was adopted by City voters establishing a 3 percent annual growth limit. In 1999, Measure D amended the Residential Growth Limitation Ordinance reducing the allowable percentage increase of residential population from 3 percent to 1 percent, with an additional 0.5 percent for residential development in the "Downtown Area." On December 1, 2010, the City Council adopted an ordinance amending Chapter 17.06 of the Half Moon Bay Municipal Code entitled "Residential Dwelling Unit Allocation System." Measure D mandates that "the City shall allocate permissible dwelling units among applications on the basis of the existing allocation system or a subsequently modified system." Measure D allocations are reviewed and authorized annually by the City Council per the Municipal Code.

This report provides an update on the annual Measure D allocations and recommends 66 total allowable residential unit allocations for 2021.

DISCUSSION:

Chapter 17.06 of the Municipal Code establishes the methodology for determining the annual maximum number of residential dwelling unit allocations, or "Measure D Certificates." The ordinance specifies that the most recent U.S. Census data must be used for determining the average number of persons per household. The most recent Census data as presented by American Community Survey for 2013-2018 indicates an average of 2.69 persons per household (PPH) in Half Moon Bay. Table 1 presents the methodology and calculations for determining the annual allocation.

Table 1 – Allocation Calculations

Year[1]	Projected Population[1]	New Units[2]	Persons Per House-hold	Calculated Additional Population[3]	New Projected Population[1]	Base Allocation[4]	Allocation Distribution		Total Annual Allocation
							Downtown[5]	Outside Downtown	
2016	11,560	17	2.65	45	11,605	44	44	22	66
2017	11,605	28	2.63	74	11,679	44	44	22	66
2018	11,679	16	2.49	40	11,719	47	47	24	71
2019	11,719	24	2.59	62	11,781	46	46	23	69
2020	11,781	26	2.69	70	11,851	44	44	22	66

[1]2010 U.S. Census Population was utilized for 2011 baseline from which the calculated additional population is added to each year.
[2]Number of Building Permits issued through December of each year.
[3]Most current US Census PPH data (2.69) multiplied by the number of building permits issued.
[4]1% of New Projected Population divided by average PPH.
[5]Includes an additional 0.5% in the downtown area per Section 17.06.020(B).

The "new projected population" estimate is used to calculate the total number of units within the City at year-end. The equation for establishing the "new projected population" involves multiplying the number of new units constructed during the calendar year by the average persons per household (2.69 for 2013-2018), then adding the result to the projected population from the previous year.

The base allocation of 1% is split evenly between downtown and outside downtown. As discussed earlier in "Background," Measure D included a 0.5% increase in residential allocations for the Downtown Area, which consists of the City's former Redevelopment Area.

Section 17.06.020(F) establishes the methodology for rounding fractions of dwelling unit allocations. Any fraction of a dwelling unit more than 0.5 is rounded to the next whole number. The projected population increased modestly in 2020 (70 persons). Persons per household also increased by 0.10 persons. The increase in persons per households results in a decrease in the number of units allowed compared to the number of dwelling units allowed in 2020. As

summarized in Table 2, the methodology provides for a maximum of 66 new dwelling unit allocations, reserving a total of 44 dwelling unit allocations for the Downtown Area, and 22 dwelling unit allocations outside Downtown.

Table 2: Dwelling Unit Allocation – 2020

Total Allocations	Downtown Area Allocations	Outside Downtown Allocations
66	44 (1.0%) (22 base and 22 bonus)	22 (0.5%)

Municipal Code Section 17.06.020 – "Establishment of number of residential dwelling unit allocations to be authorized annually" sets forth the procedures for establishing the residential allocations. In particular, Section 17.06.020.G specifies that the City Council shall consider the following when establishing the number of Dwelling Unit Allocations in the upcoming year:

1. The number of residential dwelling units allocated in the current year;
2. The number of residential dwelling units allocated in the preceding year, but not necessarily issued building permits;
3. The number of future residential dwelling unit allocations awarded in accordance with a development phasing plan and agreement as provided for in Section 17.06.055;
4. The information and data contained in the annual fiscal impact analysis as provided for in Section 17.06.045 Fiscal Impact Analysis Required.

The following discussion presents information pertinent to the above four considerations.

Residential Dwelling Units Allocated in Current and Proceeding Year: Table 3 presents the number of Measure D certificates and building permits issued each year from 2016 through 2020. Since amending the Measure D allocation system in 2010, new residential development from 2010 through 2013 was especially slow as the City recovered from the great recession. From 2014 on, growth has increased modestly, but remains low due to a lack of larger-scale developments other than phase one of Pacific Ridge. 2019 saw a distinct increase in applications for both Measure D certificates and building permits. Accessory Dwelling Units (ADUs) account for much of this increase. Measure D allocation demand increased again in 2020 due recent State law amendments that further relaxed ADU development requirements and local interest in ADU construction.

Table 3: Residential Building Permits Issued

Year	Measure D Certificates Issued	Residential Building Permits Issued
2016	16	17
2017	22	28
2018	25	16
2019	34	24
2020	48	26
Average	**29**	**22**

In September of 2020, a Measure D status report was presented to the City Council. The primary matter for Council consideration was potential transfer of unused base allocations for the Downtown area to outside Downtown. Council authorized the transfer of ten Downtown Measure D Allocations to be used only for ADUs. All ten have been issued for ADUs and staff is working with the applicants to secure building permits.

Development Phasing Plans and Unit Prioritization: The City has not received applications for development phasing plans for Measure D allocations for several years.

Before applying for a Coastal Development Permit (CDP) for new residential development, an applicant is required to obtain one Measure D allocation for each unit (per Section 17.06.010.B – Applicability). Measure D certificates are valid for one year (per Section 17.06.050.A. - Timing of building permits issued pursuant to this chapter), but may be extended if other approvals such as a CDP, are required (per Section 17.06.050.F). There is a more detailed comparative process for evaluating and ranking subdivisions (Section 17.06.215 – Evaluation procedures for subdivisions for residential development based upon design and amenity criteria and contribution to public facilities), but that process has not been triggered.

In the case that there is an increase in residential development activity beyond available allocations, Sections 17.06.120 and 17.06.275 – "Review of Points awarded and residential units allocated" establishes the criteria to evaluate applications and distribute residential dwelling unit allocations. The Measure D Allocation System is structured to prioritize projects in January of each year to evaluate and prioritize applications based upon competitive rating criteria (Sections 17.06.120 and 17.06.275). In January 2020, more applications than allocations had been submitted for allocations outside Downtown. One applicant withdrew their proposal, and the number of allocations matched the number available. However, before that occurred, staff was in the process of evaluating all the projects for which allocations were sought. A detailed staff report to the Planning Commission in March 2020 outlined this process and presented that aspects of the rating system, as codified in 2010, are no longer especially relevant. Staff prepared an interpretation document for Planning Commission concurrence that will guide rating if there are more applications in January 2021 than available allocations.

Fiscal Impact Analysis: Section 17.06.045 requires the City to prepare an annual report identifying the effects of new residential development on City finances and the City's ability to provide services to the residents. The fiscal impact analysis for 2020 was prepared by Applied Development Economics and the summary of the analysis is included as Attachment 2. The fiscal impact analysis indicates the new units and residents would generate about $61,343 per year in General Fund revenues and require $36,722 in General Fund expenditures, for an annual surplus of $21,118.

ATTACHMENTS:

1. Resolution Establishing the Residential Dwelling Unit Allocation for 2021
2. Fiscal Impact Analysis Spreadsheet of New Residential Development, prepared by Applied Development Economics, November 2020

RESOLUTION NO. C-20-___

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY ESTABLISHING THE RESIDENTIAL DWELLING UNIT ALLOCATIONS FOR 2021

WHEREAS, in November of 1999, the electorate of the City of Half Moon Bay adopted a new Residential Growth Initiative (Measure D) establishing that the number of residential dwelling units for which the City may authorize allocations each calendar year shall not exceed the number of units that would result in a growth of 1% of the City's population, plus an additional 0.5% for additional dwelling units in the area defined by Measure D as the "Downtown Area;" and

WHEREAS, Measure D has been adopted into the Local Coastal Program and certified by the California Coastal Commission; and

WHEREAS, in December of 2010, to implement Measure D, the City Council adopted the Residential Dwelling Unit Permit Allocation System Ordinance, Chapter 17.06 of the Half Moon Bay Municipal Code; and

WHEREAS, Section 17.06.020 of the Municipal Code requires the City Council to adopt the annual residential dwelling unit allocation for the upcoming year by December 31st of each year; and

WHEREAS, Section 17.06.020.G of the Municipal Code describes factors the Council may take into account in establishing the annual allocation, including the number of Residential Dwelling Units allocated in the current year; the number of Residential Dwelling Units allocated in the preceding year but not necessarily issued, the number of future Residential Dwelling Unit allocations awarded in accordance with a Development Phasing Plan and Agreement, and the information and data contained in the Annual Fiscal Impact analysis as provided for in Section 17.06.045.

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

Section 1: Findings

In accordance with HMBMC Section 17.06.020.G:

A. **Current Year Allocations**: In the current year (2020), a total of 48 Measure D allocations were issued; while 26 new residential Building Permits were issued.

B. **Preceding Year Allocations:** In the preceding year (2019), a total of 34 Measure D allocations were issued; while 24 new residential Building Permit units were issued.

C. **Future Residential Dwelling Unit Allocations:** There are no future residential unit allocations awarded in previous years from this year's allocation as the result of a Development Phasing Plan and Agreement provided for in Section 17.06.055.

D. **Annual Fiscal Impact Analysis:** Costs for administering the Measure D program are substantially covered by Measure D application fees. Development Impact Fees, Residential Impact Fees for Affordable Housing, and Measure D application fees have been evaluated in an updated Fiscal Impact Analysis prepared by Applied Development Economics.

Section 2: Total Allocation for Calendar Year 2021

Based on the methodology established in Chapter 17.06 of the Half Moon Bay Municipal Code and the findings set forth in Section 1 above, and in order to ensure that the annual population growth in the City does not exceed 1%, plus an additional 0.5% in the Downtown Area, the total allocations for residential dwelling units for the 2020 calendar year shall be 66 units**.**

A. **Assignment of Allocation to "Downtown" and "Outside Downtown" Areas**: The total allocation of 66 residential units shall be distributed as follows: twenty-two (22) units to the projects outside the Downtown area, and forty-four (44) units to projects within the Downtown area.

****

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 1st day of December, 2020 by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSTAIN, Councilmembers:

ABSENT, Councilmembers

ATTEST:	APPROVED:
______________________	____________________
Jessica Blair, City Clerk	Adam Eisen, Mayor

ATTACHMENT 2

Fiscal Impact of New Residential Units (2020)	
GENERAL FUND REVENUES	**2020 Project Residents**
Property Tax (City Share)	$21,673
VLF Prop Tax Swap	$19,565
Real Prop Transfer tax	$21,673
Sales & Use Tax	$6,421
Transient Occupancy Tax	$0
Franchise Taxes	$2,655
Other Taxes	$0
Permits	$0
Intergovernmental Subventions	$27
Planning and Engineering Fees	$0
Fines and Police Services	$517
Recreations Services Fees	$763
Other Revenues	$9,723
SUBTOTAL	**$61,343**
GENERAL FUND EXPENDITURES	
General Government	$10,860
Police	$15,968
Public Works	$7,400
Recreation	$0
Community Development	$2,493
Subtotal Direct General Fund Expenditures	$36,722
Capital Improvements	$3,504
TOTAL	**$40,225**
Net Surplus/(Deficit)	**$21,118**
Source: ADE, Inc., based on City of Half Moon Bay, Fiscal year 2020-21 Budget	

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of **December 1, 2020**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Matthew Chidester, Deputy City Manager
Karen Decker, Senior Management Analyst

TITLE: **FIRST AMENDMENT TO THE HALF MOON BAY HISTORY ASSOCIATION LEASE AGREEMENT FOR 503 JOHNSTON STREET**

RECOMMENDATION:
Adopt a resolution authorizing the City Manager to execute a First Amendment to the Lease Agreement with the Half Moon Bay History Association by granting a one-year extension to begin construction of a new museum on the history property located at 503 Johnston Street.

FISCAL IMPACT:
There is no fiscal impact associated with this amendment.

STRATEGIC ELEMENT:
This recommendation supports the *Infrastructure and Environment* and *Healthy Communities and Public Safety* elements of the Strategic Plan.

BACKGROUND:
On December 17, 2019, Council authorized the City Manager to execute a Lease Agreement with the Half Moon Bay History Association (HMBHA) 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.

A Lease Agreement was entered into on January 31, 2020. In addition to providing individual and group tours of the existing jail structure, HMBHA agreed to make improvements to the existing garage structure and property in order to develop a full-scale museum. Timelines and benchmarks for construction were specified in the Lease Agreement. One such stipulation stated, “If construction has not commenced before January 1, 2021, the City may terminate the Agreement…” (Section 3(b)). In section 5(a) the Agreement states: “On or before January 1, 2021, Association shall begin construction of a local history museum within the Garage and other portions of the Premises.”

Shortly following the San Mateo County Shelter-in-Place Order that was issued March 16, 2020, HMBHA contacted city staff confirming a pause in operations with the understanding that continuous evaluation would be based on future modifications of the Order. Both parties expressed concern for the health and safety of the public as well as the volunteers and docents of HMBHA. City and HMBHA expressed a commitment to re-open facilities and resume tours at a future date when it was deemed safe and efficient to do so.

In the months to follow, HMBHA continued to plan for commencement of construction of the new museum by end of calendar year. HMBHA worked with an architect, hired a contractor, submitted plans for permits, and engaged in pre-construction work on the property.

On November 5, 2020, City received a letter from HMBHA requesting a 1-year extension to begin construction on the property. The letter cited significant delays and limitations in available manpower and resources due to the COVID-19 pandemic.

HMBHA is requesting a 1-year extension to begin construction and makes this request "with the full assurance that we will begin construction, as soon as is realistically possible, and that we will continue all efforts to fast track the project."

DISCUSSION:
Staff acknowledges the implications that COVID-19 has had on operations, construction, and on the lives of individuals. Staff is in support of extending the deadline to begin construction from January 1, 2021 to January 21, 2022.

ATTACHMENTS:
1. Resolution
2. First Amendment to the HMBHA Lease Agreement
3. Updated Exhibit D: Construction Benchmarks
4. Letter of Request from HMBHA, Received November 5, 2020

Resolution No. C-2020-____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY AUTHORIZING THE CITY MANAGER TO EXECUTE A FIRST AMENDMENT TO THE LEASE AGREEMENT WITH THE HALF MOON BAY HISTORY ASSOCIATION FOR USE OF THE PREMISES AT 503 JOHNSTON STREET AS A LOCAL HISTORY MUSEUM

WHEREAS, the City of Half Moon Bay (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 (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 and Association entered into a Lease Agreement dated January 31, 2020, authorizing Association to operate a public local history museum for a term of twenty-five years, and make improvements to the Premises, including construction of a new museum; and

WHEREAS, the Association has requested a one-year extension to commence construction of the new museum due to setbacks and delays stemming from the COVID-19 pandemic; and

WHEREAS, City and Association desire to amend Lease Agreement as specified in the First Amendment.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Half Moon Bay hereby authorizes the City Manager to execute a First Amendment to the Lease Agreement with the Half Moon Bay History Association, granting a one-year extension to begin construction of a new museum on the history property located at 503 Johnston Street. The City Manager is further authorized to approve additional amendments to the terms of the Lease Agreement due to impacts caused by the COVID-19 pandemic.

****

I, the undersigned, hereby certify that the foregoing resolution was duly passed and adopted on the 1st day of December, 2020 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:

_____
Adam Eisen, Mayor

CITY OF HALF MOON BAY
FIRST AMENDMENT TO LEASE AGREEMENT

This First Amendment, dated December 1, 2020, ("FIRST AMENDMENT") to the Lease Agreement ("AGREEMENT") dated January 31, 2020, is made by and between the City of Half Moon Bay, a California municipal corporation ("CITY") and the Half Moon Bay History Association, a California non-profit corporation ("ASSOCIATION").

RECITALS

WHEREAS, CITY and ASSOCIATION have previously entered into that certain AGREEMENT dated January 31, 2020, and

WHEREAS, under the terms of the AGREEMENT, ASSOCIATION must meet certain construction benchmarks or risk termination of the AGREEMENT by CITY; and

WHEREAS, ASSOCIATION has requested a one-year extension to commence construction of the new museum due to setbacks and delays stemming from the COVID-19 pandemic; and

WHEREAS, CITY and ASSOCIATION desire to amend AGREEMENT as specified herein.

NOW, THEREFORE, it is agreed between CITY and ASSOCIATION that:

A. Section 3(b) of AGREEMENT is hereby amended to read as follows:

   "If construction has not commenced before January 1, 2022, the CITY may terminate the Agreement, at its sole discretion and without further obligation to ASSOCIATION. If construction phases have not been met by the stipulated benchmarks outlined in Exhibit D ("Construction Benchmarks"), CITY may terminate the Lease, at its sole discretion and without further obligation to Association."

B. Section 5(a) of AGREEMENT is hereby amended to read as follows:

   "On or before January 1, 2022, ASSOCIATION shall begin construction of a local history museum within the Garage and other portions of the Premises."

C. Exhibit D "Construction Benchmarks" is hereby amended and attached hereto.

D. Section 3 "Term" shall now include sub-section (c) to read as follows:

   "City Manager is authorized to approve additional amendments to the terms of the Lease Agreement due to impacts caused by the COVID-19 pandemic."

IN WITNESS WHEREOF, the CITY and ASSOCIATION have executed this FIRST AMENDMENT effective as of the dates shown below.

"CITY"
CITY OF HALF MOON BAY

Date:_____ By:_____
City Manager

ATTEST: **APPROVED AS TO FORM:**

By:_____ _____
City Clerk City Attorney

Date:_____

"ASSOCIATION"
HALF MOON BAY HISTORY ASSOCIATION

Date:_____ By:_____
Juliette Applewhite
Its: President

ATTACHMENTS:

1. Letter of Request from Association
2. Updated Exhibit D: Construction Benchmarks

EXHIBIT D
(AMENDED DECEMBER 1, 2020)
CONSTRUCTION BENCHMARKS

PHASE	SCHEDULE	TIMELINE
1	Coastal Development Permit Extended for One (1) Year	12/31/20
	Final Drawings Completed and Building Permit Application Submitted	
	Contractor and Subs Finalized	6/30/21
2	Mechanical Engineering Completed	12/31/21
	Protective Screening Secured	
	Demolition and Construction Begins	
3	Construction Completed	12/31/23
4	Exhibits and Installations Completed	
5	Museum Opens	6/30/23

Half Moon Bay History Association
Scott Frazier, Treasurer
625 Miramontes Ave. Ste 203
Half Moon Bay, CA 94019
September 28, 2020

City of Half Moon Bay
Bob Nisbet, City Manager
501 Main Street
Half Moon Bay, CA 94019

Dear Mr. Nisbet:

Greetings. I hope this letter is finding you as well as can be during the current pandemic. All of us at HHMBHA appreciate the hard work your team is performing in guiding us through these challenging times. If our organization, of any of us, individually, can be of any service we hope you will not hesitate to reach out.

The purpose of this letter is to seek written clarification on the lease agreement HMBHA has with the City of Half Moon Bay. Particularly, sections 3(b) 5(a). The lease requires that we begin construction on the new museum on, or before, January 1, 2021. Failure to do so allows the City of Half Moon Bay to terminate the lease.

As you know, HMBHA was sidelined for a significant amount of 2020 due to the COVID-19 lockdowns and limitations. We have diligently worked with our architect, hired a contractor, submitted plans for permits, and engaged in as much pre-construction work on the parcel as has been possible with the available manpower and resources. HMBA remains adequately funded to begin the construction as soon as all barriers are removed including procedural, and COVID prohibitive. It seems unlikely that actual construction will take place prior to January 1.

HMBHA received, earlier this year, acceptance from your staff that our ongoing diligence was sufficient to clear the milestones expected of our organization to be in good standing with the lease. Given that we are into November, and the pandemic is showing now sign of ending, that it would be prudent to simply request a one year extension from the January 1, 2021 date to allow us to January 1, 2022 as the deadline to begin construction. This extension is requested with the full assurance that we will begin construction, as soon as is realistically possible, and that we will continue all efforts to fast track the project.

HMBHA is operating our program with no change in the mission. Our objective remains to build and operate the museum. The only factor in this request coming to you is the difficulties in obtaining resources during the pandemic. Please reach out to me, at your convenience, to let us know how this request is received by the city.

Truly,

Scott Frazier

HMBA Treasurer

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 1, 2020**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Matthew Chidester, Deputy City Manager
Victor Gaitan, Management Analyst

TITLE: **PROPOSED ACQUISITION OF THE COASTSIDE INN BY THE COUNTY OF SAN MATEO FOR USE AS AN EMERGENCY HOMELESS SHELTER**

RECOMMENDATION:

Receive a report on the County's proposed acquisition of the Coastside Inn, located at 230 Cabrillo Highway S, in Half Moon Bay, for use as emergency shelter for homeless residents on the Coastside during the COVID-19 pandemic, and future uses to be determined.

FISCAL IMPACT:

Although the proposed acquisition will be funded by the County, the City will be impacted financially. By converting the hotel from visitor serving accommodations, transient occupancy taxes (TOT) will no longer be collected by the City. In addition to lost TOT revenue, the City will lose property tax and sales revenues, with a total overall expected revenue loss of $250,000 annually. The City and County are in negotiations to mitigate these financial impacts, if the County proceeds with the acquisition.

STRATEGIC ELEMENT:

This proposed acquisition of the hotel to provide housing for individuals experiencing homelessness supports the *Healthy Communities and Public Safety* and *Infrastructure and Environment* elements of the Strategic Plan.

BACKGROUND:

The COVID-19 pandemic has exacerbated existing community needs and inequalities. In many communities, homelessness was already experienced disproportionately by race and other protected classes, and persons experiencing homelessness are at great risk of infection and death due to COVID-19. In response, San Mateo County, in partnership with community-based homeless service providers, implemented new homeless shelter services in the form of hotel-based non-congregate shelter programs, to provide additional shelter capacity for vulnerable people experiencing homelessness during COVID-19 who are at risk of severe illness if they

were to contract COVID-19. The State has provided funding and technical assistance related to non-congregate shelter programs via an initiative known as “Project Roomkey”.

In San Mateo County, there are two Project Roomkey non-congregate shelter programs serving vulnerable people experiencing homelessness, both of which are on the bayside of the County. Clients in this program receive case management and other supportive services from one of the homeless shelter providers: LifeMoves, Project WeHOPE, or Samaritan House. This program includes individuals who had been staying in one of the congregate shelters and were moved into this program in order to have a safer sheltering environment and allow the existing shelter sites to reduce the number of clients being served at the shelter location and thus, facilitate social distancing at all shelters. In order to ensure integration with the overall homeless crisis response system these programs are accessible through the County’s Core Service Agencies, as the coordinated entry points for homeless services.

Meanwhile, the local hospitality industry has suffered financially from the pandemic, and the Roomkey program provided some relief through the County’s use of emergency funding to secure hotel rooms to provide shelter to those affected most by the pandemic. Those efforts have resulted in a heightened awareness of the County’s housing shortages and importance of increasing available housing for the most vulnerable County residents. To help address this issue, the County has been coordinating to identify hotels and similar facilities throughout San Mateo County that might be purchased and converted to temporary and/or permanent housing opportunities. At the time of this report the County indicated that it was is in escrow to purchase three hotels in cities along the bayside of the Peninsula.

On the Coastside, the County identified two hotels, the Coastside Inn and the Quality Inn, as potential sites for acquisition and use to alleviate homeless and impacts of COVID-19. On November 19, 2020, the City Council held a special meeting in coordination with the County, to discuss the proposed project, hear feedback from the community, and ask questions. Community members provided a broad range of input on topics such as financial impact to the City from lost transient occupancy tax (TOT or “hotel tax”) revenue, selection criteria for operators, types of uses and support services, aesthetic considerations, community safety, and site preferences. Following that meeting, the County notified the City that it would no longer pursue the Quality Inn and would focus its efforts on the acquisition of the Coastside Inn and developing programs and services to support the homeless at that location.

DISCUSSION:

The County plans to make the acquisition using funding they have received through the Federal CARES Act program. The implementing legislation (AB 83) provides streamlined processing for qualifying projects, including an exemption under the California Environmental Quality Act and an exemption from local discretionary review/approvals. The funding also requires the County to utilize the funds, in this case close escrow on the acquisition, prior to December 31, 2020. The goal of acquiring the Coastside Inn is to provide interim or permanent housing for persons experiencing homelessness, who are at risk of homelessness, or otherwise impacted by homelessness and the COVID-19 pandemic. The interim housing will

provide safe harbor and stability to homeless individuals, which typically leads to better outcomes from the support services that many already receive while living in encampments or their vehicles. Long term, the County plans to convert the hotel into transitional housing with the intent of utilizing resources made available through the County Rapid Rehousing Program and other resources to connect to appropriate affordable rental housing and/or permanent supportive housing.

The Coastside Inn, located at 230 Cabrillo Highway South in Half Moon Bay, was constructed in 1991 on an approximately 0.8 acre parcel near the intersection of Highway 1 and Kelly Avenue in downtown Half Moon Bay. The hotel is classified as "midscale" and has approximately 52 rooms for overnight accommodation. The site includes approximately 60 parking spaces, laundry rooms and meeting space. The zoning for the site is Commercial-Downtown (C-D), consistent with the Local Coastal Land Use Plan/General Plan Commercial General land use designation. The hotel was originally permitted by the California Coastal Commission in December 1990 (coastal development permit 3-90-55).[1] This location provides easy access to many of the existing supportive services available to Coastside residents, including the Coastside Clinic (providing a variety of medical, dental, mental health and social services from the County), El Centro de Libertad (providing substance abuse recovery services), and Abundant Grace Coastside Worker (providing general homeless support services as well as employment opportunities), all of which are located across Highway One in or adjacent to the Shoreline Station Shopping Center. Within a short walk are additional services including ALAS (providing cultural support and mental health services), the Half Moon Bay Library, and the La Costa Adult School. The San Mateo County Sheriff's office, who provide law enforcement and public safety services to the City, are also located across the highway.

The County participates in the bi-annual homeless count program. The most recent official count was in January of 2019. In that count, close to 100 unsheltered homeless were identified on the Coastside, including those living in RVs and other vehicles. That count will be updated in January of 2021. There isn't currently a congregate shelter located on the Coastside, and homeless individuals have access to available beds in the County's shelters on the bayside. The City worked with local service providers and the County to close a large encampment along Pilarcitos Creek in 2018, and continues to work on restoration, remediation and protection of this sensitive environmental area. In that process, the County expanded shelter space and added additional features including personal property storage and pet kennels to the existing shelters. These efforts to remove barriers to access to the shelters resulted in several of the Coastside homeless moving into shelters and outpatient programs, but many declined to move over the hill, citing a desire to remain in their community. In the past several years, the support structure for homeless residents on the Coastside has strengthened, including the local non-profits and County services described above. Coastside Hope, located in El Granada, also provides a variety of social support services

[1] The California Coastal Act was effective in 1977, and the City's Local Coastal Program (LCP) was not effectively certified until 1996. From 1977 to 1996, the Coastal Commission had jurisdiction over coastal development permits in Half Moon Bay.

and regularly works with homeless individuals on the Coastside. The County also has contracted homeless case management and support through Lifemoves, and a variety of help and support services through the Street Medicine, Healthcare for the Homeless, and other programs. If the County acquires the Coastside Inn and begins providing housing for homeless individuals, they recognize the need for additional support services and have committed to developing a plan to ensure success of this program and provide the best opportunity to transition many of the homeless individuals already living on the Coastside into permanent housing options and ending the cycle of homelessness.

CONCLUSION:

The City and County continue to discuss the plans for conversion of the Coastside Inn into a location to successfully provide housing and important services to homeless individuals already residing on the Coast. Both agencies recognize that it will take concerted effort and commitment, from government and non-profit agencies as well as the community, in order to ensure that the program will be successful in helping some of our most vulnerable residents achieve stability and overcome the many challenges they currently face. If they ultimately move forward with the acquisition, the County has committed resources, the involvement of City staff in identifying and selecting service providers and ongoing operational oversight, as well as coordination with local non-profits and businesses in providing support.

ATTACHMENTS:

1. FAQ sheet - County of San Mateo Interest in Creating New Homeless Shelter Programs in Half Moon Bay, November 2020
2. Correspondence (will be added Monday, November 30)

County of San Mateo Interest in Creating a New Homeless Shelter Program in Half Moon Bay

November 2020

What is being proposed?

The County of San Mateo is considering purchasing a hotel in the City of Half Moon Bay, the Coastside Inn, in order to create a new shelter program to assist people experiencing homelessness. There are 52 rooms at the hotel.

Why?

There currently are no homeless shelters on the coastside, however there are significant needs. The 2019 One Day Homeless Count found that there were 230 unsheltered homeless individuals living on the coastside (Half Moon Bay, Pacifica, and unincorporated coastside areas). The new planned homeless shelter program will provide safe temporary living accommodations and intensive on-site support services to assist program participants with looking for permanent housing.

Who will be served?

The proposed program will serve San Mateo County community members who are experiencing homelessness, with a preference first for those who are from Half Moon Bay and the coastside area.

The program is planned to serve adults experiencing homelessness, as the largest need is for services for adults, since there are extensive existing services for families in the County. However, based on feedback from the community, the County is now exploring the feasibility of this program also being able to serve families.

Why now?

After many years of efforts from various stakeholders to create a homeless shelter program on the coast, there is now a unique opportunity where the County has time-limited federal funding available and there is a building for sale that is appropriate. Given the time-limited nature of the funding being utilized for this purchase, the acquisition must be completed by the end of December 2020, so the acquisition process is moving at an expedited pace.

Will services be provided on site?

Yes. The proposed program will provide intensive on-site services. The program will conduct a thorough assessment with each program participant, and based on that assessment, the program will create a plan to assist each participant with identifying and returning to housing, including case management, support in searching for housing, employment support, applying for financial resources, and connections to health services (including mental health and substance abuse services). The program will provide intensive on-site services to all participants and will also partner with existing community services such as Abundant Grace, Coastside Hope, ALAS, El Centro de Libertad and Coastside Clinic. Program participants will have to abide by program rules to continue their enrollment in the program.

Will the programs be staffed 24/7?

Yes, the homeless shelter program will be staffed 24 hours a day, 365 days a year. The on-site staff will monitor the site and activities at all times, ensuring the safety and security of the premises for occupants.

How long will participants stay at the shelter?

Homeless shelter programs are intended to be short term, with actual shelter stays averaging 120 days to six months. However, due to the current pandemic, stays have been longer. The intention of a shelter program is to provide temporary housing while assisting individuals in finding permanent housing. Case management services will be focused on long term housing interventions.

Is this program specifically for people who have COVID-19?

No, this program is not for those with COVID-19 and needing isolation. This program will be for people experiencing homelessness who are vulnerable (elderly and/or with existing medical conditions such as cancer, heart disease, etc.).

Will these programs eliminate homelessness in the area?

This program will be a significant step toward serving people experiencing homelessness and decreasing unsheltered homelessness, however it's likely that some unsheltered individuals may chose to continue living in their current locations. The County's homeless outreach programs will continue to provide services to unsheltered individuals, with the goal of building trust and over time, encouraging individuals to access services, shelter and housing.

When will these programs start?

Currently, the County is researching the acquisition processes and will be planning for the shelter program, if the hotel is purchased. The specific date of the program launch is not yet known but is projected to be in early 2021. The County will work closely with the City of Half Moon Bay throughout the planning and implementation process.

How are the hotel purchases being funded?

If the County proceeds to purchase the hotel, federal CARES Act funding will be utilized. The City is not being requested to help fund the purchase of the hotel. Shelter program operations will be funded by a combination of state and federal sources and additional funding sources (such as philanthropy) will be explored by the County and the non-profit agency providing the services.

How can the community be involved?

The County looks forward to working with the community on the developmental and implementation of this program. The County will be inviting City staff to participate in the process to select an experienced non-profit homeless service provider to provide the services on site.

If the homeless shelter program is implemented, the County will work closely with the selected non-profit service provider on all aspects of the programs, and the County will work with the City and community stakeholders to establish ongoing collaboration about the programs, including a Community Advisory Committee. Once the program is implemented, there may be additional opportunities for community involvement, such as volunteer opportunities.

What are the expectations of the program participants?

Those enrolled in the program will need to comply with program rules and requirements. A sample Program Rules document is provided for your reference.

These Frequently Asked Questions will be updated as new information becomes available.

Welcome and Program Rules

Welcome! Here are some things to know during your stay here. This program's goal is to provide a safe, welcoming, supportive place for people to stay while they work on finding permanent housing. You will be provided with services from your case manager to help you create a housing plan and also connect to other resources. Please read through the rules/protocols below to ensure all participants are safe during their stay here.

Rules/Protocols:

Meals: You will receive breakfast, lunch and dinner each day and have access to small snacks in between meals.

Rooms: Please maintain the cleanliness of your room. Please note that significant room damage will lead to being exited from the program.

Visitors: Visitors to your room are not allowed without prior approval. Having guests on site or in your room without prior approval will lead to being exited from the program.

Quiet Hours: Please keep the noise level down between the hours of 10 pm-6 am. There is also an expectation that program participants are in their rooms between the hours of 10 pm-6 am unless they have communicated with their case manager ahead of time for exceptions about their job or special circumstances.

Respecting Neighbors/Adjacent Properties/Businesses: All program participants are required to be respectful of the neighbors including adjacent properties and businesses, including no loitering. Disrespecting the neighbors' property or businesses will lead to being exited from the program.

COVID-19 Safety Protocols:

- **Wear a mask that covers your nose and mouth at all times you are outside of your room.** If you need replacement masks, please contact any staff.
- **Follow social distancing guidelines** by having at least 6 feet of space between you and another person.
- **Complete the daily temperature check:** Staff will conduct a temperature check daily with each program participant. If staff can't find you for the daily temperature check, a wellness check will be done.

No Smoking:

- Smoking (including marijuana) is not allowed inside any part of the building, including in rooms.
- The cigarette smoking area is located outside at _*(description of location)*___.
- Tampering with or disabling your room's smoke detectors will lead to being exited from the program.

Alcohol and Drugs:

- Drugs and alcohol are not permitted on site. Items related to drug or alcohol use on site, including needles, found in your room may lead to you being exited from the program due to the safety of participants and staff.
- If you would like to talk to someone about alcohol or drug use or strategies to decrease use, your case manager would be happy to discuss with you and help you connect you to various supportive service options.

Questions or concerns?

If you have any questions or concerns, please talk with your case manager or the program director, and if you have any urgent concerns or questions, please contact the staff who is on site at that time, as there are always staff on-site to assist and respond to any issues.

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of **December 1, 2020**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Matthew Chidester, Deputy City Manager
Karen Decker, Senior Management Analyst

TITLE: **UPDATE ON LOCAL RECOVERY EFFORTS FROM COVID-19 AND DEVELOPMENT OF RECOMMENDATIONS TOWARD A MORE DIVERSIFIED, RESILIENT, AND VIBRANT COASTSIDE ECONOMY**

RECOMMENDATION:
Receive an update on efforts to assist local businesses and the Coastside community in recovery from COVID-19 and in developing recommendations toward a more diversified, resilient, and vibrant Coastside economy.

FISCAL IMPACT:
There is no fiscal impact associated with this update.

STRATEGIC ELEMENT:
This recommendation supports all elements of the Strategic Plan.

BACKGROUND:
City Council met for its annual Budget Priority Setting Workshop on March 10, 2020 following a series of community listening sessions. Economic Development was one of the five major priorities identified for FY 2020-21. Within the week, the onset of the COVID-19 pandemic escalated to such an extent to warrant the public health officers of six Bay Area Counties including San Mateo County to issue a legal order directing their respective residents to shelter in place.

City staff monitored the changing health orders and the wide range of implications to the coast as stressors continued to mount on households - the impacts of which have been disproportionately felt by low-income residents, communities of color and women.

As local businesses struggled to keep up with shelter-in-place orders, social distancing requirements, limited personal protective equipment, and federal aid packages, City staff continued to engage with individual businesses and increased coordination with the Chamber

of Commerce and the Downtown Association, San Mateo County's Office of Sustainability, and the San Mateo County Economic Development Agency (SAMCEDA).

Staff recognized there was not one collective push for what businesses wanted in terms of support at the local level. Recognizing the need to do a deeper dive on some of the issues, staff conducted an outdoor dining and retail survey in late June/July which yielded over 40 responses. Analysis of the survey informed the City's actions in offering permits designed for ease-of-use available to restaurants, retail, and personal care establishments. In addition, staff organized an outdoor dining pilot the weekend of August 21 with safety measures carefully in place. Unfortunately, the local wildfires added additional complications, but staff proceeded with the pilot with the intention of having an eating space for evacuees and locals.

At the County level, the County Manager's Office and Office of Sustainability have spearheaded a Recovery Initiative made up of a leadership council, two advisory groups including one focused on equity, and five committees tasked with key recovery issues. While City staff see the potential in leveraging existing efforts taking place regionally, staff also sees value in forming an economic recovery task force that considers the unique cultural, environmental, social, and economic nuances, resources, opportunities, and challenges on the Coastside.

DISCUSSION:

The purpose of the task force is to assist the Coastside community in recovering from the economic impacts of the COVID-19 pandemic and plan for the future of the Coastside economy through partnership with other agencies, non-profits, industry leaders, and the community at-large. The task force will provide research, data and recommendations that will assist government, business, and community leaders to develop and implement policies and programs toward short-term recovery and long-term sustainability. The task force will be overseen by a leadership committee including representation from the County, local Chamber of Commerce, and City. In addition to providing leadership, it will work to leverage resources at the local level and beyond. Task force membership is designed to reflect cultural, socioeconomic, and industrial diversity with representatives from local sectors such as agriculture, fishing, real estate, and hospitality as well as small business owners and operators, non-profit leaders, and academia.

City staff identified a local consultant to assist with economic development efforts including formation, launch and facilitation of the task force. Key deliverables from the consultant and task force include a summary of key informant and focus group findings, a presentation and report on recommendations and implementation priorities, and a written report prior to the close of the fiscal year.

The first meetings of the leadership committee are scheduled to take place in December 2020 shortly followed by the convening of the task force in January 2021. Periodic updates to the Council on the formation, membership and work of the taskforce will be provided to the Council throughout 2021.

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **December 1, 2020**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Matthew Chidester, Deputy City Manager
Lisa Lopez, Administrative Services Director

TITLE: **880 STONE PINE ROAD ACQUISITION**

RECOMMENDATION:

Adopt a resolution, in relation to the acquisition of 880 Stone Pine Road from the Peninsula Open Space Trust, for use as the City's corporation yard, authorizing:

A. An additional deposit of $25,000 to POST, if the City chooses to exercise an extension of the escrow period;
B. The use of no more than $2,180,000 in Operating Reserves to close escrow on the acquisition;
C. Receipt of iBank financing proceeds for reimbursement of expenses related to the acquisition and potential improvements to the property; and
D. Authorizing the City Manager to take any required actions to complete the transaction, including accepting any non-substantive changes to the terms and conditions of the acquisition and financing.

FISCAL IMPACT:

If approved, no more than $2,180,000 of the City's Operating Reserves will be utilized to close escrow with POST on acquisition of the 880 Stone Pine Road property. By the end of January 2021, the City expects to receive approximately $3,200,000 in financing proceeds from iBank, which will be used to reimburse the Operating Reserves. The remaining funds are to be used for future improvement projects at the Corporation Yard, which are planned to be included in an amended FY 2020-21 CIP budget or the recommended FY 2021-22 CIP budget. Financing issuance will increase debt service payments from the General Fund by approximately $160,000 annually.

STRATEGIC ELEMENT:

This recommendation supports the *Fiscal Sustainability, Healthy Communities and Public Safety*, and *Infrastructure and Environment* elements of the Strategic Plan.

BACKGROUND:
The City of Half Moon Bay has been leasing a 21-acre property located at 880 Stone Pine Road since 2009 for its corporation yard facility. The property fronts Highway 92 near the eastern City limits and contains sensitive habitat areas, most notably Pilarcitos Creek along the southern side of the site, as well as a former agriculture pond on the north-western edge of the site. The Peninsula Open Space Trust (POST) is the current property owner. POST is interested in selling the property and as a result POST and the City have negotiated terms for the City to purchase the property.

On March 3, 2020, the City Council authorized the City Manager to execute a Purchase and Sale Agreement (the "PSA") to acquire the property with the intention of continued use for a corporation yard, habitat restoration, passive open space uses such as a multi-use pathway, with allowances for small-scale agricultural operations. The negotiated purchase price (based on appraisal) was $2,180,000. Council directed staff to determine suitable funding options for the purchase and improvement of the property. On July 21, 2020, the Council authorized staff to apply for funding through the State of California Infrastructure and Economic Development Bank (iBank) and accept the obligation payable to iBank for financing the purchase of the property and planned enhancements, subject to iBank approval. The Council also adopted a resolution declaring its official intent to reimburse expenditures related to the acquisition from the proceeds of the financing. The acquisition from POST will need to first be completed and recorded, prior to reimbursement from iBank using financing proceeds. Future safety and security improvements will also be eligible for reimbursement from iBank, up to a total of $3.2 million.

Under the terms of the PSA the City made an initial Deposit of $25,000 in March 2020 and a second deposit of $100,000 in July 2020, both of which are non-refundable but credited towards the purchase price. The 180-day due diligence period in the PSA originally expired on October 8, 2020. To allow for additional negotiations on certain requirements in the PSA, as well as to allow the City to pursue the iBank funding, the due-diligence period was extended twice, ultimately to close escrow on November 20, 2020. IBank staff have internally scheduled consideration of the City's financing application for the December 16, 2020 Board meeting. If approved, the City and iBank will finalize financing documentation and funding should be available by mid-January, 2021. The City and POST have entered into a third extension of the closing date, and escrow is now set to close December 18, 2020, following the iBank Board meeting. The amended PSA allows the City to make an additional deposit of $25,000 (which would be credited to the purchase price at closing) to further extend the escrow close date to January 15, 2021. This option, if exercised, would allow the City to finalize all funding arrangements with iBank before making the outlay of reserves for close of escrow with POST.

DISCUSSION:
The proposed terms of the financing from iBank include:

- Financing amount: $3.2 million
- Financing duration: 30 Years

- Interest rate: 2.5%
- Origination fee: 1% - $32,000 (paid out of financing proceeds)
- Annual fee: 0.3% of outstanding principal balance (initial year approximately $9,000)
- Approximate annual financing cost: $160,000

The final terms of the financing will be determined at the iBank Board meeting, and based on recent discussions with iBank, staff are confident that the iBank Board will approve the financing as proposed. Following Board approval, iBank staff typically need approximately two weeks to finalize the financing and distribute funding. Given the timing around the holidays, this process will take additional time, likely into mid-January. Staff recommends exercising the option to extend the closing date from December 18, 2020 to January 15, 2021 and making the corresponding additional deposit, which will be applied to the purchase price. This timing will ensure a short period of time between the outlay of reserves to fund the acquisition of the property and reimbursement to the City from iBank financing proceeds.

The City currently has approximately $3.7 million in operating reserves, and the FY 2019-20 CAFR, which will be finalized later this month, indicate additional undesignated fund balance of close to $2 million. Although the City remains in a solid financial position, due to the ongoing uncertainty related to COVID-19 impacts, staff recommends remaining conservative in its use of reserves. We believe the recommended plan minimizes the City's risk and limits the time that the reserves are used to complete this transaction before being reimbursed.

Following close of escrow and distribution of the financing proceeds, staff will engage an architect to assist in the design and development of short and long-term improvements to the City's corporation yard and overall property.

ATTACHMENT:
Resolution

Resolution No. C-2020-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY, IN RELATION TO THE ACQUISITION OF 880 STONE PINE ROAD FROM THE PENINSULA OPEN SPACE TRUST, FOR USE AS THE CITY'S CORPORATION YARD AUTHORIZING: A. AN ADDITIONAL DEPOSIT OF $25,000 TO POST, IF THE CITY CHOOSES TO EXERCISE AN EXTENSION OF THE ESCROW PERIOD; B. THE USE OF NO MORE THAN $2,180,000 IN OPERATING RESERVES TO CLOSE ESCROW ON THE ACQUISITION; C. RECEIPT OF IBANK FINANCING PROCEEDS FOR REIMBURSEMENT OF EXPENSES RELATED TO THE ACQUISITION AND POTENTIAL IMPROVEMENTS TO THE PROPERTY; AND D. AUTHORIZING THE CITY MANAGER TO TAKE ANY REQUIRED ACTIONS TO COMPLETE THE TRANSACTION, INCLUDING ACCEPTING ANY NON-SUBSTANTIVE CHANGES TO THE TERMS AND CONDITIONS OF THE ACQUISITION AND FINANCING

WHEREAS, in 2004, the City acquired the property located at 880 Stone Pine Road, Half Moon Bay (the "Property") through a loan from Peninsula Open Space Trust (POST); and

WHEREAS, in 2009, the City defaulted on its payments and POST exercised its right to take possession and title to the Property, but allowed the City to maintain its corporation yard and management of the Property; and

WHEREAS, in 2018, POST notified the City of its intent to sell and gave an opportunity to purchase the Property before advertising it on the open market; and

WHEREAS, the City and POST have negotiated a purchase and sale agreement, whereby the City will acquire the Property for $2,180,000, under the specific terms and conditions of the agreement; and

WHEREAS, the City of Half Moon Bay General Plan Local Coastal Land Use Plan, which serves as the City's Land Use Element, designates the Property as Urban Reserve, a designation emphasizing agricultural uses and allowing previous use of the site as a garden nursery, with space for office and equipment, and current use of the site includes the City's corporation yard and resource conservation, which is a substantially similar use to aspects of the former nursery; and

WHEREAS, the acquisition is exempt from the California Environmental Quality Act under Section 15301 (Existing Facilities). Under City ownership, the long-term future use of the Property is anticipated to be continued operation of the corporation yard and resource conservation. At such a time when the Council determines any other future uses or improvements, including the multi-use path identified in the City's Bicycle and Pedestrian Master Plan and General Plan Recreation Element, the City will conduct CEQA review, unless an exemption applies; and

WHEREAS, on July 21, 2020, the Council adopted Resolution No. C-2020-66, which, among other things, authorized staff to apply for funding for the acquisition and initial

improvement of the Property from the State of California Infrastructure and Economic Development Bank (iBank), and declared the City's official intent to reimburse certain expenditures from the proceeds of a financing; and

WHEREAS, the City has negotiated with iBank the proposed terms and conditions of a financing ("iBank Financing"), including: $3.2 million total financed amount, 30-year term, 2.5% interest rate, 1% origination fee, and .3% annual fee; which terms are subject to change by the iBank Board; and

WHEREAS, the City has completed all due diligence on the Property and desires to complete the acquisition using proceeds of the iBank Financing; and

WHEREAS, the City expects approval of the iBank Financing at the December 16, 2020 iBank Board meeting, and closing of the iBank Financing by mid-January 2021; and

WHEREAS, the City and POST have entered into previous extensions of the close of escrow date to December 18, 2020, and, with an additional $25,000 deposit from the City to POST (which deposit would be credited toward the purchase price at closing), a further extension of the close of escrow date to January 15, 2021.

NOW, THEREFORE, BE IT RESOLVED THAT that the City Council authorizes: an additional deposit of $25,000 to POST, if the City chooses to exercise an extension of the escrow period, the use of no more than $2,180,000 in Operating Reserves to close escrow on the acquisition, receipt of iBank Financing proceeds for reimbursement of expenses related to the acquisition and potential improvements to the Property, and authorizes the City Manager to take any required actions to complete the transaction, including accepting any non-substantive changes to the terms and conditions of the acquisition and financing.

****

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 1st day of December, 2020 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:

_____

Adam Eisen, Mayor