



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

**TUESDAY, DECEMBER 3, 2024**

**HYBRID MEETING (SEE NEXT PAGE)  
ADCOCK COMMUNITY CENTER  
535 KELLY AVENUE  
HALF MOON BAY, CA 94019**

**Joaquin Jimenez, Mayor  
Harvey Rarback, Vice Mayor  
Robert Brownstone, Councilmember  
Deborah Penrose, Councilmember  
Debbie Ruddock, Councilmember**

**7:00 PM**

This agenda contains a brief description of each item to be considered. Those wishing to address the City Council on any matter not listed on the agenda, but within the jurisdiction of the City Council to resolve, may come forward to the podium during the Public Forum portion of the agenda and will have a maximum of three minutes to discuss their item. Comments on City Manager Updates and Consent Calendar items should be made during the Public Forum section of the agenda. Those wishing to speak on a Business or Public Hearing matter will be called forward at the appropriate time during that item's 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 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).

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## **HYBRID MEETING PARTICIPATION PROTOCOLS**

*This meeting will be held in-person and via Zoom for public participation. Remote participation is provided as a supplemental way to provide public comment, but this method does not always work. The public is encouraged to attend in person to ensure full participation. Public comments may be made in-person or remotely via Zoom, and interpretation will be available. All Councilmembers and staff will participate in person. 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. The meeting will also be streamed on Channel 27, on pacificcoast.tv, and on Facebook at [www.facebook.com/cityofhalfmoonbay](http://www.facebook.com/cityofhalfmoonbay). Please click to join the webinar: <https://us06web.zoom.us/j/87674804231> or join by phone at 669-900-9128, using Webinar ID 876-7480-4231. If joining by phone, use \*9 to raise your hand, \*6 to mute and unmute.*

## **ROLL CALL / PLEDGE OF ALLEGIANCE**

## **APPROVAL OF AGENDA**

## **PROCLAMATIONS AND PRESENTATIONS**

RECOGNITION AND THANKS FOR OUTGOING CONGRESSWOMAN ANNA ESHOO

## **MAYOR'S ANNOUNCEMENTS OF COMMUNITY ACTIVITIES AND COMMUNITY SERVICE**

## **REPORT OUT FROM RECENT CLOSED SESSION MEETINGS**

## **CITY MANAGER UPDATES TO COUNCIL**

## **PUBLIC FORUM**

### **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 and Vector Control District Board of Trustees for a four-year term commencing on January 6, 2025.

#### **[STAFF REPORT](#)**

#### **1.C 2025 RESIDENTIAL DWELLING UNIT ALLOCATION PURSUANT TO HALF MOON BAY MUNICIPAL CODE CHAPTER 17.06 (MEASURE D)**

**Staff Recommendation:** Adopt a resolution setting the 2025 Residential Dwelling Unit Allocation and Administration System pursuant to Half Moon Bay Municipal Code Chapter 17.06 for 67 residential dwelling units, 45 units for the Downtown (23 base units and 22 bonus units), and 22 units outside of the Downtown.

#### **[STAFF REPORT](#)**

[RESOLUTION](#)

[ATTACHMENT 2](#)

**1.D AB1600 REPORT ON DEVELOPMENT IMPACT FEES FOR FISCAL YEAR ENDED JUNE 30, 2024**

**Staff Recommendation:** Accept the AB 1600 Report on Development Impact Fees for fiscal year ended June 30, 2024.

[STAFF REPORT](#)

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

**Staff Recommendation:** Adopt a resolution authorizing the City Manager to execute the Sixth Amendment to the Lease Agreement with Kathy Oler, for the use of 730 Mill Street as a public parking lot through December 31, 2029.

[STAFF REPORT](#)

[RESOLUTION](#)

**2. ORDINANCES AND PUBLIC HEARINGS**

**2.A RESOLUTION OF PUBLIC INTEREST AND CONVENIENCE APPROVING THE CITY'S SALE OF A PORTION OF 880 STONE PINE ROAD (6.87-ACRE PORTION OF APN: 056-260-180) FOR THE CONSTRUCTION OF A 47-UNIT AFFORDABLE FARMWORKER HOUSING PROJECT**

**Staff Recommendation:** Continue the public hearing to a date certain of December 16, 2024 at 7:00 p.m. or as soon thereafter that the matter can be heard at the special City Council meeting held at the Ted Adcock Community Center (TACC) 535 Kelly Avenue, Half Moon Bay, CA 94019.

[STAFF REPORT](#)

**3. RESOLUTIONS AND STAFF REPORTS**

**3.A OBJECTIVE DESIGN STANDARDS STATUS UPDATE FOR MULTI-FAMILY DEVELOPMENT IN ACCORDANCE WITH STATE LEGISLATION**

**Staff Recommendation:** Receive a presentation and provide direction to staff on the development of Objective Design Standards, including Local Coastal Program amendments for multi-family housing in accordance with SB 423, SB 35, and other state legislation.

[STAFF REPORT](#)

[ATTACHMENT 1](#)

[ATTACHMENT 2](#)

### **3.B LEGISLATIVE ADVOCACY END OF SESSION UPDATE**

**Staff Recommendation:** Receive an update from Townsend Public Affairs, Inc. on legislative advocacy services and the 2024 legislative session.

[STAFF REPORT](#)

### **3.C FINANCIAL REPORT FOR THE QUARTER ENDED ON SEPTEMBER 30, 2024**

**Staff Recommendation:** Accept the Financial Report for the quarter ended on September 30, 2024, and authorize the Administrative Service Director to make budgetary entries to account for previously approved carryforward funds related to capital improvement projects.

[STAFF REPORT](#)

[ATTACHMENT 1](#)

[ATTACHMENT 2](#)

[ATTACHMENT 3](#)

### **3.D ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2024 UPDATE**

**Staff Recommendation:** Receive the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024 Update.

[STAFF REPORT](#)

[ATTACHMENT 1](#)

[ATTACHMENT 2](#)

### **3.E MEASURE R - TRANSACTION AND USE (SALES) TAX IMPLEMENTATION**

**Staff Recommendation:** By motion: 1) adopt a resolution authorizing the City Manager to execute agreements with the California Department of Tax and Fee Administration (CDTFA) for implementation of a local transactions and use tax; 2) adopt a resolution authorizing the examination of the sales, use, and transactions tax records for the City; and 3) appropriate \$175,000 of Measure R revenue for the preparatory costs incurred by the CDTFA necessary to administer the City's transactions and use tax.

[STAFF REPORT](#)

[RESOLUTION 1](#)

[RESOLUTION 2](#)

**3.F SECOND AMENDMENT TO EMPLOYMENT CONTRACT FOR CITY MANAGER**

**Staff Recommendation:** By motion, approve Amendment No. 2 to the August 20, 2022 City Manager Employment Agreement with Matthew Chidester to increase the annual base salary from \$272,950 to \$281,138.50 effective July 1, 2024, and provide for future cost of living increases consistent with what is received by other City executive staff or with State CPI, whichever is lower

[STAFF REPORT](#)

[ATTACHMENT 1](#)

[ATTACHMENT 2](#)

[ATTACHMENT 3](#)

**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**

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**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**

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**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 CITY OF HALF MOON BAY CITY COUNCIL**

**AGENDA REPORT**

For the Meeting of: **December 3, 2024**

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**TO:** Honorable Mayor and City Council

**VIA:** Mathew Chidester, City Manager

**FROM:** Leslie Lacko, Community Development Director  
Scott Phillips, Senior Planner

**TITLE:** **2025 RESIDENTIAL DWELLING UNIT ALLOCATION PURSUANT TO HALF MOON BAY MUNICIPAL CODE CHAPTER 17.06 (MEASURE D)**

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**RECOMMENDATION:**

Adopt a resolution setting the 2025 Residential Dwelling Unit Allocation and Administration System pursuant to Half Moon Bay Municipal Code Chapter 17.06 for 67 residential dwelling units, 45 units for the Downtown (23 base units and 22 bonus units), and 22 units outside of the Downtown.

**FISCAL IMPACT:**

There is limited fiscal impact associated with setting the annual residential dwelling unit allocations as the Measure D allocation application fees cover some of the costs of administering the program. A fiscal impact analysis is also required as part of this process, which is described further in this report. It concludes that the impact of development associated with these allocations will be approximately \$14,400 annually. The analysis does not account for one-time revenue generated from permitting, which can be quite significant.

**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 allowed at the discretion of City Council 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 Measure D allocations and recommends 67 total allowable residential unit allocations for 2025.

**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 (PPH).

The 2020 U.S. Census provides the most recent Census data for a baseline to add additional population to annually. Table 1 presents the methodology and calculations for determining the annual allocation from the 2020 Census baseline.

**Table 1 – Allocation Calculations**

Year	Base Population (1)	New Units (2)	PPH	Calculated Additional Population (3)	New Projected Population (1)	Base Allocations (4)	Allocation Distribution		Total Annual Allocations
							Downtown (5)	Outside Downtown	
2021	11,795	35	2.58	90	11,885	46	46	23	69
2022	11,885	23	2.67	61	11,946	45	45	22	67
2023	11,946	41	2.86	117	12,063	42	42	21	63
2024	12,063	10	2.67	27	12,090	45	45	22	67
					<b>2025</b>				

- (1) 2020 U.S. Census Population was utilized for the 2022 baseline from which the calculated additional population is added to each year.
- (2) Number of new units that were issued building permits during the prior calendar year.
- (3) Most current US Census PPH data (2.67) multiplied by the number of new units that were issued building permits during the calendar year.
- (4) One percent of New Projected Population divided by 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 issued building permits during the current calendar year by the average PPH (2.67 from the 2024 census data), then adding the result to the projected population from the previous year.

An updated PPH was calculated at 2.67 as compared to 2.86 from last year’s allocation request. This is a decrease in PPH compared to the upward trend that we have seen in the past 3 years. The decrease in PPH results in an increase of 4 new dwelling unit allocations (1 outside of Downtown and 3 Downtown) for 2025 compared to the number of new dwelling allocations in 2024.

The base allocation of 1% is split evenly between Downtown and outside of Downtown. As discussed earlier in “Background,” Measure D allows for a 0.5% increase in residential allocations for Downtown, which consists of the City’s former Redevelopment Area. As summarized in Table 2, this provides for a maximum of 67 new dwelling unit allocations for 2025, reserving 45 dwelling unit allocations for the Downtown Area, and 22 dwelling unit allocations outside Downtown.

**Table 2: Dwelling Unit Allocations – 2025**

Total Allocations	Downtown Allocations	Outside Downtown Allocations
67	45 (1.0%)	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.A states the following: “In determining the number of permissible units, the city shall use the most recent U.S. Census figures for Half Moon Bay to calculate the average number of persons per household.” Consistent with previous years, the most recent U.S. Census figure for PPH was used when calculating the permissible units.

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 and Building Permits Issued:** Table 3 presents the number of Measure D certificates and building permits issued each year from 2017 through 2024. 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 previous recession. Starting in 2014, growth increased modestly but remained low due to a lack of larger-scale developments other than phase one of Pacific Ridge. Recent years (2019 and on) have seen a distinct increase in applications for both Measure D allocations and building

permits. Accessory dwelling units (ADUs) account for much of this increase due to the series of State law amendments that further relaxed ADU development requirements and amplified local interest in ADU construction. In 2021, 2022, and 2023, all allocations were issued, including within and outside Downtown. Seventeen of the bonus allocations downtown remain available. Note that only the downtown base allocation (21 allocations in 2024) can be transferred outside of downtown, which were issued earlier this year.

Projects currently under Coastal Development Permit review include Hilltop Mobile Home Park, as well as individual new homes and ADUs. Coastal Development Permits were issued in 2024 for 555 Kelly Avenue affordable housing project, Creekside, and Stone Pine. Table 3 indicates the number of building permits issued compared to allocations available and issued. Staff anticipates that building permit issuance will increase within the upcoming years, reflecting the higher number of allocations issued in recent years.

**Table 3: Residential Building Permits Issued**

Year	Available Allocations	Measure D Allocations Issued	Residential Building Permits Issued
2017	66	22	28
2018	66	25	16
2019	71	34	24
2020	69	48	26
2021	66	66	35
2022	69	69	23
2023	67	67	31
2024	66	46*	19
<b>Average</b>	<b>68</b>	<b>54</b>	<b>25</b>

\* All 21 base allocations for Downtown were issued in 2024. Per Section 17.06.120 F, the remaining Downtown bonus allocations are not available for transfer.

**Development Phasing Plans and Unit Prioritization:** 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). Alternatively, residential development may be phased over a period of time greater than one year through the processing of a development phasing agreement (per Section 17.06.055). 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 for phased development or subdivisions.

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” establish 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 on competitive rating criteria (Sections 17.06.120 and 17.06.275).

A detailed staff report to the Planning Commission in March 2020 outlined the criteria evaluation process and presented certain aspects of the rating system, as codified in 2010, that are no longer relevant. The Planning Commission concurred with staff's interpretations of the ranking system. The discussed interpretations have guided the rating of Measure D submittals since then, when there have been more applications received during the annual January application window 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 2025 was prepared by Economic & Planning Systems, Inc. and a table summarizing the analysis is included in Attachment 2. The fiscal impact analysis indicates that the new units and residents would generate approximately \$35,000 per year in General Fund revenues and require about \$49,400 in General Fund expenditures, for an annual estimated deficit of \$14,400 in 2025 dollars. The anticipated deficit is slightly less than the anticipated deficits from the previous three years. However, the 2021 fiscal impact analysis indicated an estimated net surplus of \$21,118. All of these amounts are close to breaking even for this type of analysis given that one-time permit revenues are excluded from the analysis.

**ATTACHMENTS:**

1. Resolution Establishing the Residential Dwelling Unit Allocation for 2025
2. Fiscal Impact Analysis Spreadsheet of New Residential Development, prepared by Economic & Planning Systems, Inc, November 2025

**RESOLUTION NO. C-24-\_\_\_****A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY  
ESTABLISHING THE RESIDENTIAL DWELLING UNIT ALLOCATIONS FOR 2025**

**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 31<sup>st</sup> 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 (2024), a total of 46 Measure D allocations were issued; while 10 new residential Building Permits were issued.
- B. **Preceding Year Allocations:** In the preceding year (2023), a total of 67 Measure D allocations were issued; while 31 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 Economic & Planning Systems Inc.

**Section 2: Total Allocation for Calendar Year 2025**

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 2025 calendar year shall be 67 units.

- A. **Assignment of Allocation to “Downtown” and “Outside Downtown” Areas:** The total allocation of 67 residential units shall be distributed as follows: twenty-two (22) units to the projects outside the Downtown area, and forty-five (45) units to projects within the Downtown area.

\*\*\*\*\*

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 3<sup>rd</sup> day of December 2024, 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

\_\_\_\_\_  
Joaquin Jimenez, Mayor

**Table 2**  
**Half Moon Bay Measure D**  
**Annual Fiscal Impact Analysis 2024**  
**Fiscal Impact Results (2024\$)**

Item	Annual Fiscal Impacts at Buildout [1]
<b>Annual General Fund Revenues</b>	
Property Tax	\$11,500
VLF Prop Tax Swap	\$8,200
Sales and Use Tax	\$6,500
Transient Occupancy Tax	\$0
Franchise Taxes	\$2,500
Business License Tax	\$800
Permits	\$0
Intergovernmental	\$0
Planning and Engineering Fees	\$0
Police Services	\$100
Recreations Services Fees	\$400
Other Revenues	\$5,000
<b>Subtotal General Fund Revenues</b>	<b>\$35,000</b>
<b>Annual General Fund Expenditures</b>	
General Government	\$11,800
Non-Departmental	\$4,600
Police	\$14,600
Public Works	\$8,100
Recreation	\$2,300
Community Development	\$3,500
Capital Exp. & Transfers	\$4,500
<b>Subtotal General Fund Expenditures</b>	<b>\$49,400</b>
<b>Annual General Fund Surplus/(Deficit)</b>	<b>(\$14,400)</b>

*detsum*

Source: EPS.

[1] Values rounded to the nearest \$100.

**BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY**

**AGENDA REPORT**

For meeting of: December 3, 2024

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**TO:** Honorable Mayor and City Council

**VIA:** Matthew Chidester, City Manager

**FROM:** Lisa Rossi, Administrative Services Director  
Kenneth Stiles, Finance Manager

**TITLE: AB1600 REPORT ON DEVELOPMENT IMPACT FEES FOR FISCAL YEAR ENDED  
JUNE 30, 2024**

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**RECOMMENDATION:**

Accept the AB 1600 Report on Development Impact Fees for fiscal year ended June 30, 2024.

**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, 2024, 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.

	2019-20	2020-21	2021-22	2022-23	2023-24
<b>FUND 112 Beginning Fund Balance</b>	4,073,334	4,211,724	4,225,385	4,170,411	4,365,486
<b>Revenue</b>					
Citywide Impact Fees	118,386	40,644	86,784	133,043	-
Interest & Unrealized Gains	131,541	(11,262)	(94,814)	93,264	226,345
Transfers In from Other Funds	-	-	-	-	-
<b>Total Revenues</b>	<u>249,927</u>	<u>29,381</u>	<u>(8,030)</u>	<u>226,307</u>	<u>226,345</u>
<b>Expense</b>					
Other Expenditures	32,055	15,720	46,944	31,232	30,292
Projects	-	-	-	-	-
Hwy 1/Kelly Avenue Intersection Improvements (0571)	79,483	-	-	-	-
Transfers Out to Other Funds	-	-	-	-	-
<b>Total Expenditures</b>	<u>111,538</u>	<u>15,720</u>	<u>46,944</u>	<u>31,232</u>	<u>30,292</u>
<b>FUND 112 Ending Fund Balance</b>	<u>4,211,724</u>	<u>4,225,385</u>	<u>4,170,411</u>	<u>4,365,486</u>	<u>4,561,539</u>

Analysis:

The funds generated by the traffic mitigation fees have averaged \$75 K annually over the last five years. They will be used in connection with the Five-Year Capital Improvement (CIP) Plan. In FY 2023-24 the funds were only used for the annual gas tax assessment. These funds remain available for future applicable expenditures.

**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.

	2019-20	2020-21	2021-22	2022-23	2023-24
<b>FUND 152 Beginning Fund Balance</b>	1,534,533	953,705	1,064,233	985,122	1,126,879
<b>Revenue</b>					
Citywide Impact Fees	11,175	4,245	8,077	12,831	-
Interest & Unrealized Gains	35,124	(3,599)	(23,209)	23,005	57,700
Transfers In from Other Funds	150,000	155,000	20,000	375,000	829,613
<b>Total Revenues</b>	<b>196,299</b>	<b>155,646</b>	<b>4,869</b>	<b>410,836</b>	<b>887,313</b>
<b>Expense</b>					
Other Expenditures	37,980	41,203	40,300	42,426	50,465
Projects					
Storm Drain Master Plan - Phase 2 (0563)	-	-	3,827	96,132	52,806
Seymour Ditch Erosion Project (0592)	3,527	-	-	-	-
Kehoe Water Course Enhancement (0534)	5,622	-	-	-	-
Seymour Ditch Erosion (0608)	-	-	-	-	427,674
Kelly / Hwy 1 Drainage (9003)	577,587	-	-	-	-
Kehoe / Pilarcitos Outfall Repair (1005)	-	3,614	36,471	119,417	32,867
Roosevelt Ditch Repairs (1006)	-	-	-	8,192	48,240
Storm Water Master Plan (1011)	-	-	-	-	11,613
Transfers Out to Other Funds	152,412	301	3,382	2,911	3,809
<b>Total Expenditures</b>	<b>777,127</b>	<b>45,117</b>	<b>83,980</b>	<b>269,079</b>	<b>627,474</b>
<b>FUND 152 Ending Fund Balance</b>	<b>953,705</b>	<b>1,064,233</b>	<b>985,122</b>	<b>1,126,879</b>	<b>1,386,717</b>

Analysis:

The funds generated from the storm drain fees have averaged \$7 K 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. Impact fees were utilized for capital projects such as Seymour Ditch Erosion, Roosevelt Ditch Repairs, and the Kehoe Outfall Repair.

**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.

	2019-20	2020-21	2021-22	2022-23	2023-24
<b>FUND 125 Beginning Fund Balance</b>	2,775,043	2,481,291	2,711,013	3,195,533	2,479,538
<b>Revenue</b>					
Citywide Impact Fees	186,441	263,654	101,330	163,213	-
Grants	5,000	8,415	98,234	1,103,644	1,446,510
Miscellaneous	-	-	-	-	-
Interest & Unrealized Gains	100,978	(13,934)	(65,655)	53,874	85,184
Reimbursement - Non Govt	-	-	-	-	-
Transfers In from Other Funds	1,433,078	222,000	1,385,000	250,000	1,250,000
<b>Total Revenues</b>	<b>1,725,497</b>	<b>480,135</b>	<b>1,518,910</b>	<b>1,570,732</b>	<b>2,781,694</b>
<b>Expense</b>					
Other Expenditures	26,830	17,019	-	-	-
Projects					
Pilarcitos Trail Bridge Replacement (0561)	-	-	-	-	-
Bike and Ped Trail Master Plan (0580)	10,392	-	-	-	-
Parks Master Plan (0583)	-	-	-	-	-
Rehab of Poplar Pedbike Path (0596)	23,217	-	-	-	-
Vertical Access at Poplar Beach (0597)	152,000	1,230	-	-	-
Parks Master Plan Implementation Program (0609)	1,691	43,072	243,038	38,958	3,800
Ocean View Park - Restrooms and Site Improvements (061	619,745	1,703	-	-	-
Carter Park Improvements (0611)	382,687	73,684	116,874	1,648,226	3,915,655
Poplar Beach Gateways Plan (0617)	41,508	39,338	138,168	10,787	598
Coastal Bluff Preservation (0618)	14,865	-	-	-	-
Bike and Ped Master Plan (0615)	2,405	-	-	24,902	-
Bikeway Connectivity Project - North (619)	80,716	21,766	107,624	180,372	135,179
Stair Repair At Cañada Verde Creek (9007)	32,400	-	-	-	-
Poplar Street Parallel Path (1003)	-	36,177	215,551	-	-
Equestrian Beach Access (1004)	-	16,424	-	-	-
Roosevelt Ditch Repairs (1006)	-	-	13,135	5,746	-
Main Street Safety Improvement (1009)	-	-	-	137,737	422,430
Transfers Out to Other Funds	630,794	-	200,000	240,000	-
<b>Total Expenditures</b>	<b>2,019,250</b>	<b>250,413</b>	<b>1,034,390</b>	<b>2,286,727</b>	<b>4,477,660</b>
<b>FUND 125 Ending Fund Balance</b>	<b>2,481,291</b>	<b>2,711,013</b>	<b>3,195,533</b>	<b>2,479,538</b>	<b>783,571</b>

### Analysis:

The park in-lieu funds generated by development impact fees have averaged \$142 K 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. These funds were expended for various capital projects such as Carter Park, Bikeway Connectivity Project and Main Street Safety Improvements.

### **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.

	2019-20	2020-21	2021-22	2022-23	2023-24
<b>FUND 202 Beginning Cash Balance</b>	14,044,656	11,865,819	9,109,804	5,941,170	4,819,967
<b>Revenue</b>					
Citywide Impact Fees	114,957	45,324	159,888	309,739	15,474
Other Revenue	-	-	-	-	-
Interest	364,576	(46,311)	63,072	92,092	160,632
Sewer Usage Fees	35,759	-	-	-	-
<b>Total Revenues</b>	<b>515,292</b>	<b>(987)</b>	<b>222,960</b>	<b>401,831</b>	<b>176,106</b>
<b>Expense</b>					
Other Expenditures	3,590	3,769	-	6,397	-
Projects					
Routine Sewer Maintenance (0506)	368,132	27,334	-	34,007	77,672
Ocean Colony Pump Station (0507)	51,493	11,136	143,630	34,556	39,373
Sewer Service Rate Study (0515)	1,394	-	-	-	-
Seymour Ditch Erosion Assessment (0592)	-	-	-	-	-
Sewer System Modeling/Mapping (0557)	139,050	16,475	-	-	-
Sewer Master Plan and Management (0557 / 9024)	-	17,342	26,489	-	-
Ocean Colony Pump Station (9025)	4,430	1,056,973	1,307,707	164	1,125
Manhole Rehabilitation Program (9026)	40,445	85,953	7,345	48,045	82,500
Inflow and Infiltration Program (9028)	62,799	90,652	66,475	-	1,054
Transfers Out to Other Funds	2,022,796	1,445,394	1,839,948	1,399,865	1,564,467
<b>Total Expenditures</b>	<b>2,694,129</b>	<b>2,755,028</b>	<b>3,391,594</b>	<b>1,523,034</b>	<b>1,766,190</b>
<b>FUND 202 Ending Cash Balance</b>	<b>11,865,819</b>	<b>9,109,804</b>	<b>5,941,170</b>	<b>4,819,967</b>	<b>3,229,884</b>

<sup>(1)</sup> Beginning in FY 2020-21, the ending cash balance represents the cash balances without unrealized gains and losses, as these amounts are not readily accessible

### Analysis:

The development impact revenues received from the sewer connection fees have averaged \$129 K annually over the last five years. These funds are used in connection with the Five-Year Capital Improvement (CIP) Plan. These funds were primarily used for the Manhole Rehabilitation Program and the annual capital contribution to Sewer Authority Mid-Coastside.

### **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.

	2019-20	2020-21	2021-22	2022-23	2023-24
<b>FUND 301 Beginning Net Position</b>	467,190	338,770	262,082	404,126	371,578
<b>Revenue</b>					
Citywide Impact Fees	17,091	8,483	12,075	22,415	-
Interest & Unrealized Gains	6,993	(706)	(4,512)	4,199	9,153
Transfers In from Other Funds	-	-	204,568	44,067	108,195
<b>Total Revenues</b>	<b>24,084</b>	<b>7,777</b>	<b>212,131</b>	<b>70,680</b>	<b>117,348</b>
<b>Expense</b>					
Other Expenditures	106,949	18,703	25,273	41,249	39,185
Capitalize Equipment Operating	-	-	-	-	-
Vehicle Replacement	18,988	42,404	17,526	30,336	43,599
Depreciation	26,567	23,357	27,288	31,644	36,154
Transfers Out to Other Funds	-	-	-	-	-
<b>Total Expenditures</b>	<b>152,504</b>	<b>84,465</b>	<b>70,087</b>	<b>103,229</b>	<b>118,938</b>
<b>FUND 301 Ending Net Position</b>	<b>338,770</b>	<b>262,082</b>	<b>404,126</b>	<b>371,578</b>	<b>369,988</b>

### Analysis:

Over the last five years, the capital outlay development impact fees have generated revenues averaging \$12 K 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 Annual Comprehensive Financial Report.

**BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY**

**AGENDA REPORT**

For meeting of: **December 3, 2024**

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**TO:** Honorable Mayor and City Council

**VIA:** Matthew Chidester, City Manager

**FROM:** John Doughty, Assistant City Manager

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

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**RECOMMENDATION:**

Adopt a resolution authorizing the City Manager to execute the Sixth Amendment to the Lease Agreement with Kathy Oler, for the use of 730 Mill Street as a public parking lot through December 31, 2029.

**FISCAL IMPACT:**

There is sufficient funding in the FY 2024-25 Adopted Budget for the initial base rent of \$2,362.28 per month, beginning January 1, 2025.

**STRATEGIC ELEMENT:**

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

**BACKGROUND:**

Since 1998, the City has leased the property at 730 Mill Street for use a downtown public parking lot. In 2009, the City made improvements to the property by paving and striping the lot, installing signage, and adding a second entrance/exit on Johnston Street. Under the terms of the current lease, which expires on December 31, 2024, the City pays \$27,522 annually (roughly \$2,293 per month) as well as the water connection and usage fees.

In 2018, the City surveyed downtown businesses to gauge interest in maintaining public parking at the Mill Street lot and to see if more businesses would be willing to contribute to help offset the ongoing cost to the City. Although most businesses agreed that the lot was important to their patrons in the downtown, especially on busy weekends or during special events, none were able to contribute.

In December 2019, the City Council approved the Fifth Amendment extending the lease through December 31, 2024. A significant element of the Fifth Amendment was the removal of

language requiring the City to return the lot to pre-2009 condition, which would have been costly to the City and removed valuable public improvements.

In July 2024, the City Council approved the Downtown Streetscape Master Plan concluding an approximate 18-month process of community visioning for Main Street and technical study. The Plan's emphasis on Heritage Main Street (Main Street Bridge to Correias Street). This work provided insight into many issues including the need for on- and off-street parking.

Recently, staff met with the Downtown Business Association and the Chamber of Commerce/Visitors Bureau to discuss a variety of items including parking. Both believe that the lot is important for public parking during busy summers and weekends and special events like the Night of Lights, Fourth of July Parade, and Pumpkin Festival. Increased use of Carter Park, Mac Dutra Plaza, and other downtown activities also benefit from this lot being available. Neither group is currently able to help fund the ongoing lease.

Staff believes that extending the lease for the Mill Street Parking Lot in the best interest of the City and community. The landlord has requested the extension.

**DISCUSSION:**

The City has negotiated a Sixth Amendment to Lease Agreement, which extends the Term for an additional five years, increases the base rent by the Consumer Price Index to \$2,362.28 per month from January 1 through December 31, 2025, with 3% annual increases thereafter.

The City will seek additional sources of offsetting revenues while maintaining public access to the lot, including the exploration of a Business Improvement District.

**ATTACHMENT:**

Resolution

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY  
AUTHORIZING THE CITY MANAGER TO EXECUTE THE SIXTH AMENDMENT TO THE LEASE  
AGREEMENT WITH KATHY OLER, FOR THE USE OF 730 MILL STREET AS A PUBLIC PARKING LOT  
THROUGH DECEMBER 31, 2029**

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

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

**WHEREAS**, the current lease expires on December 31, 2024, and the City and Landlord agree that an extension of the agreement and continued use of the Property as a public parking lot is in the best interest of the City and community; and

**WHEREAS**, the City and Landlord have negotiated a Sixth Amendment to Lease Agreement, which extends the Term for an additional five years at an initial base rent of \$2,362.28 per month, with 3% increases annually.

**NOW, THEREFORE, BE IT RESOLVED**, that the City Council of the City of Half Moon Bay hereby authorizes the City Manager to execute the Sixth Amendment to the Lease with Kathy Oler, for the use of 730 Mill Street as a parking lot through December 31, 2029.

\* \* \* \*

I, the undersigned, hereby certify that the foregoing resolution was duly passed and adopted on the 3<sup>rd</sup> day of December 2024, by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST:

APPROVED:

\_\_\_\_\_  
Jessica Blair, City Clerk

\_\_\_\_\_  
Joaquin Jimenez, Mayor

**BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY**

**AGENDA REPORT**

For meeting of: **December 3, 2024**

---

**TO:** Honorable Mayor and City Council

**VIA:** Matthew Chidester, City Manager

**FROM:** John Doughty, Assistant City Manager

**TITLE: RESOLUTION OF PUBLIC INTEREST AND CONVENIENCE APPROVING THE CITY'S SALE OF A PORTION OF 880 STONE PINE ROAD (6.87-ACRE PORTION OF APN: 056-260-180) FOR THE CONSTRUCTION OF A 47-UNIT AFFORDABLE FARMWORKER HOUSING PROJECT**

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**RECOMMENDATION:**

Continue the public hearing to a date certain of December 16, 2024 at 7:00 p.m. or as soon thereafter that the matter can be heard at the special City Council meeting held at the Ted Adcock Community Center (TACC) 535 Kelly Avenue, Half Moon Bay, CA 94019.

**FISCAL IMPACT:**

This action facilitates the sale of a portion of 880 Stone Pine Road to San Mateo County. Proceeds of the sale will be committed to reducing the outstanding balance of the 10-Year City/County lease-leaseback arrangement. Proceeds will reduce the City's annual General Fund debt service costs.

**STRATEGIC ELEMENT:**

This action supports the *Healthy Communities and Public Safety*, and *Inclusive Governance* Elements of the Strategic Plan.

**BACKGROUND:**

On November 19, 2024 the City Council adopted a Resolution establishing that the sale of 6.87 acres (Parcel 1) upon recording of the Final Parcel Map was in the public interest and convenience which, by State statute, requires the City to declare its intent to sell the property and provide an opportunity for consideration of protests to the disposition. The protest hearing was set for December 3, 2024 in anticipation of completion of negotiations on the Purchase Sale Agreement (PSA). There has been a minor delay in the completion of appraisals which has led to a delay in the negotiating final terms of the PSA.

**DISCUSSION:**

The City declares its intent to convey the Property pursuant to the terms of the PSA (originally scheduled for the December 3, 2024, City Council meeting and now continued to December 16, 2024 special City Council meeting) and fixes a time for the hearing of any protests to the disposition, provides for publication of notice of said hearing, and fixes the time for final action on the disposition of the Property and approval of the PSA to no earlier than December 16, 2024.

**ATTACHMENTS:**

None

**BUSINESS OF THE PLANNING COMMISSION OF THE CITY OF HALF MOON BAY**

**AGENDA REPORT**

For meeting of: **December 3, 2024**

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**TO:** Honorable Mayor and City Council

**VIA:** Matthew Chidester, City Manager

**FROM:** Steve McHarris, City Staff  
Ocoee Wilson, Associate Planner

**TITLE: OBJECTIVE DESIGN STANDARDS STATUS UPDATE FOR MULTI-FAMILY DEVELOPMENT IN ACCORDANCE WITH STATE LEGISLATION**

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**RECOMMENDATION:**

Receive a presentation and provide direction to staff on the development of Objective Design Standards, including Local Coastal Program amendments for multi-family housing in accordance with SB 423, SB 35, and other state legislation.

**FISCAL IMPACT:**

Fiscal impact is dependent on the scope and timeline of work. Currently, staff is working under an existing approved \$170,407 contract, which was included within the City’s Annual Operating Budget for FY 2024-25. Based on City Council direction, any additional work scope direction could incur additional consultant cost, either affecting the current fiscal mid-year budget or, if significant, be incorporated into the FY 2025-26 operating budget and Community Development Department Work Plan.

**STRATEGIC ELEMENT:**

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

**OVERVIEW:**

Staff has been working with MIG Inc, a consulting design firm, under a recently approved City Council approved contract, on the development of Objective Design Standards in accordance with recent state legislation. Effective January 1, 2025, ministerial review will be permitted for qualifying affordable housing projects in the Coastal Zone in accordance with Senate Bill (SB) 35 and SB 423. Projects applying under the provisions of this state legislation would need to meet established objective design standards to qualify for streamlined ministerial review. The development of Objective Design Standards will allow the City of Half Moon Bay to apply local design preferences into the standards for these qualifying projects. City staff is seeking input

and direction from the Council on proceeding with a specific approach and criteria in developing the standards. Staff will also continue to work in collaboration with the Planning Commission, Architectural Advisory Committee (AAC), the established Ad-hoc subcommittee, the California Coastal Commission, the public, and other potential stakeholders throughout the development process.

**BACKGROUND:**

State Legislation

*SB 35 & SB 423* - California Senate Bill (SB) 35 requires a streamlined and ministerial development entitlement process for qualifying multifamily development within jurisdictions that have not met their regional housing need allocation (RHNA). SB 35 was not previously applicable within the coastal zone; however, recently enacted SB 423 expands the application of SB 35 into the coastal zone, where there is a certified local coastal land use plan and subject to site specific criteria. SB 35 and SB 423 are codified at Government Code Section 65913.4. Within the requirements of SB 35 and SB 423 Half Moon Bay is subject to streamlined ministerial review process for proposed development with at least 10% affordability. This means certain multi-family projects applying for planning entitlement are subject to ministerial streamlined approval as long as they meet established specific objective design standards. Qualifying projects will be required to be within a site zoned for residential use or mixed-use. SB 35 / SB 423 qualifying projects cannot be located in certain areas, including but not limited to, wetlands, prime agricultural lands, flood hazard areas, areas vulnerable to five feet of sea level rise, or areas between the sea and first public parallel road (i.e. Coastal Commission geographic appeals jurisdiction). Types of projects that may qualify for ministerial review under the provisions of SB 423 include qualifying affordable residential, mixed-use, transitional or supportive housing development and will be in high-density residential, and potentially some medium-density residential, land use plan designations and within areas designated for workforce housing overlay. The full text of SB 423 and SB 35 can be found at the following links: [Bill Text - SB-423 Land use: streamlined housing approvals: multifamily housing developments.](#) [Bill Text - SB-35 Planning and zoning: affordable housing: streamlined approval process.](#)

The California Coastal Commission also recently provided direction to coastal jurisdictions via a memorandum on SB 423. The Coastal Commission Memorandum can be found [here](#) ([SB 423 Memo.pdf](#)). The memo provides a summary of SB 423, overviews coastal zone eligibility areas, standard of review for Coastal Development Permits under SB 423, direction for updating Local Coastal Land Use Plans, and provides some examples to refer to.

*AB 2011 & SB 6* - Assembly Bill (AB) 2011 and Senate Bill (SB) 6 also include provisions which would allow qualifying development to utilize a ministerial approval process for projects that provide specific affordability components. However, AB 2011 and SB 6 focus on specific underutilized commercial sites for housing development and require different affordability requirements than that of SB 35 / SB 423. More information on AB 2011 and SB 6 can be found at the following links:

[Bill Text - AB-2011 Affordable Housing and High Road Jobs Act of 2022.](#)

## [Bill Text - SB-6 Local planning: housing: commercial zones.](#)

Areas where the above-mentioned legislation, specifically SB 423, may be applicable can be seen within the map shown in Attachment 1.

### Defining Objective Standards

Objective Design Standards are required to be “objective” meaning they must be clearly defined and measurable. Current examples of existing objective standards within Half Moon Bay’s Local Coastal Land Use Plan and Municipal Code include, but are not limited to, development standards such as specific setbacks, lot coverage and floor area parameters, height limits, etc. Currently the City has adopted design guidelines for single-family residences; however, they are not applicable to the multi-family projects subject to streamlined ministerial review because: (A) these measures are not necessarily objective, they provide flexibility, and may be open to interpretation; and (B) these existing design guidelines also do not apply to mixed-use or multi-family housing, which is the focus of the state legislation previously mentioned. The development of the multi-family Objective Design Standards do not propose to remove or significantly alter any of the existing applicable standards in place for development in Half Moon Bay. However, it may include modifying some subjective standards to be objective.

### Existing Settings and Context Analysis

MIG Inc. prepared an Existing Settings and Context Analysis which provides additional background on the state laws summarized above and feedback received from the AAC and Planning Commission (PC) ad-hoc subcommittee. This includes an analysis based on a walking tour conducted during a specially scheduled AAC meeting on September 26, 2024. Feedback from the tour is summarized on pages 12-14 of the Existing Settings and Context Analysis included as Attachment 2.

### Past Meetings

Staff has presented on SB 423 and other new legislation at a few previous public meetings:

- City Council- August 20, 2024 - Briefing and Contract Approval
- Planning Commission – September 24, 2024- Briefing and Subcommittee Appointment
- Architectural Advisory Committee -September 26, 2024 – Walking Tour
- Planning Commission- November 12, 2024 – Joint Study Session

Staff previously met with the City Council and Planning Commission to provide an initial synopsis of the proposed scope of work and reasons for the need to implement objective design standards. As part of previous meetings, staff also worked with the Planning Commission and the Architectural Advisory Committee to establish an Ad-hoc Subcommittee to further assist City staff and consultants in the development of design standards.

*Planning Commission/AAC Joint Study Session, November 12, 2024*

Staff conducted a Joint Study Session between the AAC and the Planning Commission on November 12, 2024. The agenda and materials from that meeting can be found [here \(Planning Commission Agenda\)](#). At the Study Session staff received feedback from the Planning Commission and the AAC with general direction to revise the current preliminary draft standards and return with updated standards, and most importantly, additional graphics that correspond with the standards. Other feedback included a desire to differentiate standards for smaller multifamily development projects (less than 3 stories and/or 3 units) and larger multi-family development, establishing a palette of architectural styles that could be applied to projects, standards for designated City gateways, and revising standards to allow more architectural flexibility.

**DISCUSSION:**

Approach Options

	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>
<b>Work Scope</b>	<ul style="list-style-type: none"> <li>• Develop Objective <u>Design Standards</u></li> <li>• Mapping of SB 423 Applicable Areas</li> <li>• Minor Code Amendments</li> </ul>	<ul style="list-style-type: none"> <li>• Develop Objective <u>Design Standards</u></li> <li>• Mapping of SB 423 Applicable Areas</li> <li>• Minor Code Amendments</li> <li>• Additional Outreach/Study Sessions/Review Period</li> </ul>	<ul style="list-style-type: none"> <li>• Development of Objective Design Standards</li> <li>• Comprehensive LUP And IP Amendments Objectifying Policy/Code</li> <li>• Mapping of SB 423 Applicable Areas</li> <li>• Could include additional architectural or other studies</li> </ul>
<b>Timeline (to City Adoption)</b>	~ 2-3 Months	~ 3-6 Months	>1 year
<b>Budget</b>	Within Existing Budget/CDD Work Plan for FY 2024-25	Within Existing Budget/CDD Work Plan for FY 2024-25 (Subject to change dependent on scope)	Additional Budget and Staff time required to be included within a future work plan
<b>Additional Information</b>	Establishes standards most quickly	Establishes standards quickly, while still allowing additional time for review.	
<b>Recommendation</b>	Recommended	Recommended	Recommended to be revisited and included with FY 2025-26 Workplan as a Phase 2.

### Approach Options 1 and 2

Options 1 and 2 are similar but mostly vary in timeline.

Option 1 aims to stay on the closest timeline as initially presented to City Council on September 3, 2024, as part of the consultant's contract approval and scope of work. However, throughout the process staff has received feedback regarding the benefits of expanding the timeline. The drawback would be having certain areas of the City open to qualifying SB 423 project applications that would only be subject to minimal objective criteria in the City's zoning ordinance, including height, setbacks, site coverage, or maximum building envelope. With Option 1 Council Adoption would be anticipated for early February 2025.

Option 2 would expand the timeline of the project to provide additional study sessions. As part of Council direction, staff could include an additional future independent Council study session focused on the draft Objective Design Standards following additional study sessions of both the Architectural Advisory Committee and the Planning Commission. This would increase the timeline of the project by at least an estimated five weeks with City Adoption estimated for mid-March 2025 or later. Variation in the timeline would be dependent on the amount of additional research and meetings required.

### Approach Option 3

A memorandum received from the California Coastal Commission, dated November 12, 2024, has recently provided guidance that strongly recommends that all local governments with certified LCPs or LUPs amend those documents to incorporate SB 423 requirements and to ensure objective standards that protect coastal resources apply in areas eligible for the streamlined ministerial approval process. These amendments will require additional research, hearings, and time, not anticipated within the existing work plan. However, they could be accomplished at a later date.

Staff recommends moving forward with developing the Objective Design Standards and following up with additional LUP policy amendments as a second phased approach, which could be explored and included within either the City's FY 2024-25 midyear operating budget adjustment or FY 2025-26 operating budget. This approach would allow for the implementation of Objective Design Standards near the effective date of SB 423 (January 1, 2025) which, upon City Council approval, would be applicable to qualifying incoming projects. Other objective criteria would then further support established standards, policy, and code allowing ample time for outreach and research while not delaying the overall process.

### **CONCLUSION:**

Staff requests direction from the City Council regarding:

1. Identify Option 1, 3 or 3 as the Council-preferred direction for developing the Objective Design Standards; or
2. Identify another option in developing the Objective Design Standards and timeline.
3. Confirm City Council would like to have an independent Study Session with Draft Objective Design Standards following Study Sessions with AAC and PC.

**NEXT STEPS:**

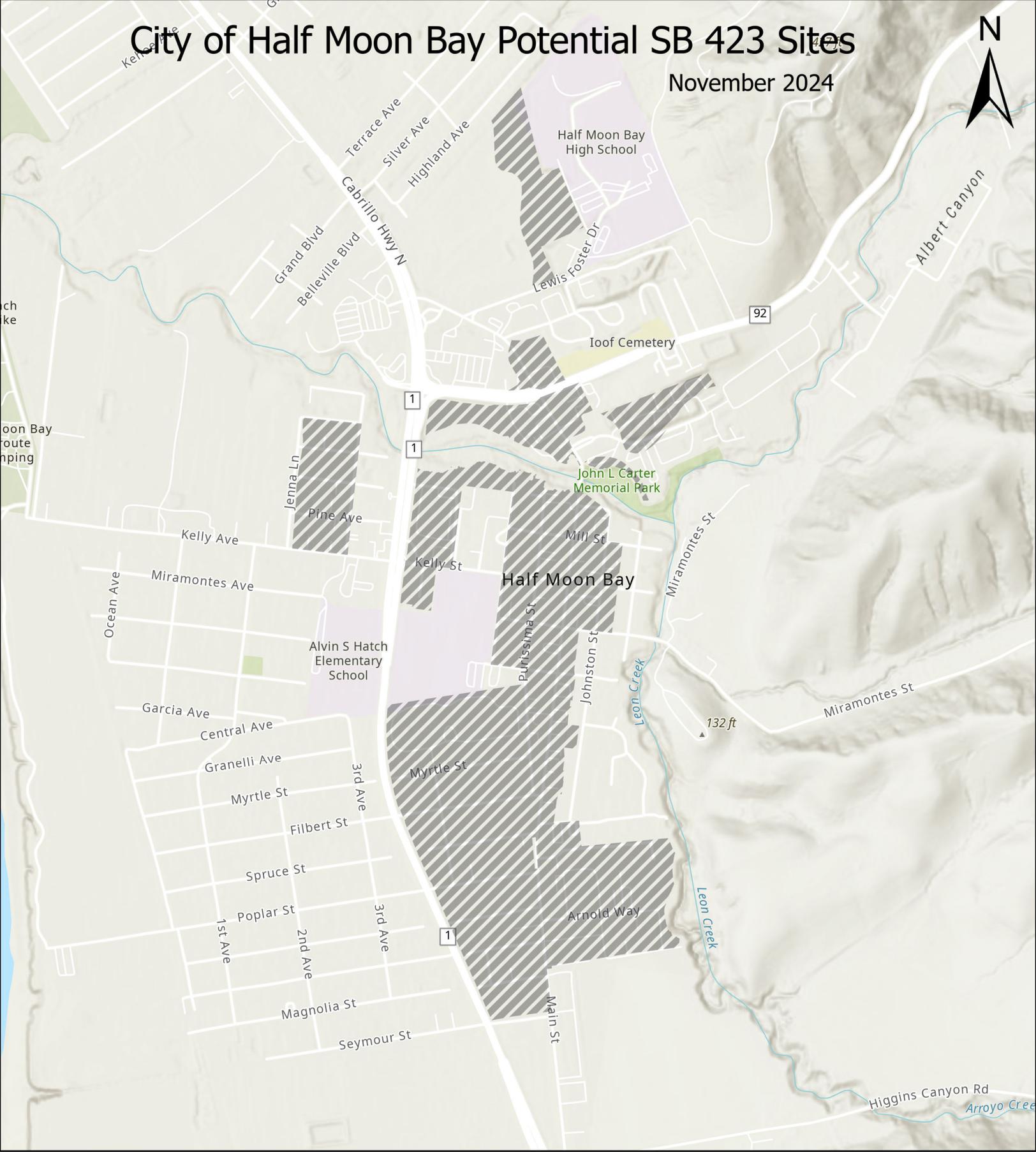
Based on City Council direction, staff will review the anticipated timeline and scope and make adjustments as needed. Direction to pursue either Option 1 or 2 will require minimal time and budget adjustments but will maintain the current project pace and direction toward completion of Public Hearings and City approvals in February to March 2025. The project is tentatively scheduled for follow-up Study Sessions with the Architectural Advisory Committee and Planning Commission in early/mid-December to review updated draft Objective Design Standards. The Objective Design Standards and code amendments will also ultimately require certification by the California Coastal Commission.

**ATTACHMENTS:**

1. SB 423 Map Showing Potentially Applicable Sites
2. Existing Setting and Context Analysis

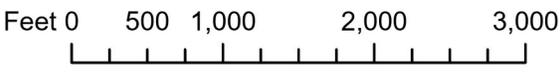
# City of Half Moon Bay Potential SB 423 Sites

November 2024



## Legend

- SB 423 Potentially Eligible Areas



\*Map may not be all encompassing and is subject to change over time



# City of Half Moon Bay

## Objective Design Standards for Multifamily Housing and Mixed-Use Projects

### Existing Setting and Context Summary

November 7, 2024

This memorandum describes the existing setting and development regulations and procedures of the City of Half Moon Bay (City) with respect to land use entitlement for multifamily and mixed-use multifamily residential developments. This analysis will inform development of Objective Design Standards (ODS) for new multifamily and mixed-use housing developments with affordable residential units, collectively referred to as “qualifying housing developments.” The analysis provides the regulatory background for creation of the ODS and describes local design preferences, current objective development standards, existing design guidelines, and required approval procedures at the local government level and by the California Coastal Commission.

### Regulatory Setting

#### California Statutes

California Senate Bill (SB) 35<sup>1</sup>, signed by Governor Gavin Newsom in 2017, allows a streamlined and ministerial development entitlement process for qualifying multifamily development projects, meaning projects with certain minimum affordable housing requirements in localities that have not met their regional housing need allocation (RHNA). Streamlined ministerial review means that local governments may not impose a discretionary review process for projects proposed under SB 35, nor can they deny multifamily residential development applications that are compliant with SB 35 if the project meets objective planning and design standards.

SB 35 exempted areas within coastal zones from being subject to these provisions (Figure 1); Half Moon Bay is located entirely within the coastal zone. However, SB 423<sup>2</sup>, signed in 2023, amended prior SB 35 to remove that exemption and make coastal zones subject to the provisions of SB 35. Under SB 423, local agencies with land use authority must review qualifying multifamily residential developments under a streamlined ministerial process if the site of the proposed development lies within a coastal zone subject to a certified local coastal land use plan (LCLUP) and if the project meets site-specific locational and other criteria. In addition, for site criteria not specific to coastal zones, Government Code Section 65913.4(6)(a) states that projects proposed must not be on sites in especially sensitive areas, such as those: 1) between the sea and



Figure 1: Coastal Zone boundary delineated (blue); Half Moon Bay lies entirely within.

<sup>1</sup> Codified in Government Code Section 65913.4

<sup>2</sup> Codified in Government Code Section 65913.4

Highway 1; or 2) within 300 feet of the shore of any beach, tidelands, submerged lands, or public trust lands; or 3) within 100 feet of any wetland, estuary, or stream; or 4) within 300 feet of the top of the seaward face of any coastal bluff. Other exclusionary site criteria include, but are not limited to, sites vulnerable to sea level rise, parcels not zoned for multifamily housing, parcels with existing affordable or occupied housing, prime agricultural land, environmentally hazardous sites, and sites that contain historical structures.

Like SB 423, other State laws such as Assembly Bill (AB) 2011 (Affordable Housing and High Road Jobs Act) and SB 6 (Middle Class Housing Act) are intended to incentivize housing development by allowing housing as a permitted use on sites currently zoned and designated for commercial or retail uses, provided site criteria are met. In September 2024, the Governor signed AB 2243, which amends both bills to add to the list of eligible sites and make other clarifying amendments. Eligible sites, among other criteria, must be in zones where office, retail, or parking are a principally permitted use; must be legal parcels in urban areas and adjoined by urban uses; and must not be adjoined by industrial uses or located on sensitive areas. Sites also may not be greater than 20 acres in size (or 100 acres if a regional mall property), except where projects are 100 percent affordable. Both laws have a similar process as SB 35 in that they provide opportunities to qualifying multifamily housing proposals to utilize a streamlined ministerial approval process if they provide affordability components and meet objective planning standards. AB 2011 differs from SB 6 in that it requires projects to have an affordability component and explicitly allows for streamlined ministerial review, whereas SB 6 does not. However, SB 6 allows projects to invoke SB 35, provided affordable units are allocated.

The Government Code defines thresholds for what affordable unit allocations must be met. SB 6 does not have an affordability requirement; however, if a project developer invokes SB 35/SB 423, then the applicable affordability criteria are those of SB 35/SB 423. Affordability requirements for invoking SB 6 and SB 423 permit streamlining are defined in Government Code Section 65913.4. In summary, the legislation requires that 10 percent of rental units be affordable to very low-income households, or that 10 percent of for-sale units be affordable to lower income households, or that 20 percent of the units (rental or for-sale) be affordable to tenants or buyers with an average income level at or below 80 percent of the area median income.

Projects proposed under AB 2011 must be either 100 percent affordable or mixed-income. For mixed-income rental projects, eight percent of the resulting units must be allocated to very low-income households, and five percent of the units must be allocated to extremely low-income households, or 15 percent of the units must be allocated to lower-income households. Mixed-income owner-occupied projects, under AB 2011, must offer 30 percent of the units at a cost affordable to moderate-income households, or 15 percent of the units must be offered at a cost affordable to lower-income households<sup>3</sup>.

Annual income thresholds are updated each year by the State Department of Housing and Community Development (HCD)<sup>4</sup>. The annual income thresholds established by HCD for jurisdictions in San Mateo County as of June 2024 are listed below. The annual incomes listed here are based on a household size of four people; income levels are proportionately lower for smaller household sizes and proportionately higher for larger household sizes:

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<sup>3</sup> For AB 2011, affordability thresholds and calculations are defined in Section 50052.5 of the Health and Safety Code and “Affordable rent” is defined in Section 50053 of the Health and Safety Code.

<sup>4</sup> HCD website: <https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2024.pdf>

- Extremely low income: \$58,750
- Very low income: \$97,900
- Lower income: \$156,650
- Median Income: \$186,600
- Moderate Income: \$223,900

The City’s affordable housing ordinance (Half Moon Bay Municipal Code Chapter 18.35) requires that projects proposing 10 or more for-sale units allocate, to the extent practical and feasible, 20 percent of the unit count as affordable units, inclusive of seven percent moderate-income units, seven percent lower-income units, and six percent very low-income units. Where the allocation requirements under State law are greater than or specify a deeper level of affordability than the local requirement, State law prevails when AB 2011 or SB 423 is invoked.

Adoption of ODS will allow the City of Half Moon Bay to build local design preferences into its objective planning standards that would apply specifically to qualifying multifamily and mixed-use housing developments meeting a prescribed affordability component, with these qualifying projects entitled to streamlined ministerial review. Such standards would be additive to existing, quantified objective standards for residential development, such as building setbacks, lot coverage, and height, and would provide more precise direction to developers and City staff for preferred site planning and building design.

### ***The Role of the Coastal Act and the Coastal Commission in Half Moon Bay***

The California Coastal Act of 1976 (Public Resources Code Section 30000 *et seq.*) requires cities and counties within the coastal zone to adopt a local coastal program intended to provide regulations which, among other things, preserve natural and scenic coastal resources; provide guidance to existing and future development that would be consistent with the act; and limit development to that which would be essential to the economic and social well-being of residents and coastal zone activity, generally. As required by State law, the City of Half Moon Bay has an adopted and certified Local Coastal Land Use Plan (LCLUP) which outlines policies of the Coastal Act and provides programs for implementation of Coastal Act objectives in Half Moon Bay. These programs are incorporated into the Half Moon Bay Municipal Code and the City’s Local Coastal Implementation Plan (LCLIP), and directly influence development in Half Moon Bay. The ODS must be consistent with LCLIP and LCLUP programs related to development, specifically those that relate to the design and development of multifamily housing wherever it would be allowed by the LCLUP or by State law.

Section 30251 of the Coastal Act calls for the preservation of scenic and visual qualities of coastal areas. The Coastal Act further requires permitted development to be sited and designed to protect views along the ocean and scenic coastal areas; to be visually compatible with the character of surrounding areas; and where feasible, to restore and enhance visual quality in visually degraded areas. This section specifically relates to the goals of objective design standards which will call on LCLUP policies that enforce this policy of the Coastal Act. A few key objectives that apply this policy in the LCLUP include:



Figure 2: Example of a designated scenic corridor. Roosevelt Boulevard, a local road and secondary coastal access route with broad ocean viewshed.

1. **Chapter 2. Development. 2-71. Residential Siting and Design Standards.** Require development of new and remodeled structures within established neighborhoods to be sited and designed to be compatible within each unique neighborhood area, including infrastructure and streetscape. Development should be scaled and appropriate for the limitations of non-conforming sites.
2. **Chapter 2. Development. 2-72. Residential Land Use Compatibility.** Ensure that development, including a change in intensity of use, avoids impacts on the residential living environment and the adjacent land uses with respect to noise, lighting, parking, loading, and aesthetics. Consider other aspects of non-residential uses permitted in residential land use designations that may be impactful on a neighborhood setting or the adjacent land uses and require strategies to avoid such impacts.
3. **Chapter 2. Development. 2-85. Mixed-Use Land Use Compatibility.** Consider aspects of non-residential uses permitted in mixed-use land use designations that may be impactful on residential uses or other adjacent land uses and require strategies to avoid such impacts.
4. **Chapter 9. Scenic and Visual Resources. 9-2. Scenic Resource Protection.** New development shall be sited and designed to protect views to and along the ocean, to minimize the alteration of natural landform, to be visually compatible with the character of its setting, and where feasible, to restore and enhance visual quality in visually degraded areas.
5. **Chapter 9. Scenic and Visual Resources. 9-3. Visual Quality.** Preserve and enhance the unique visual quality that contributes to Half Moon Bay’s coastal and small-town character, including its open, expansive views from the coastal terrace to the beaches, bluffs, ocean, and upland slopes.
6. **Chapter 9. Scenic and Visual Resources. 9-6. Site Planning and Design for New Development.** Require new development to be subject to design review to ensure it is sited and designed to protect public views of scenic and visual resource areas and to be visually compatible with the character of the surrounding area. Measures may include siting development in the least visible portion of the site; breaking up the mass of new structures; designing structures to blend into the surrounding natural landscape; restricting building maximum size and height; clustering or distributing development; incorporating landscape elements and screening; and conformance with any adopted design guidelines.
7. **Chapter 9. Scenic and Visual Resources. 9-10. Fences, Walls, and Landscaping.** Ensure that fences, walls, and landscaping shall not block public views of or from scenic and visual resource areas, including along scenic corridors, at parks and beaches, and other scenic public viewing areas through height restrictions and required landscape maintenance.
8. **Chapter 9. Scenic and Visual Resources. 9-11. Landscape Screening.** Prioritize avoidance of development impacts to scenic and visual resource areas through site planning and design alternatives over landscape screening. Landscape screening as mitigation of visual impacts shall not substitute for project alternatives including re-siting or reducing the height or bulk of structures but may be used where appropriate to soften any unavoidable visual impacts of new development. Where permitted, landscape screening shall be comprised of native and drought-tolerant species and shall be maintained such that scenic views are not blocked at maturity.
9. **Chapter 9. Scenic and Visual Resources. 9-12. Town Boulevard Scenic Corridor.** Require that new development in close proximity to or easily visible from the Town Boulevard scenic corridor, including Highways 1 and 92, protect views of visual resource areas, including views to the ocean, upland slopes, and historic structures; incorporate design standards such as landscaping provisions; and be visually compatible with the surrounding land and development.
10. **Chapter 9. Scenic and Visual Resources. 9-15. Scenic Coastal Access Routes.** Require that new development on designated scenic coastal access routes from Highway 1 to the beach, including roadway improvements and development proposed in close proximity to the road, protects the

scenic quality of the corridor and avoids obstruction or significant degradation of public ocean views such as through provision of sufficient setbacks from the public right-of-way, low building heights, and landscaping that establishes and/or maintains a scenic gateway.

11. **Chapter 9. Scenic and Visual Resources. 9-16. Broad Ocean Views.** Ensure that areas providing broad, public ocean views are preserved and enhanced in association with new development projects. In such areas, structures shall be sited and designed so as not to exceed 15 feet in height unless an increase in height would not obstruct public views to the ocean or would facilitate clustering of development, and shall ensure that any proposed landscaping, when mature, will not obstruct public views to the ocean.

The City of Half Moon Bay, through its certified LCLUP, retains decision-making authority for developments and applications for a coastal development permit in all but any development proposed on especially environmentally or ecologically sensitive or protected land, as specified by Section 30519 of the Coastal Act. Any action taken by the City of Half Moon Bay on a coastal development permit may be appealed to the California Coastal Commission, only if the development either approved or rejected meets the criteria of Section 30603 of the Coastal Act. The coastal development permit process is discussed further under “Current Entitlement Process,” below.

## Current Entitlement Process

All development in Half Moon Bay must comply with various provisions of the LCLIP codified in the Half Moon Bay Municipal Code (HMBMC). The following paragraphs summarize the standards, processes, and regulations particularly applicable to multifamily development of two or more units and mixed-use development with a multifamily residential component.

### *Zoning for Multifamily Housing*

In Half Moon Bay, multifamily residential and mixed-use development with a multifamily component are permitted in several of the City’s residential and commercial zoning districts, as well as its planned unit development and overlay districts.

Two of the City’s residential (R) districts and three of its commercial (C) districts allow multifamily residential development encompassing two or more units on a site. Development regulations applicable in these districts are enumerated in Table 1 and are described further in the paragraphs that follow.

Multifamily residential or mixed-use development could also be permitted in some of the City’s Planned Unit Development (PUD) districts (HMBMC Chapter 18.15). Regulations for development in each developed PUD are defined in the land use plan, general plan, or any approved development plan or specific plan for the site, and these regulations are unique for each PUD district. Thus, multifamily residential and mixed-use development could be built in a PUD district if the use is identified among the allowed uses in the applicable land use or development plan for the PUD. The development regulations (e.g., density, setbacks, building heights) to which the multifamily or mixed-use development would be subject would be those also specified in the applicable PUD district’s development or land use plan.

Additionally, the LCLUP establishes a workforce housing overlay (WHO) district, an unmapped district that applies “through policy to specific parcels or portions of parcels suitable for medium or high density residential development with Horticultural Business, Rural Coastal, Regional Public Recreation, or Public

Facilities and Institutions land use designations” (2-10). The WHO district is intended to facilitate housing for local farmworkers, State Parks employees and other service workers with incomes typically in the extremely low, very low, and low income brackets. Development within the WHO district must comply with the policies applicable to the underlying LCLUP land use designation. As referenced in LCLUP policy 2-70, applicable LCLUP policies may specify maximum residential unit count or densities, maximum building heights, and other siting, location, or occupancy criteria for workforce housing in the overlay district.

**HMBMC Chapters 18.06 and 18.07: Multifamily Residential and Mixed-Use Development Standards**

For properties located in R (residential) districts, the applicable development regulations are codified in HMBMC Chapter 18.06; for properties located in C (commercial) districts, applicable development regulations are embedded in HMBMC Chapter 18.07. Development regulations applicable to multifamily residential and mixed-use developments in the City’s base zoning districts are summarized in Table 1, below.

**Table 1: R and C District Development Regulations for Multifamily Residential and Mixed Use**

Zoning District <sup>a</sup>	R-2	R-3	C-R	C-D	C-D (Main St)	C-G
Multifamily Alone Permitted?	Yes <sup>b</sup>	Yes	Yes	Yes	No	Yes
Mixed Use with Multifamily Permitted?	No	No	Yes	Yes	Yes	Yes
Min. Density (units/acre)	10	15	n/a	15 <sup>c</sup>	15 <sup>c</sup>	15 <sup>c</sup>
Max. Density (units/acre)	17.42	29.04	n/a	n/a	n/a	n/a
Min. Site Area per Unit (square feet)	2,500	1,500	2,500 <sup>e</sup> 1,500 <sup>f</sup>	2,500 <sup>e</sup> 1,500 <sup>f</sup>	2,500 <sup>e</sup> 1,500 <sup>f</sup>	2,500 <sup>e</sup> 1,500 <sup>f</sup>
Min. Site Area (square feet)	5,000	5,000	5,000	5,000	5,000	10,000
Min. Lot Width (feet)	n/a	n/a	50’	50’	50’	100
Min. Avg. Site Width	50’	75’	n/a	n/a	n/a	n/a
Min. Front Setback	20’	20’	20’	20’ <sup>c</sup> 0’ <sup>d</sup>	20’ <sup>c</sup> 0’ <sup>d</sup>	20’ <sup>c</sup> 25’ <sup>d</sup>
Min. Side Setback	5’	5’	5’ 0’ <sup>d</sup>	5’ <sup>g</sup> 0’ <sup>d</sup>	5’ <sup>g</sup> 0’ <sup>d</sup>	5’ <sup>c</sup> 10’ <sup>d</sup>
Min. Street Side Setback	10’	10’	10’ <sup>c</sup> 5’ <sup>d</sup>	10’ <sup>c</sup> 0’ <sup>d</sup>	10’ <sup>c</sup> 0’ <sup>d</sup>	10’ <sup>c</sup> 10’ <sup>d</sup>
Combined Min. Side Setback	20%	20%	20% <sup>c</sup>	20% <sup>c</sup>	20% <sup>c</sup>	20% <sup>c</sup>
Min. Rear Setback	20’	20’	20’ <sup>c</sup> 5’ <sup>d</sup>	20’ <sup>c</sup> 0’ <sup>d</sup>	20’ <sup>c</sup> 0’ <sup>d</sup>	20’ <sup>c</sup> 0’ <sup>d</sup>
Max. Single-story Height	20’	20’	20’ <sup>c</sup> 28’ <sup>d</sup>	20’ <sup>c</sup> n/a <sup>d</sup>	20’ <sup>c</sup> n/a <sup>d</sup>	20’ <sup>c</sup> n/a <sup>d</sup>
Max. Multi-story Height	28’	40’	28’ <sup>d, e</sup> 40’ <sup>f</sup>	28’ <sup>e</sup> 36’ and 3 stories <sup>d</sup> 40’ <sup>f</sup>	28’ <sup>e</sup> 36’ and 3 stories <sup>d</sup> 40’ <sup>f</sup>	28’ <sup>e</sup> 36’ and 3 stories <sup>d</sup> 40’ <sup>f</sup>
Max. Single-story Site Coverage	50%	50%	50%	50% <sup>c</sup>	50% <sup>c</sup>	50% <sup>e</sup>

Zoning District <sup>a</sup>	R-2	R-3	C-R	C-D	C-D (Main St)	C-G
				n/a <sup>d,f</sup>	n/a <sup>d,f</sup>	35% <sup>f</sup> n/a <sup>d</sup>
Max. Multi-story Site Coverage	35%	45%	35%	35% <sup>c</sup> n/a <sup>d,f</sup>	35% <sup>c</sup> n/a <sup>d,f</sup>	35% <sup>c</sup> n/a <sup>d</sup>
Max. Floor Area Ratio	0.5:1	n/a	0.5:1 <sup>c</sup>	0.5:1 <sup>c</sup> n/a <sup>d,f</sup>	0.5:1 <sup>c</sup> n/a <sup>d,f</sup>	0.5:1 <sup>c</sup> X <sup>d,f</sup>
Usable Open Space per Unit	15%	15%	15% <sup>c</sup>	15% <sup>c</sup>	15% <sup>c</sup>	15% <sup>c</sup>
Min. Site Landscaping	n/a	n/a	25% <sup>d</sup>	See note h	See note h	10% <sup>d</sup>

Notes:

- R-2 is the Two-family residential zoning district, R-3 is the Multifamily residential zoning district, C-D is the Commercial-downtown zoning district, C-R is the Commercial-residential zoning district; C-G is the Commercial-general zoning district. C-D (Main St) zoning district is a C-D subdistrict encompassing the Heritage Main Street blocks between Pilarcitos Creek and Correas Street), for the first 50 feet of frontage depth on the ground floor.
- Only two-family residential is allowed in R-2 district.
- Applies to exclusively residential development (two-family or multifamily).
- Applies to mixed use development with multifamily residential and commercial components.
- Applies to two-family residential.
- Applies to multifamily residential with three or more units.
- Required where a property adjoins an R district; otherwise, no setback is required. In a C district, the setback must be landscaped.
- No minimum percentage of site area is specified for landscaping; however, standards of the district require perimeter landscaping and interior landscaped areas distributed throughout the parking lot.

Additional development regulations are specified for perimeter landscaping in parking lots, sight distances at intersections, maximum fence heights, off-street parking, refuse storage areas, residential storage areas, and screening of mechanical equipment and utility meters (HMCMC Section 18.07.030). All development in R districts is also subject to the maximum building envelope in HMBMC Section 18.06.040, Subsection G, defined as “a plane that begins at ten feet above the side property lines and extends into the property at a forty-five-degree angle and sixteen feet above the front and rear setback line and extends into the property at a sixty-degree angle.” Limited exceptions to this standard are permitted for dormers or gables (Figure 4).

Pursuant to HMBMC Section 18.06.050, some exceptions to development standards can be allowed for certain accessory structures and architectural features of development in R districts, and alternative development standards are identified for development on substandard lots. Development standards and regulations can also be waived or relaxed for affordable housing, senior housing and housing for persons with disabilities, and for any multifamily rental housing development wherein at least 25 percent of the units have three or more bedrooms.

**Building Envelope  
3D View**

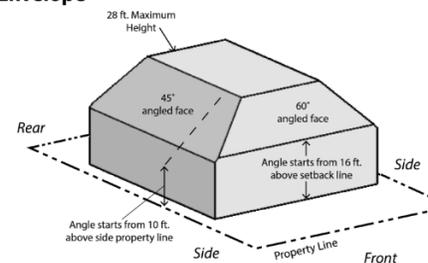


Figure 4: Building envelope requirements for single-family developments in the R-1 districts.

## **HMBMC Chapter 14.37: Architectural, Landscape and Site Plan Review**

Currently, all applications for multifamily residential and mixed-use development with a multifamily residential component are subject to discretionary processes outlined in HMBMC Chapter 14.37 (Architectural, Landscape and Site Plan Review), which requires architectural, landscape, and site plan review approval prior to construction of new development and site or building modifications. In each instance listed below, the Planning Commission or, on appeal, the City Council, is authorized to approve or deny architectural, landscape, and site plan approval for the proposed multifamily or mixed-use development:

- New construction of a multifamily residential development with more than two units on a site.
- Additions to or significant exterior alterations to an existing multifamily structure or site.
- Mixed-use developments with a residential component, including new construction, change in use of an existing residential building to mixed use, or change in the intensity of use of an existing nonresidential building that would increase required parking or affect other development standards applied to the site.
- Any new residential structure or modifications to an existing structure requiring a parking exception, variance, use permit, or other discretionary action that also requires a decision by the Planning Commission.

For scenarios other than those listed above, the Community Development Director is authorized to act on the development request.

Any decision-making body—whether Community Development Director, Planning Commission, or City Council—considering a request for architectural, landscape and site plan review must evaluate the proposal for conformance with the findings and standards for review set forth in the municipal code. Pursuant to HMBMC Section 14.37.030, the decision-making body’s review may include evaluation of the proposed development’s character and design quality; its compatibility with neighboring properties; its effects on views, access, and circulation; its building and site features (including colors, materials, architectural elements, and landscaping); and energy efficiency.

To approve a request for architectural, landscape, and site plan review, the decision-making body must determine that the proposal conforms to the development regulations of HMBMC Title 18 (Zoning) and other provisions of HMBMC Chapter 14.37, and then must affirmatively make the following findings enumerated in HMBMC Section 14.37.040:

- A. That such buildings, structures, planting, paving and other improvements are so designed and constructed that they will advance and not hinder the orderly and harmonious development of the city; and*
- B. That such buildings, structures, planting, paving and other improvements will not impair the desirability or opportunity to attain the optimum use and the value of the land and the improvements, or otherwise impair the desirability of living or working conditions in the same or adjacent areas; and*
- C. The project has been designed in conformance and consistency with the single-family residential design guidelines (where applicable).*

### ***HMBMC Chapter 18.20: Local Coastal Development Permits***

All applications for multifamily residential and mixed-use development with a multifamily residential component are also subject to a discretionary process outlined in HMBMC Chapter 18.20 (Local Coastal Development Permits). HMBMC Section 18.20.025 requires a local coastal development permit (CDP) for any multifamily residential or mixed-use development with a multifamily residential component on any property in the City, with exemptions for: 1) in-kind replacement of structures following a disaster; or 2) maintenance, repair, or interior remodeling of a structure, where the existing use and intensity of development do not change. The CDP is required in addition to any other discretionary or ministerial permits required by the City for a development and may be processed concurrently with those other permits, as determined by the Community Development Director. The local decision-making body authorized to act on a CDP is the same body that is authorized to approve other permits required for the project (HMBMC Subsection 18.20.050.C)

While the City's code gives the City authority to grant most CDPs, the California Coastal Commission is the authorized decision-making body on a CDP for any development proposed on a site below the mean high tide, submerged lands, or public trust lands. Likewise, the California Coastal Commission is the hearing body on appeals of local decisions on CDPs for sites between the sea and first public road paralleling the sea (or within 300 feet of the extent of a beach or mean high tide line, if further inland than the public road), or developments within 100 feet of any wetland, estuary, or stream, or within 300 feet of the top of the seaward face of any coastal bluff (HMBMC Section 18.20.020).

HMBMC Section 18.20.055 requires a public hearing be held on: 1) all appealable development; and 2) prior to approval of any CDP where the development requires a public hearing for any other permits or discretionary action necessary for the project. After reviewing the proposal and conducting a public hearing, if required, the decision-making body can approve the CDP if it can affirmatively make the findings listed in HMBMC Section 18.20.070. These findings include determinations that the proposed project is consistent with the Local Coastal Program (consisting of both the LCLUP and LCLIP), growth management system, infrastructure and public services plans, and the California Coastal Act. Additionally, the decision-making body must make required findings for design review of the proposal, including statements that the structures are harmonious in appearance, compatible with adjacent development, create a desirable environment, preserve natural features where feasible, and provide safe and convenient access for a variety of transportation modes. Further findings must be made for any addition to or exterior alteration of a historic resource.

### ***HMBMC Chapter 18.37: Visual Resource Protection Standards***

The visual resource protection standards in HMBMC Chapter 18.37 are applicable to development projects and all new development projects within or adjacent to visual resource areas. This HMBMC chapter identifies specific visual resource areas as designated in the Visual Resources Overlay Map contained in the LCLUP. The code includes:

- specific locations where special design considerations must be implemented, such as viewsheds and blufftops, where structures must not obstruct views nor degrade plant communities;

- requirements for planned landscaping to be integral to the design of the new development, with specific requirements for size and/or placement and arrangement of plants, shrubs, and trees;
- standards for lighting, screening of utilities, and equipment that requires preservation of character through maximum feasible use of native plant materials to screen and avoiding excessive and upwards facing light;
- height restrictions in scenic corridors and designated visual resource areas, where building height may not exceed 15 feet or 28 feet as a maximum height exception, subject to findings;
- provisions for developments adjacent to public access roads to ensure natural vegetation is preserved; and
- upland slopes where significant grading is prohibited, pitched roofs are encouraged, and projects must not project above the ridgeline skyline as seen from Highway 1 and Highway 92, and padding and terracing are prohibited above certain elevations.

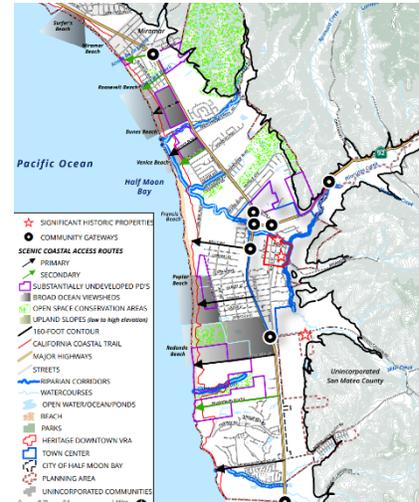


Figure 3: Map of designated scenic corridors identified by Half Moon Bay's LCLUP, where Chapter 9 and HMBMC 18.37 is applicable.

Significant plant communities are also referenced and identified in the LCLUP. New development applicants must fund an environmental review process to consider notable vegetation through a professional contracted by the City unless an alternative professional is provided by the applicant. Applicants must also comply with reporting requirements and siting standards to preserve vegetation and conditions that ensure preservation and replacement of plant species.

### **HMBMC Chapter 18.38: Coastal Resource Conservation Standards**

HMBMC Chapter 18.38 provides standards for development in sensitive habitats and ensures that siting and design maintain the environmental purpose of those habitats and improves on them where feasible. This chapter of HMBMC specifically identifies Frenchman's Creek, Pilarcitos Creek, Arroyo Canada Verde, and Arroyo Leon as locations where vegetation should be preserved and development-inflicted erosion should be minimized. The provisions of this chapter apply to all new developments except for continuance of pre-existing uses, provided the use does not expand, as well as developments not subject to coastal development permits. The chapter also reiterates the location of and defines coastal resource areas such as sand dunes, wetlands, coastal scrub communities, and riparian areas as sensitive habitat areas where especially valuable resources are located. The chapter provides reporting requirements which must identify mitigation measures and anticipated impacts to coastal resources, among other things. Biological, archaeological, and geological reports are also required where necessary and sometimes require analysis specific to certain coastal sites. For development within coastal resource areas, initial studies pursuant to the California Environmental Quality Act (CEQA, Public Resources Code Section 21000 *et seq.*) are required and must cover the evaluation criteria in HMBMC Section 18.38.050. The codified chapter also sets standards for permitted uses of certain coastal areas where residential development is mostly, if not totally prohibited.

## Design Preferences and Summary of Walking Tour

### *Single-Family Residential Design Review Guidelines*

Design guidelines apply to development in Half Moon Bay. These include the *Single-Family Residential Design Review Guidelines* (2015) document and design-related design policies required by the LCLUP, particularly those applicable to development proposed within designated scenic and visual resource areas in Chapter 9 and residential siting and design standards in Chapter 2 of the LCLUP. The applicable LCLUP policies are listed above, while the *Single-Family Design Review Guidelines* are summarized below.

The City adopted design review guidelines (DRGs) applicable to single-family residences in 2015. The intent of the DRGs is to encourage high standards for single-family residential design that: 1) are compatible with existing neighborhoods; 2) respect the environment and its visual and natural resources; and 3) reflect the City’s “eclectic character” while also fostering architectural creativity. While these guidelines are not applicable to multifamily and mixed-use developments, they do provide some context for overall design preferences for residential structures in Half Moon Bay.

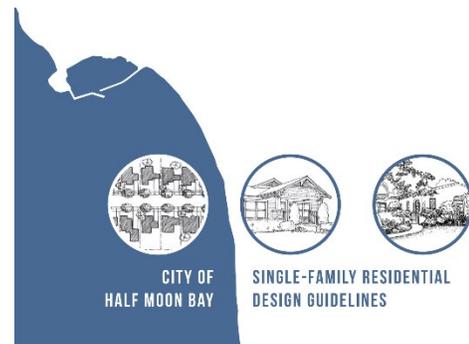


Figure 4: Cover sheet of Half Moon Bay's existing Single-Family Residential Design Guidelines, adopted in June of 2025.

Common themes in the DRGs include the following:

- **Building Design:**
  - Building fenestration that adds articulation, emphasizes symmetry, promotes natural lighting and ventilation, and protects privacy.
  - Avoidance of uplighting, highly reflective surfaces, climate-inappropriate building materials (such as materials that may unattractively weather or warp), and large expanses of stone veneers.
  - Incorporation of hipped roofs or varying roof heights to reduce massing of multi-story buildings, but avoiding excessive roof breaks, ridges, heights and hips.
  - Building articulation and architectural elements (e.g., porches, dormers, shutters, railings) that are appropriate for the style and scale of the building, add visual interest to blank walls, and that extend from front elevations to include side façades.
  - Incorporating second-story setbacks to reduce massing, and generally reducing the scale of second stories to two-thirds the area of the first floor, particularly in the context of neighborhoods with single-story residences.
  - Reducing the appearance of building mass by incorporating vertical breaks on walls more than 25 feet long, and by avoiding building designs that construct flat roofs at the maximum allowed building height.
- **Site Planning:**
  - Orienting a building’s pedestrian entries toward the street, with architecturally appropriate entry features and garage and vehicle parking areas recessed to rear yards or sides of houses.

- Site planning that utilizes variations in building setbacks to avoid a “row” effect and staggered building placements to preserve views.
- *Environmental Sustainability:*
  - Sustainable building and site design, including landscaping designs that promote passive heating and cooling and water quality and conservation; plant selections that prioritize native and noninvasive species; building orientations that maximize access for solar power generation; and construction that optimizes use of recycled and recyclable building materials.
  - Preservation of natural contours, mature trees, and natural vegetation where such is present.

### ***Walking Tour with the Architectural Advisory Committee***

MIG and Half Moon Bay City Planning staff engaged with the City’s Architectural Advisory Committee (AAC) members for a walking tour of existing multifamily residential sites in Half Moon Bay. The tour occurred at an agendaized special meeting of the AAC on September 26, 2024 that was open to public attendance. One member of the Planning Commission was also present. City staff led the tour through five sites, including a vacant lot on Metzgar Street and four multifamily housing sites, including Senior Coastsiders, Lesley Gardens, Half Moon Village, and Main Street Park. The goal of the tour was to understand local design preferences and opinions on the design of the existing multifamily housing stock.



Figure 5: Half Moon Village, a well-liked multi-family housing site because of its asymmetrical elements and successful articulation of contemporary design.

AAC members and members of the public in attendance did not identify a singular architectural style that represented Half Moon Bay’s character, although members noted that ranch and traditional style homes and similar architectural styles were “non-controversial” among the community. Some common themes voiced during the meeting included:

- preference for individual entries for each unit
- use of materials like board and batten, rather than stucco
- consistent application of a single architectural style over combinations of modern and traditional architectural styles in a single development
- thoughtful architectural articulation of buildings through the use of eaves and balconies, variation in elements, a mix of lively colors, sloped roofs, and gables
- façade recessions and the use of dimension on a building to avoid massing and long continuous wall planes



Figure 6: Senior Coastsiders, an example of a mix of modern and traditional architecture, long expanse of flat roof and lack of articulation to be avoided.

Subsequent to the walking tour, City staff conducted a virtual tour of the same sites with a second Planning Commissioner to gain additional understanding of the opinions on existing multifamily design in Half Moon Bay. The commissioner provided the following feedback:

- The coastal proximity of Half Moon Bay should be considered in design with an emphasis on the “coastal contemporary” style.
- The design of Half Moon Village is a good example of good design for contemporary style, especially the balanced asymmetrical elements and functional balconies and roof elements.
- Architectural articulation such as dimension and façade recession are preferred over simplified buildings.
- 433 Main Street development is a good example of multifamily design.



Figure 7: Lesley Gardens, a well-liked site because of its “single-family” feel which included board and bat materials, gabled roofs with mock dormers, and single-story units.



Figure 8: Main Street Park, a development built in two distinct phases. The images above show the contrasting design of the phases. The covered porches, recessed façade, and more articulation and roof and plane breaks of the older phase (left) are preferred over the simpler design approach of the newer phase (right).

In general, the height of the existing multifamily housing stock was not an issue, although attendees expressed a preference for articulation on taller buildings (three stories or more) to avoid bulky appearances, and use of landscaping to distract from building heights as viewed from the pedestrian level. No particular color palette was discussed, although attendees suggested use of “lively” colors and avoiding the use of cooler blue colors. Committee members noted that family housing versus senior housing could have different site planning and design needs (for example, recreational amenities that include children’s playgrounds and play structures versus more passive outdoor gathering spaces), which should also be considered in the design site design of multifamily developments.

### ***Architectural Advisory Committee - Previous Multi-Family Housing Proposals***

MIG also reviewed agendas and minutes of previous AAC meetings at which multifamily residential developments were discussed. Comments expressed on multifamily housing proposals generally included a desire for incorporating “community identity” and architectural articulation into the design of buildings. One development that was reviewed and identified as an exemplary development is 433 Main Street, a mixed-use, multifamily building in the City. The project includes two separate multistory buildings with different designs based on the street which the building elevation faces. The portion of

the building facing Main Street downtown related to the Heritage Downtown aesthetic of Half Moon Bay, with a more visible Mediterranean influence and where traditional architectural style is desired as a form of community identity; whereas the portion fronting Kelly Avenue has a newer architectural approach resembling the more modern residential buildings of Half Moon Bay. In general, the design of the building, from its initial stages, was substantially changed to provide significant articulation through:

- Horizontal and vertical features on the exterior
- Incorporation of streetscape elements for commercial portions, such as proximity to sidewalk appropriate for the use
- Incorporation of symmetrical elements in architectural articulation through balconies, railings, windows, and roof elements, rather than “wedding caking”
- Preference for board and batten finished over stucco; however, buildings that do incorporate stucco finishes should carefully detail the exterior, especially within historic areas to match the building environment
- Neo-Craftsman residential design and galvanized material were not well-liked or highly discouraged
- Italianate or a combination of treatments for the residential building, such as dormers, were suggested to provide breaks and reduce massing

Overall, the preferences expressed by the AAC consistently included attention to massing and design details such as window fenestration and treatments (awnings or trims and decorative elements) as critical to the success of a project.

### Key Takeaways and Next Steps

The intent of the ODS is to formalize a ministerial process for entitlement of qualifying affordable multifamily residential development in Half Moon Bay, in compliance with California law. To ensure that the resultant ODS and their related procedures comply with the intent of the statute, the development application review process cannot include any discretionary finding or standard that can be interpreted and applied differently by different individuals. Absent objective design standards, City decision-makers can only apply the objective and quantifiable standards enumerated in the HMBMC or other adopted planning document in their review of development proposals.

The guidance provided by the AAC and Planning Commission representatives, the City’s current design guidelines for single-family residences, and review of past applications for multifamily residential projects approved for construction in the City will inform a set of objective design standards that reflect local design preferences and will be additive to existing codified development standards for multifamily and mixed-use housing. The ODS must also encompass and formalize the objectives of the City’s LCP to minimize hazards, preserve the natural environment, and protect views and access to shoreline resources. The procedures for review of entitlement request must also be evaluated to identify and revise, as needed, discretionary, non-prescriptive determinations for decision-making for qualifying multifamily housing proposals that are eligible for ministerial review.



Figure 9: View from Main Street and Kelly intersection of 433 Main Street development.



Figure 10: Zaballa House, historical building located in downtown Half Moon Bay and an example of traditional character and architecture.

**BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY**

**AGENDA REPORT**

For meeting of: **December 3, 2024**

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**TO:** Honorable Mayor and City Council  
**VIA:** Matthew Chidester, City Manager  
**FROM:** Jessica Blair, Communications Director / City Clerk  
**TITLE:** **LEGISLATIVE ADVOCACY END OF SESSION UPDATE**

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**RECOMMENDATION:**

Receive an update from Townsend Public Affairs, Inc. on legislative advocacy services and the 2024 legislative session.

**FISCAL IMPACT:**

There is no fiscal impact associated with this update.

**STRATEGIC ELEMENT:**

This action supports all elements of the Strategic Plan.

**DISCUSSION:**

Since 2018, the City has contracted with Townsend Public Affairs for legislative advocacy services at both state and federal levels. Over the course of the City's contracts with Townsend, they and staff have supported the City's Legislative Committee and the adoption of a Legislative Platform each year.

During the legislative session, numerous positions are taken on bills of interest to the City and in line with the adopted platform. Additionally, Townsend provides advocacy services with the City's legislators and helps coordinate communication and meetings as needed. In addition, weekly and monthly updates are sent to the City, and occasionally, Townsend will appear before the Council to provide updates. This update is to provide an end-of-session review and look-ahead to the 2025 session.

**BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY**

**AGENDA REPORT**

For meeting of: **December 3, 2024**

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**TO:** Honorable Mayor and City Council

**VIA:** Matthew Chidester, City Manager

**FROM:** Lisa Rossi, Administrative Services Director  
Kenneth Stiles, Finance Manager

**TITLE:** **FINANCIAL REPORT FOR THE QUARTER ENDED ON SEPTEMBER 30, 2024**

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**RECOMMENDATION:**

Accept the Financial Report for the quarter ended on September 30, 2024, and authorize the Administrative Service Director to make budgetary entries to account for previously approved carryforward funds related to capital improvement projects.

**FISCAL IMPACT:**

Special Revenue and Capital Project funds will be budgeted at \$21.6 million in revenues and \$31.9 million in expenditures. This action only includes adjustments previously approved by the Council as it relates to the Capital Improvement Plan (CIP) to account for carryforward funds from prior years.

**STRATEGIC ELEMENT:**

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

**BACKGROUND:**

One of the City Council's Strategic Elements is planning for and implementing long-term financial stability. A key component of this goal is preparing a quarterly financial report that provides readers with a summary of the City's current financial conditions as they relate to the annual operating budget to ensure accountability and transparency in managing public funds.

**DISCUSSION:**

Financial Report

As of September 30, 2024, General Fund revenues totaled \$2 million or 10% of the approved Fiscal Year 2024-25 budget. General Fund expenditures total \$2.7 million or 11% of budget. Although expenditures are tracking as anticipated, it is too early to assess trends in major revenue sources.

As discussed during the annual budget process and other Council meetings, Staff projects an estimated structural deficit of \$4 million for Fiscal Year 2024-25. The deficit is primarily due to increased costs in City services, including but not limited to existing contracted public safety services. As results of a cost allocation and fee study conducted this year are being finalized, Staff is exploring opportunities to increase tourism to the coast while reviewing all operating expenditures, capital projects and programs, and Staff vacancies to identify opportunities to realize short—and long-term savings.

Additionally, voters recently approved Measure R, which increases the sales tax rate by 0.50%, effective April 1, 2025. Given its late implementation, Staff recommends formally incorporating the resulting revenues into the Fiscal Year 2025-26 budget.

With \$1.6 million in unassigned funds and \$8.6 million in reserves, Staff is not significantly concerned about fiscal stability for the current year. However, careful planning will be essential during the mid-year review and the Fiscal Year 2025-26 budget process. As expenditures continue to exceed revenues, the City must continue its focus on making structural adjustments to either increase revenues and/or reduce expenditures.

Budget Revision for Capital Improvement Plan Carryforwards

The Capital Improvement Plan (CIP) is the City's strategic blueprint for planning and implementing multi-year capital projects and programs. It provides a framework for maintaining, repairing and enhancing the City's long-term infrastructure.

As part of the annual budgeting process, Staff estimates year-end balances for multi-year CIP budgets to account for unspent funds, which are rolled over into the new fiscal year. This process, also known as carryforwards, ensures continuity for ongoing projects. With the completion of the Fiscal Year 2023-24 audit, the actual carryforward amounts are now available, allowing Staff to reconcile these estimates with the final figures.

The table below shows the final adjustments to the carryforward expenditures by CIP category.

CIP Category	Total Project Budget as of June 30 A	Audited Expenditures as of June 30 B	Actual Carryforward C=A-B	New Funding in FY24-25 D	FY2024-25 Budget C+D
Storm Water	2,190,000	(688,088)	1,501,912	100,000	1,601,912
Economic Development	1,061,619	(561,505)	500,114	135,000	635,114
Operational	35,000	-	35,000	-	35,000
Parks	9,482,811	(6,422,033)	3,060,778	1,465,100	4,525,878
Facilities	715,000	(38,446)	676,554	1,141,137	1,817,691
Sewer	512,000	(26,489)	485,511	-	485,511
Streets and Roads	14,895,931	(1,855,681)	13,040,250	225,000	13,265,250
Trails	2,445,000	(475,774)	1,969,226	-	1,969,226
	31,337,361	(10,068,016)	21,269,345	3,066,237	24,335,582

Overall, the City's total budget CIP projects for FY 2024-25 is \$24.3 million, of which \$14.6 million is to be funded by outside grants.

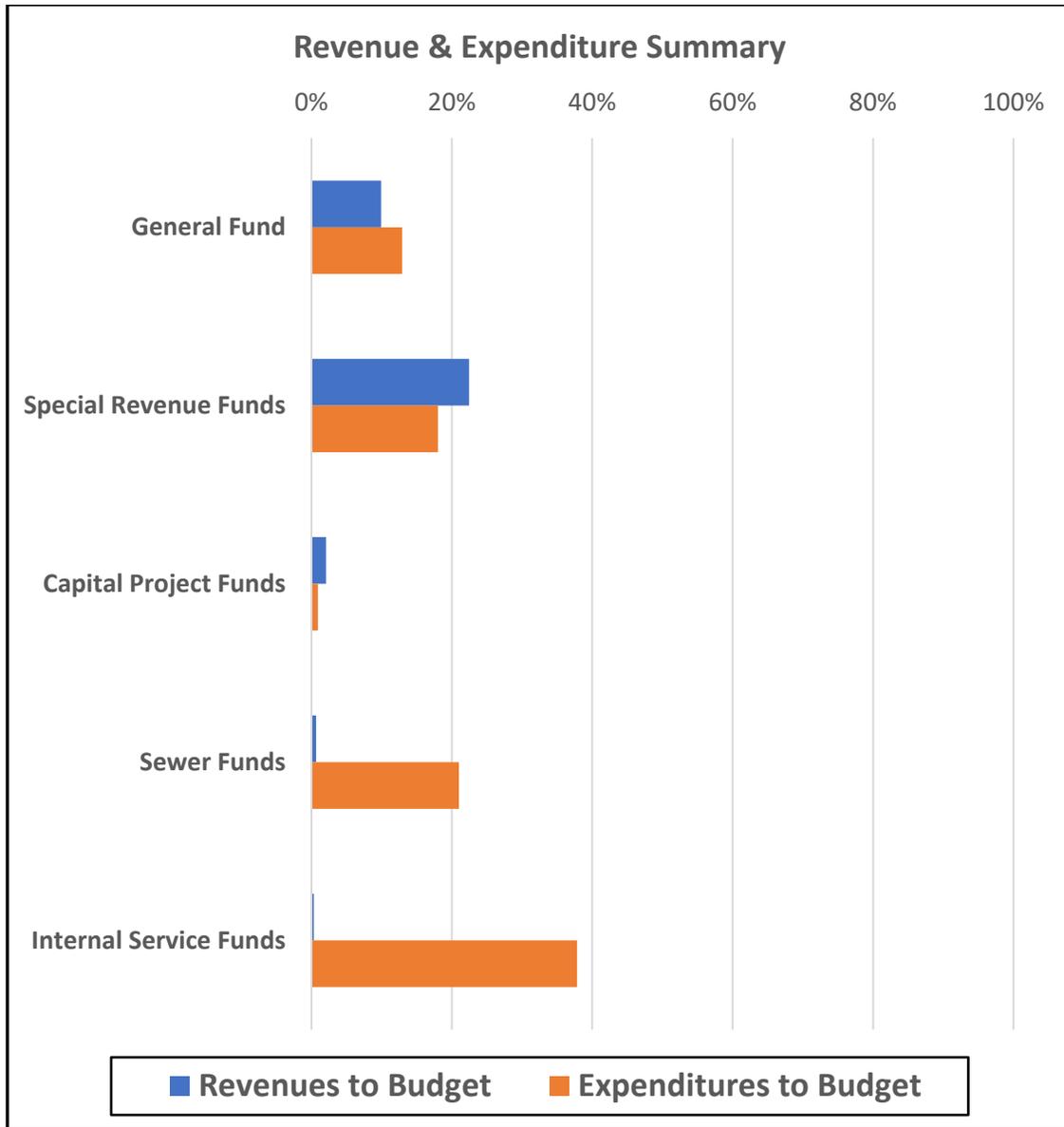
**ATTACHMENT:**

1. Financial Report for the quarter ended on September 30, 2024
2. Capital Improvement Plan Carryforward
3. Resolution

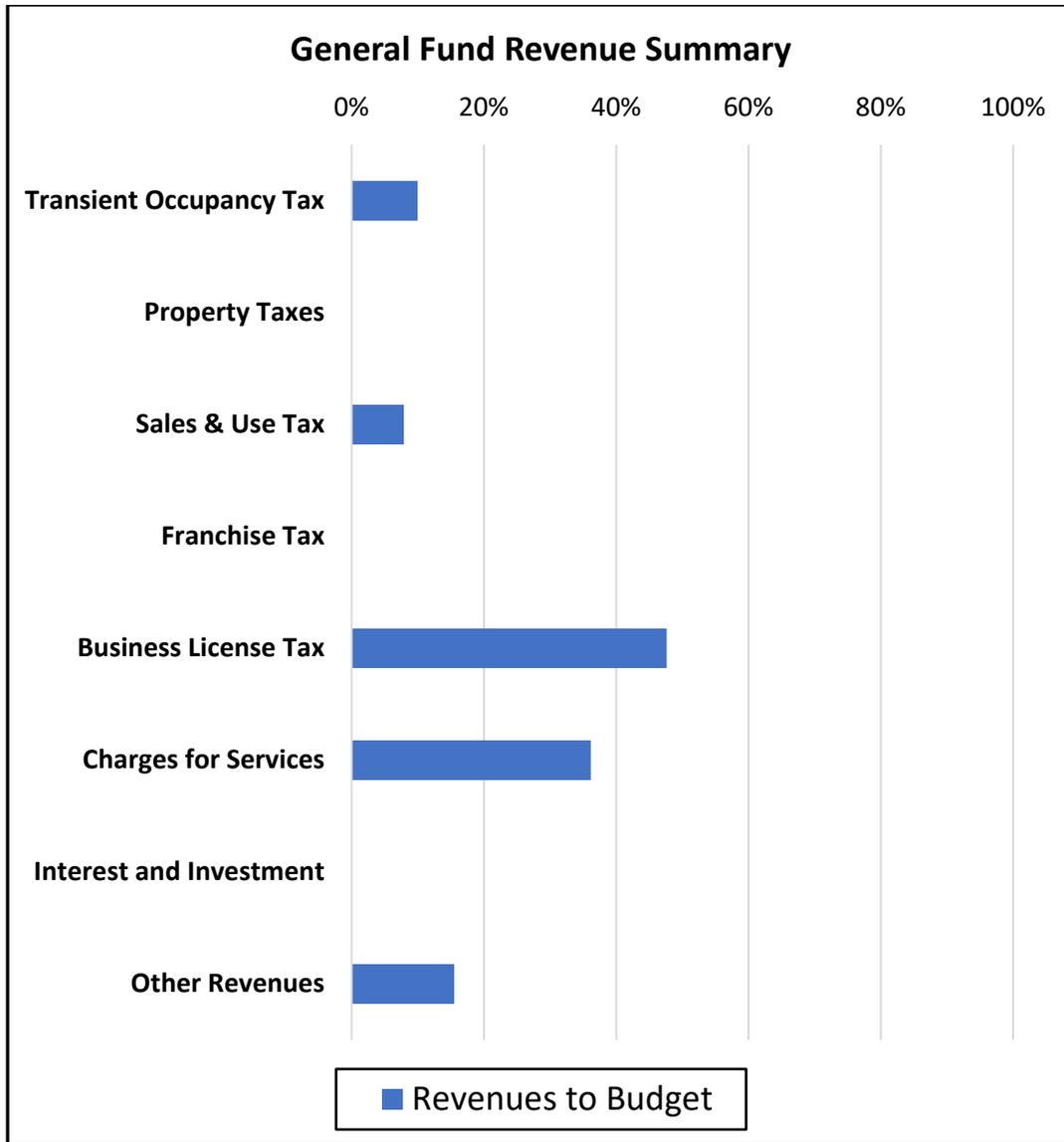
**CITY OF HALF MOON BAY**  
**Quarterly Financial Report**  
**September 30, 2024**



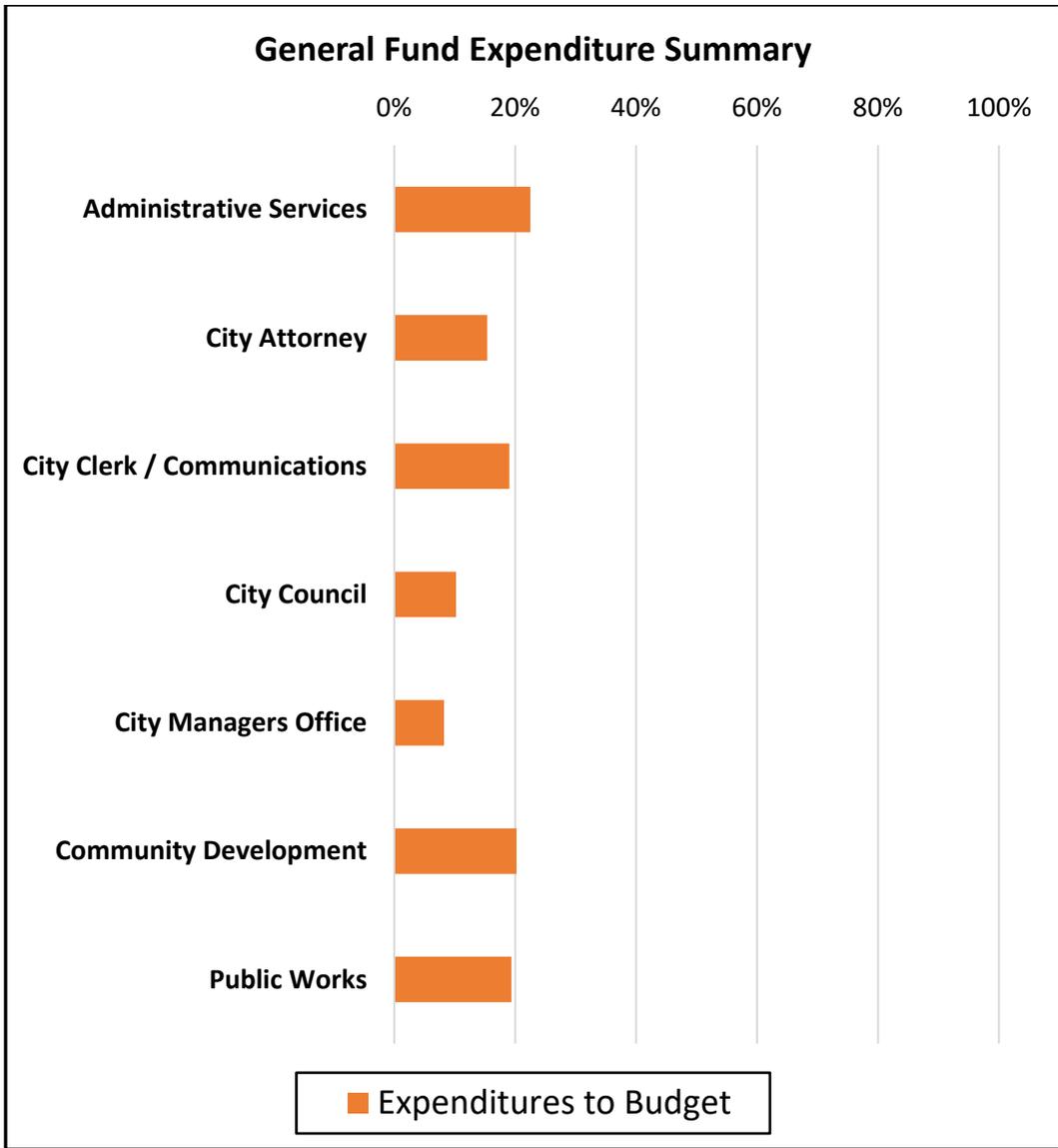
**Prepared By:**  
**Administrative Services Department**



Funds	Revenues		Expenditures	
	Actual	% of Budget	Actual	% of Budget
General Fund	2,094,041	10%	2,729,707	13%
Special Revenue Funds	2,003,436	22%	2,174,855	18%
Capital Project Funds	77,534	2%	47,784	1%
Sewer Funds	59,904	1%	1,635,138	21%
Internal Service Funds	5,380	0%	662,134	38%
Pension Stabilization Fund	-	0%	-	0%
<b>TOTAL FOR ALL FUNDS</b>	<b>4,240,296</b>	<b>9%</b>	<b>7,249,618</b>	<b>14.7%</b>



Department	Budget	Actual	% of Budget	Prior Year Actual	Prior Year % of Actuals
Transient Occupancy Tax	8,626,313	859,889	10%	961,607	12%
Property Taxes	3,845,734	594	0%	12,248	0%
Sales & Use Tax	3,283,100	258,986	8%	292,594	9%
Franchise Tax	997,341	-	0%	-	0%
Business License Tax	330,554	157,432	48%	46,045	13%
Charges for Services	1,733,951	627,033	36%	420,229	20%
Interest and Investment	480,000	137	0%	-	0%
Other Revenues	1,225,772	189,971	15%	77,290	2%
Transfers in	587,760	-	0%	-	0%
<b>TOTAL</b>	<b>21,110,524</b>	<b>2,094,041</b>	<b>10%</b>	<b>1,810,013</b>	<b>7%</b>



Department	Budget	Actual	% of Budget	Prior Year Actual	Prior Year % of Actuals
Administrative Services	1,377,531	310,046	23%	\$ 280,334	22%
City Attorney	1,043,223	160,565	15%	104,064	8%
City Clerk / Communications	1,067,063	203,032	19%	197,888	21%
City Council	228,642	23,361	10%	29,778	17%
City Managers Office	10,646,352	876,210	8%	979,308	10%
Community Development	2,113,039	427,491	20%	339,104	19%
Public Works	3,709,130	718,680	19%	725,383	22%
Non Departmental / Debt Serv	945,778	10,322	1%	106,114	3%
Operating Transfers	2,259,619	-	0%	-	0%
Capital Transfers	1,760,100	-	0%	-	0%
<b>TOTAL</b>	<b>25,150,475</b>	<b>2,729,707</b>	<b>11%</b>	<b>2,761,974</b>	<b>11%</b>

**GENERAL FUND ANALYSIS:**

The General Fund is the primary operating fund of the City and is used to account for most operating activities. Table 1 below provides year-to-date through the first quarter comparable data for the current fiscal year and the prior year.

<b>Table 1: First Quarter Budget to Actual Comparison</b>						
	<b>FY 2024-25</b>			<b>FY 2023-24</b>		
	Revised Budget	Actuals as of 09/30/2024	% of Budget	Final Actuals	Actuals as of 09/30/2023	% of Actuals
<b>Revenues</b>						
Transient Occupancy Tax	8,626,313	859,889	10%	8,167,938	961,607	12%
Property Taxes	3,845,734	594	0%	4,283,590	12,248	0%
Sales & Use Tax	3,283,100	258,986	8%	3,111,521	292,594	9%
Franchise Tax	997,341	-	0%	992,685	-	0%
Business License Tax	330,554	157,432	48%	350,948	46,045	13%
Charges for Services	1,733,951	627,033	36%	2,107,946	420,229	20%
Interest and Investment	480,000	137	0%	804,185	-	0%
Other Revenues	1,225,772	189,971	15%	4,048,551	77,290	2%
Transfers in	587,760	-	0%	537,285	-	0%
<b>Total Revenues</b>	<b>21,110,524</b>	<b>2,094,041</b>	<b>10%</b>	<b>24,404,648</b>	<b>1,810,013</b>	<b>7%</b>
<b>Expenditures</b>						
Administrative Services	1,377,531	310,046	23%	1,256,621	280,334	22%
City Attorney	1,043,223	160,565	15%	1,336,296	104,064	8%
City Clerk / Communications	1,067,063	203,032	19%	922,299	197,888	21%
City Council	228,642	23,361	10.2%	179,922	29,778	17%
City Managers Office	10,646,352	876,210	8%	9,573,274	979,308	10%
Community Development	2,113,039	427,491	20%	1,797,587	339,104	19%
Public Works	3,709,130	718,680	19%	3,256,555	725,383	22%
Non Departmental / Debt Service	945,778	10,322	1%	3,730,332	106,114	3%
Operating Transfers	2,259,619	-	0%	1,753,738	-	0%
Capital Transfers	1,760,100	-	0%	2,458,000	-	0%
<b>Total Expenditures</b>	<b>25,150,475</b>	<b>2,729,707</b>	<b>11%</b>	<b>26,264,623</b>	<b>2,761,974</b>	<b>11%</b>

In the first quarter, the city generated \$2 million in revenues for the fiscal year, marking a slight increase compared to the same period last year. This increase is mainly attributed to the early receipt of business license renewals.

Expenditures through the first quarter total \$2.7 million. Expenditures are tracking at 11% of budget.

Revenues

Table 2 below shows a year-to-date summary of actual revenues through the first quarter for the current fiscal year and the prior year.

<b>Table 2: First Quarter Revenues</b>					
	<b><u>FY 2024-25</u></b>			<b><u>FY 2023-24</u></b>	
	Revised Budget	Actuals as of 09/30/2024	% of Budget	Actuals as of 09/30/2023	% of Actuals
<b>Revenues</b>					
Transient Occupancy Tax	8,626,313	859,889	10%	961,607	12%
Property Taxes	3,845,734	594	0%	12,248	0%
Sales & Use Tax	3,283,100	258,986	8%	292,594	9%
Franchise Tax	997,341	-	0%	-	0%
Business License Tax	330,554	157,432	48%	46,045	13%
Charges for Services	1,733,951	627,033	36%	420,229	20%
Interest and Investment	480,000	137	0%	-	0%
Other Revenues	1,225,772	189,971	15%	77,290	2%
Transfers in	587,760	-	0%	-	0%
<b>Total Revenues</b>	<b>21,110,524</b>	<b>2,094,041</b>	<b>10%</b>	<b>1,810,013</b>	<b>7%</b>

- **Transient Occupancy Tax:** The City has collected \$859 thousand through the first quarter, reflecting a decrease of \$101 thousand compared to the previous year. This revenue is at 10% of the budget, down from 12% at the same point last year. While it is still early to draw conclusions, the City is closely monitoring the situation, as a budget shortfall is a possibility.
- **Property Taxes:** Most property tax funds are received in December and April. Less than a thousand in revenues have been received thus far. Revenues are 0% of budget as compared to 0% in the prior year. This stream is tracking as anticipated.
- **Sales & Use Taxes:** The City received \$258 thousand in sales and use taxes. This is a minimal decrease from the prior year. The City has received 8% of the budget, which is slightly less than the prior year’s 9%.

Expenditures

Table 3 below shows a summary of first quarter budget-to-actual revenues for fiscal years 2024-25 and 2023-24.

<b>Table 3: First Quarter Expenditures</b>					
	<b><u>FY 2024-25</u></b>			<b><u>FY 2023-24</u></b>	
	Revised Budget	Actuals as of	% of Budget	Actuals as of	% of Actuals
<b>Expenditures</b>					
Administrative Services	1,377,531	310,046	23%	280,334	22%
City Attorney	1,043,223	160,565	15%	104,064	8%
City Clerk / Communications	1,067,063	203,032	19%	197,888	21%
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Community Development	2,113,039	427,491	20%	339,104	19%
Public Works	3,709,130	718,680	19%	725,383	22%
Non Departmental / Debt Service	945,778	10,322	1%	106,114	3%
Operating Transfers	2,259,619	-	0%	-	0%
Capital Transfers	1,760,100	-	0%	-	0%
<b>Total Expenditures</b>	<b>25,150,475</b>	<b>2,729,707</b>	<b>11%</b>	<b>2,761,974</b>	<b>11%</b>

General fund expenditures through the first quarter total \$2.7 million or 11% of budget. Expenditures are tracking as anticipated.

Budget Adjustments

Table 4 below shows a summary of council actions with potential budgetary effects during the first quarter not reflected in the numbers above.

<b>Table 4: Budget Adjustments</b>			
Item	Major Funding Source	Total Fiscal Impact	GF Impact
<i>No budgetary adjustments during this quarter</i>			\$ -
<b>Total</b>		<b>\$ -</b>	<b>\$ -</b>

Conclusion

Table 5 below shows an updated summary of general fund balances for the fiscal year.

<b>Table 5: General Fund Balance Summary</b>	
	<b>FY 2024-25 Budget</b>
Beginning Fund Balance	14,367,930
Revenues	21,110,524
Expenditures	(25,150,475)
<b>Net Change to Fund Balance</b>	<b>(4,039,951)</b>
Ending Fund Balance	10,327,979
General Fund Reserve	(7,017,113)
Economic Uncertainty	(1,634,636)
<b>Unassigned</b>	<b>1,676,230</b>

The adopted budget estimated the fund balance on June 30, 2024, to be \$10.3 million, of which \$8.6 million is reserves and \$1.6 million as unassigned. Staff recommends leaving the unassigned funds unallocated until the mid-year review or annual budget process, when more detailed information will be available.

Given that reserves are currently funded at only 37%, which is below the policy target of 50%, Staff will recommend to the Council that any unassigned funds be returned to the reserves during the mid-year review.

**City of Half Moon Bay**  
**Capital Improvement Plan Final Carryforward**  
**Fiscal Year 2024-25**

<b>CIP - Project Title</b>	<b>Total Project Budget (on June 30, 2024)</b>	<b>Expenditures as of June 30, 2024</b>	<b>Carried Forward</b>	<b>Addtl Funding from FY 2024-25 Adoption</b>	<b>FY 2024-25 Budget</b>
			<b>A</b>	<b>B</b>	<b>A + B</b>
9004 - WAVECREST WATER MAIN PROJECT	100,000	(48,573)	51,428	1,310,000	1,361,428
9010 - PEDESTRIAN/BICYCLE CONNECTION TO HATCH ELEMENTARY	40,000	-	40,000	-	40,000
9022 - PILARCITOS CREEK RESTORATION AND REMEDIATION PROJECT	515,000	(38,446)	476,554	-	476,554
9024 - SANITARY SEWER MASTER PLAN	237,000	(26,489)	210,511	-	210,511
0538 - HGHWY 1 SAFETY - NORTH	12,498,000	(1,276,879)	11,221,121	-	11,221,121
0593 - POPLAR STREET TRAFFIC CALMING AND SAFETY PROJECT- PHASE I	2,177,931	(507,851)	1,670,080	-	1,670,080
0595 - EASTSIDE PARALLEL TRAIL NORTH - SEGMENT 2	500,000	-	500,000	-	500,000
0608 - SEYMOUR DITCH EROSION AND COASTAL STABILIZATION	600,000	(427,674)	172,326	100,000	272,326
0611 - CARTER PARK IMPROVEMENTS	7,610,000	(5,754,440)	1,855,560	-	1,855,560
0617 - POPLAR BEACH GATEWAYS PLAN	691,100	(188,891)	502,209	-	502,209
0619 - EASTSIDE PARALLEL TRAIL NORTH - SEGMENT 4	1,734,000	(444,941)	1,289,059	-	1,289,059
1001 - LCP AND HOUSING IMPLEMENTATION PROJECT	360,000	(120,737)	239,263	-	239,263
1002 - CLIMATE ADAPTATION PLAN	276,619	(201,328)	75,291	55,000	130,291
1005 - PILARCITOS OUTFALL REPAIR AT KEHOE WATERCOURSE	550,000	(192,369)	357,631	-	357,631
1006 - ROOSEVELT/PULLMAN WATERSHED	578,000	(56,432)	521,568	-	521,568
1007 - MAGNOLIA PARK	280,100	(18,881)	261,220	-	261,220
1008 - SMTIH FIELD - PHASE I	421,611	(336,542)	85,069	115,100	200,169
1011 - STORM WATER MASTER PLAN UPDATE	312,000	(11,613)	300,388	-	300,388
1013 - FRENCHMAN'S CREEK PARK IMPROVEMENTS - PHASE II	350,000	(49,889)	300,111	-	300,111
1014 - COSATAL TRAIL OVERLAY (POPLAR TO CENTRAL)	126,000	(30,833)	95,167	-	95,167
1017 - KEHOE WAERSHED ENHANCEMENT AND ENVIRONMENTAL STEWARDSHIP PI	150,000	-	150,000	-	150,000
1023 - TRAIN DEPOT AND JOHNSTON HOUSE SHORT-TERM IMPROVEMENTS	30,000	(24,819)	5,181	40,000	45,181
1024 - DOWNTOWN STREETScape MASTER PLAN	425,000	(239,440)	185,560	-	185,560
1027 - PERMITTING SYSTEM UPGRADE	35,000	-	35,000	-	35,000
1028 - HVAC REPAIR / SOLAR ELECTRIFICATION	200,000	-	200,000	1,141,137	1,341,137
1030 - SAFEWAY SEWER MAIN REPAIR	275,000	-	275,000	-	275,000
1031 - SECONDARY POPLAR BEACH ACCESS	45,000	-	45,000	-	45,000
1032 - DOWNTOWN STREETScape MASTER PLAN IMPLEMENTATION	-	-	-	80,000	80,000
1033 - SAFE STREETS FOR ALL (SS4A) STUDY	-	-	-	150,000	150,000
1034 - HIGHWAY 1 SOUTH CORRIDOR STUDY	-	-	-	75,000	75,000
1035 - PEDAL FOR A PURPOSE	220,000	(70,951)	149,049	-	149,049
<b>Closed Projects</b>					
9023 - CORPORATE YARD IMPROVEMENTS	3,671,540	(3,587,616)	-	-	-
1009 - MAIN STREET SAFETY IMPROVEMENT PROJECT	540,400	(560,166)	-	-	-
1026 - SAFETY ELEMENT	160,000	(158,798)	-	-	-
1029 - PILARCITOS CREEK TRASH AND REMEDIATION	450,000	-	-	-	-
	<b>31,337,361</b>	<b>(14,374,596)</b>	<b>21,269,345</b>	<b>3,066,237</b>	<b>24,335,582</b>

**RESOLUTION NO. C-2024-**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY  
APPROVING ADJUSTMENTS TO THE FY 2024-25 OPERATING AND CAPITAL BUDGET**

**WHEREAS**, the City Council adopted the Fiscal Year 2024-25 Annual Operating and Capital Budget on June 18, 2024; and

**WHEREAS**, the City Council has reviewed Financial Report for the quarter ended September 30, 2024, and requested adjustments.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Half Moon Bay hereby approves the budget adjustments needed for the City-wide revenues and expenditures to be as follows for the funds below:

		<b>CIP Carryforward Adjustment</b>	
		<b>Revenues</b>	<b>Expenditures</b>
<b>SPECIAL REVENUE/CAPITAL FUNDS</b>			
112	Traffic Mitigation	125,006	3,151,054
123	Streets and Roads	13,411,392	13,937,625
125	Park/Facilities Development	3,929,646	4,083,049
127	Public Facilities	136,686	896,554
136	ARPA Funds	-	-
151	Capital General	3,743,865	5,395,743
152	Drainage Capital	179,345	1,565,127
<b>SEWER ENTERPRISE FUNDS</b>			
202	Sewer Capital	161,322	2,921,063
		<b>\$ 21,687,264</b>	<b>\$ 31,950,214</b>

\*\*\*\*\*

I hereby certify that the foregoing is a full, true, and correct copy of a resolution duly passed and adopted on the 3<sup>rd</sup> day of December 2024, by the City Council of the City of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST:

APPROVED:

\_\_\_\_\_  
Jessica Blair, City Clerk

\_\_\_\_\_  
Joaquin Jimenez, Mayor

**BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY**

**AGENDA REPORT**

For meeting of: **December 3, 2024**

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**TO:** Honorable Mayor and City Council

**VIA:** Matthew Chidester, City Manager

**FROM:** Lisa Rossi, Administrative Services Director  
Kenneth Stiles, Finance Manager

**TITLE: ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2024 UPDATE**

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**RECOMMENDATION:**

Receive the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024 Update

**FISCAL IMPACT:**

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

**STRATEGIC ELEMENT:**

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

**BACKGROUND:**

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

An independent audit is under way and being conducted by the auditing firm Maze & Associates (Maze) in conformity with General Accepted Auditing Standards.

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

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

- Introductory Section including letter of transmittal
- Independent Auditors' Report
- Management Discussion and Analysis

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

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

Due to unique challenges this year, including an increase in auditing requests and delays from external parties, the final report for Council acceptance is not yet complete. Consequently, Staff is presenting only the draft for full Council discussion. Outstanding tasks include external confirmations, second-level review, and grammar edits. Staff does not anticipate any material changes to the numbers or findings and will present the final version of the ACFR and resolution for approval as a consent item at a future meeting.

#### **DISCUSSION:**

The General Fund is the City's primary operating fund. It receives unrestricted revenues and provides general administrative services, law enforcement and animal control services, and land development-related activities such as planning, building, and engineering. The City's General Fund balance on June 30, 2024, was \$14.3 million, of which \$11.1 million was committed for reserves and the balance of \$3.2 million was unassigned. The fund balance on June 30, 2024, shows a decrease of \$1.8 million, or 11%, from the prior year.

The Management Discussion & Analysis (MD&A) section of the ACFR summarizes the financial results for the fiscal year ended June 30, 2024, and provides additional explanations for changes from the prior fiscal year.

The City of Half Moon Bay was the honored recipient of the "Certificate of Achievement for Excellence in Financial Reporting" award presented by the Government Finance Officers Association (GFOA) of the United States and Canada in recognition for the City's FY 2022-23 ACFR. The City believes that this year's ACFR document continues to conform to the highest standards in government accounting and financial reporting requirements and will qualify for another Certificate of Achievement. Following acceptance by the Council, the document will be submitted to the GFOA for consideration for the award this year.

#### Looking Forward

During the budget development for Fiscal Year 2024-25, the City estimated that the fund balance on June 30, 2024, would be \$12.6 million. With the audit complete, an updated fund balance summary is detailed below:

General Fund Balance Summary		
	<u>FY2024-25</u> Adopted with Estimated Beg. Balance	<u>FY2024-25</u> Adopted with Audited Beg. Balance
Beginning Fund Balance <sup>(1)</sup>	12,691,700	14,367,930
Revenues	21,110,524	21,110,524
Expenditures	(25,150,475)	(25,150,475)
Net Change to Fund Balance	(4,039,951)	(4,039,951)
Ending Fund Balance	8,651,749	10,327,979
General Fund Reserve	7,017,113	7,017,113
Economic Uncertainty	1,634,636	1,634,636
Unassigned	-	1,676,230

<sup>(1)</sup> At time of budget adoption, the beginning fund balance was unavailable. With the completion of the audit that number has been finalized

The City initially planned for no available unassigned balances at the end of FY 2024-25. With the audited beginning fund balance of \$14.3 million, the City anticipates unassigned balances to be \$1.6 million on June 30, 2024. This gain in unassigned balances is primarily due to the City having less operational spending than initially anticipated during the prior fiscal year. More information on the budget to actual performance of the General Fund can be found on pages 18 and 79 of the ACFR.

Unassigned balances represent funds that have not yet been programmed for a particular purpose. Although higher than anticipated, Staff recommends deployment of such funds to be discussed during a formal mid-year review or annual budget process, where all options available are presented to Council. Given that general fund reserves are currently underfunded, Staff will recommend committing all or a portion of unassigned funds to reserves.

**ATTACHMENTS:**

1. Management Discussion & Analysis
2. Draft Annual Comprehensive Financial Report (ACFR) Fiscal Year Ended June 30, 2024

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

As management of the City of Half Moon Bay (the City), we offer readers of the City of Half Moon Bay's financial statements this overview of the financial activities of the City for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have provided in our letter of transmittal and the City's basic financial statements.

### Financial Highlights

- The City's government-wide assets and deferred outflows exceed its liabilities and deferred inflows at June 30, 2024, by \$161.8 million, which is a 2.4% or \$3.8 million increase from the prior year. Of this amount, \$41.7 million may be used to meet the City's ongoing obligations to citizens and creditors, which is a 10% decrease from the prior year's unrestricted net position of \$46.5 million.
- The City's cash and investments on June 30, 2024, totaled \$51.4 million, of which \$47.4 million is classified as government activities and \$4 million as Business-type activity. The City's cash and investments increased by \$1.4 million, or 2.7% compared to the prior year.
- At June 30, 2024, the City had outstanding long-term obligations of \$23 million, of which \$22.4 million is classified as governmental activities and \$564 thousand as business activities. Obligations have increased by \$1 million or 5% compared to the prior year. This increase is primarily due to an increase in net pension liability.
- During the 2014-15 fiscal year, the City implemented the Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pension Plans, an amendment of GASB Statement No. 27, which resulted in adjustments to pension expenses and reporting the City's long-term net pension liability of \$14.5 million on the FY 2023-24 Statement of Net Position. GASB No. 68 is intended to improve accounting and financial reporting by state and local governments that provide pension benefits. The Net Pension Liability increased by \$756 thousand from the \$13.8 million recorded last year. This increase is due to a decrease in the market value of pension assets held at CalPERS on the measurement date of June 30, 2023.
- City-wide revenues were \$38.8 million, of which \$31.1 million was generated by governmental activities and \$7.7 million by Business-type activities. Revenues increased by 15% from the prior year primarily due to an increase in capital grants and contributions.
- City-wide expenditures were \$34.9 million, of which \$28.3 million was incurred by governmental activities and \$6.6 million by Business-type activities. Expenditures increased by 35% from the prior year mostly due to increases in public works, public safety and general government expenditures.
- The City's General Fund balance as of June 30, 2024, was \$14.4 million, a decrease of \$1.8 million as compared to the prior year's amount of \$16.2 million. This decrease is due to expenditures exceeding revenues from increased costs in existing services.
- For the fiscal year ended June 30, 2024, Governmental Funds expenditures exceeded revenues and net transfers by \$509 thousand, primarily attributed to increased public safety and capital expenditures. The governmental funds' combined ending fund balance as of June 30, 2024, is \$68 million, a less than 1% decrease from the prior year.

# CITY OF HALF MOON BAY, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### **Government-wide Financial Statements**

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

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

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

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

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

#### **Fund Financial Statements**

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

# CITY OF HALF MOON BAY, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Governmental Funds**

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

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

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

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

The basic governmental fund financial statements can be found on pages 26-32 of this report. The budgetary comparison schedule for the General Fund can be found on page 79.

### **Proprietary Funds**

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

#### **Internal Service Funds**

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

#### **Enterprise Funds**

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

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

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

### **Notes to the Basic Financial Statements**

The notes provide additional information essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-70 of this report.

### **Other Information.**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including schedule of proportionate share of the net pension liability, contributions, funding progress for the City's obligation to provide other post-employment benefits to its employees and budgetary comparison schedules for the General Fund and the other funds. Required supplementary information can be found on pages 72-82 of this report.

The combining statements for non-major governmental funds and internal service funds are presented on pages 90-106, and the Statistical Section follows on page 107.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position**

The following table provides a condensed statement of net position as of June 30, 2024, and 2023:

**CITY OF HALF MOON BAY**  
Comparative Statement  
*Statement of Net Position*  
Year Ended on June 30, 2024

	Governmental Activities		Business Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	51,986,855	50,091,872	15,482,216	15,252,242	67,469,071	65,344,114
Land held for resale	26,823,920	26,823,920	-	-	26,823,920	26,823,920
Capital Assets	82,889,996	78,346,957	6,831,129	6,981,850	89,721,125	85,328,807
<b>Total assets</b>	<b>161,700,771</b>	<b>155,262,749</b>	<b>22,313,345</b>	<b>22,234,092</b>	<b>184,014,116</b>	<b>177,496,841</b>
Related to OPEB	78,302	60,710	5,290	4,634	83,592	65,344
Related to pension	5,308,118	5,593,021	235,072	232,715	5,543,190	5,825,736
<b>Total deferred outflows of resources</b>	<b>5,386,420</b>	<b>5,653,731</b>	<b>240,362</b>	<b>237,349</b>	<b>5,626,782</b>	<b>5,891,080</b>
Long-term liabilities outstanding	19,882,281	19,654,785	564,424	541,207	20,446,705	20,195,992
Other liabilities	6,392,443	3,837,847	114,068	134,964	6,506,511	3,972,811
<b>Total liabilities</b>	<b>26,274,724</b>	<b>23,492,632</b>	<b>678,492</b>	<b>676,171</b>	<b>26,953,216</b>	<b>24,168,803</b>
Related to OPEB	99,786	113,746	8,489	9,009	108,275	122,755
Related to pension	684,592	1,043,360	68,596	74,781	753,188	1,118,141
<b>Total deferred inflows of resources</b>	<b>784,378</b>	<b>1,157,106</b>	<b>77,085</b>	<b>83,790</b>	<b>861,463</b>	<b>1,240,896</b>
<b>Net Position:</b>						
Net investment in capital assets	76,826,570	71,854,949	6,831,129	6,981,850	83,657,699	78,836,799
Restricted	25,081,978	22,502,708	11,397,062	10,092,582	36,479,040	32,595,290
Unrestricted	38,119,541	41,909,085	3,569,939	4,637,048	41,689,480	46,546,133
<b>Total Net Position</b>	<b>140,028,089</b>	<b>136,266,742</b>	<b>21,798,130</b>	<b>21,711,480</b>	<b>161,826,219</b>	<b>157,978,222</b>

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

Net Position reflects the difference between assets and liabilities. Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Half Moon Bay, assets exceeded liabilities by \$161.8 million on June 30, 2024, with invested capital assets of \$83.7 million, \$36.5 million restricted and an unrestricted net position of \$41.7 million. Portions of the unrestricted net position

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

may by law or contract be used only for specified purposes and may not necessarily be used for any general governmental purpose.

The net investment in capital assets reflecting the investment in capital assets (e.g. land, buildings, facilities, vehicles, equipment, and infrastructure) is \$83.7 million and represents 52% percent of the City's net position. This portion has increased by \$4.8 million or 6%. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the net investments in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net position accounts for \$36.5 million, or 23% percent, of the City's total net position. The restricted net position increased by \$3.8 million or 12% percent in fiscal year 2023-24. This portion of the net position can only be spent for specific purposes stipulated by external resource providers or legislation. This increase is from restricted revenues exceeding allowed expenditures in the governmental funds. Restricted revenues generally include grants, project specific capital contributions and other intergovernmental funding.

The unrestricted net position of \$41.7 million, or 25.8% percent of the City's total net position, decreased by \$4.8 million or 10% percent. The increase is primarily from the City completing the fiscal year with expenditures under budget. This portion of the net position may be used to meet the government's ongoing obligations to residents and creditors, although portions of the unrestricted net position may by law or contract be only used for specified purposes and may not necessarily be used for any general governmental purpose.

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

**Statement of Activities**

The following table provides a condensed statement of activities for the fiscal year ended June 30, 2024, as compared to June 30, 2023:

**CITY OF HALF MOON BAY**  
Comparative Statement  
*Statement of Activities*  
Year Ended on June 30, 2024

	Governmental Activities		Business-type Activities		Total		Variance
	2024	2023	2024	2023	2024	2023	
Program revenues:							
Charges for services	2,505,538	2,882,242	6,207,200	5,994,167	8,712,738	8,876,409	-2%
Operating grants and contributions	1,285,182	3,628,574	-	-	1,285,182	3,628,574	-65%
Capital grants and contributions	6,738,537	1,252,880	1,304,480	537,739	8,043,017	1,790,619	349%
Subtotal	10,529,257	7,763,696	7,511,680	6,531,906	18,040,937	14,295,602	26%
General revenues:							
Property taxes	4,283,589	4,129,317	-	-	4,283,589	4,129,317	4%
Sales and use taxes	3,665,449	3,740,219	-	-	3,665,449	3,740,219	-2%
Transient occupancy taxes	8,167,938	8,852,640	-	-	8,167,938	8,852,640	-8%
Other taxes	1,343,633	1,276,299	-	-	1,343,633	1,276,299	5%
Other general revenues	3,092,976	1,289,743	242,911	129,865	3,335,887	1,419,608	135%
Subtotal	20,553,585	19,288,218	242,911	129,865	20,796,496	19,418,083	7%
<b>Total revenues</b>	<b>31,082,842</b>	<b>27,051,914</b>	<b>7,754,591</b>	<b>6,661,771</b>	<b>38,837,433</b>	<b>33,713,685</b>	<b>15%</b>
Expenses							
General government	7,811,794	6,018,989	-	-	7,811,794	6,018,989	30%
Public safety	6,875,457	5,275,682	-	-	6,875,457	5,275,682	30%
Public works	6,255,645	4,129,117	-	-	6,255,645	4,129,117	52%
Recreation Services	1,534,752	597,127	-	-	1,534,752	597,127	157%
Planning	3,931,872	2,965,787	-	-	3,931,872	2,965,787	33%
Community and Economic Development	1,894,276	843,267	-	-	1,894,276	843,267	125%
Sewer Utility	-	-	6,685,640	5,998,227	6,685,640	5,998,227	11%
<b>Total expenses</b>	<b>28,303,796</b>	<b>19,829,968</b>	<b>6,685,640</b>	<b>5,998,227</b>	<b>34,989,436</b>	<b>25,828,195</b>	<b>35%</b>
Increase (Decrease) in net position before transfers	2,779,046	7,221,946	1,068,951	663,544	3,847,997	7,885,490	-51%
Transfers	982,301	957,438	(982,301)	(957,438)	-	-	0%
Increase (Decrease) in net position	3,761,347	8,179,384	86,650	(293,894)	3,847,997	7,885,490	-51%
Net position - As of July 1	136,266,742	128,087,358	21,711,480	22,005,374	157,978,222	150,092,732	5%
Prior Period Adjustment		-	-	-	-	-	
Net position - As of July 1, as restated	136,266,742	128,087,358	21,711,480	22,005,374	157,978,222	150,092,732	5%
<b>Net position - As of June 30</b>	<b>140,028,089</b>	<b>136,266,742</b>	<b>21,798,130</b>	<b>21,711,480</b>	<b>161,826,219</b>	<b>157,978,222</b>	<b>2%</b>

# CITY OF HALF MOON BAY, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Governmental Activities

The City's Governmental net position increased by \$3.7 million or 2.8% in fiscal year 2024, primarily due to revenues exceeding expenses.

#### Revenues Highlights:

- Total governmental revenues increased by \$4 million or 15% from the prior year, primarily due to increases in capital grants and contributions.
  - Program revenues increased by \$2.7 million or 36%. This increase is primarily from increases in capital grants and contributions. These receipts are generally project specific and/or one-time funds. During the fiscal year, the City was awarded three grants totaling \$4.7 million. These funds are designated for affordable housing efforts.
  - Transient Occupancy Tax (TOT), the City's largest source of general revenue, decreased by \$684 thousand or 8% from the prior year. This is primarily due to a decrease in tourism to the coast.
  - Sales Tax, the second largest source of general revenue, decreased by \$74 thousand or 2% from the prior year. This is primarily due to a decrease in tourism to the coast and the overall economy.
  - Property Tax, the third largest source of general revenue, increased by \$154 thousand or 4% from the prior year. This increase is primarily due growth in base property taxes.
  - Other General Revenues include investment income and other miscellaneous revenues. The amount from government activities increased by \$1.8 million or 140% from the prior year. This is primarily due to increases in interest and unrealized gains on investments.

Expenses for Government Activities increased by \$8.4 million from the prior year primarily due to a one-time debt service payment of \$3 million along with increases in capital projects, public safety and general government expenditures.

### Business-type Activities

The City's sole Business-type activity is the sewer fund. The City's total Business-type net position increased by \$86 thousand. This is primarily due to the following factors:

- The City is a member of the SAM joint power authority and exercises significant influence over SAM's operations; therefore, the share of the City's investment in SAM's net position is reflected in the City's financial statements. For the fiscal year 2023-24 the City recognized a gain on this investment of \$1.3 million. However, this gain is non-cash transaction, contributing no additional liquidity. As seen on page 35, the sewer fund cash decreased by \$1 million, primarily due to rising expenditures.
- Charges for Services revenues increased by \$213 thousand or 3.6% from the prior year. This increase is primarily due to the sewer rate changes as adopted by voters in fiscal year 2019-2020. Rates are scheduled to increase year over year through fiscal year 2024-25.
- Expenses from Business-type Activities increased by \$687 thousand as compared to fiscal year 2022-23. This is primarily due to increases in sewer treatment and contributions to the SAM joint power authority.

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

**FUND FINANCIAL ANALYSIS**

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

**Governmental Funds**

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

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

**CITY OF HALF MOON BAY  
Comparative Statement**  
*Governmental Funds Statement of Revenues, Expenditures and Fund Balance*  
Year Ended on June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>Variance</u>
Revenues	\$ 30,506,165	\$ 26,942,159	13%
Expenditures	(32,988,058)	(23,706,716)	39%
Other Financing Sources (Uses)	1,972,994	(747,983)	-364%
Net Change in Fund Balances	(508,899)	2,487,460	-120%
Fund balances at beginning of year	68,524,929	66,037,469	4%
Fund balances at end of year	<u>68,016,030</u>	<u>68,524,929</u>	<u>-1%</u>
Non-spendable	26,823,920	27,096,226	
Restricted	24,590,954	22,258,032	10%
Committed	11,091,587	9,841,012	13%
Assigned	2,233,226	2,942,767	-24%
Unassigned	3,276,343	6,386,892	-49%
Total fund balances	<u>68,016,030</u>	<u>68,524,929</u>	<u>-1%</u>

As of June 30, 2024, the City’s governmental funds reported combined fund balances of \$68 million, a decrease of \$508 thousand in comparison with June 30, 2023. This is primarily attributed to expenditures exceeding revenues. The governmental funds expenditures were \$32.9 million in fiscal year 2023-24, a \$9 million increase from the prior year which is primarily due to capital expenditures and increases in public safety expenditures.

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

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

- Non-spendable is \$26.8 million (39.4% of total balance) which represents the value of land held by the City. There has been no change in this amount from the prior year.
- Restricted is \$24.5 million (36.2% of the total balance), which can only be spent for specific purposes, set by external resource providers, or enabling legislation. The balance is primarily for restricted street funds, development fees, and reserves required by debt covenants.
- Committed balance is \$11 million (16.3% of the total balance), which can only be spent for specific purposes as determined by formal action of the City Council. This amount is to satisfy the City's general fund reserve policy, which states that 50 percent of budgeted operating expenditures for the year to be committed for contingencies and economic uncertainty.
- Assigned balance is \$2.2 million (3.3% of the total balance), which indicates City Council's intent to use these funds toward capital improvements in the future. This balance represents funds remaining in the capital project funds for future capital expenditures.
- Unassigned is \$3.2 million (4.8% of the total balance), which is available for any use.

### FINANCIAL ANALYSIS OF CITY'S FUNDS

#### **General Fund**

The General Fund is the primary operating fund of the City of Half Moon Bay. All unrestricted revenues such as general taxes, fees and other revenues that are not allocated by law or contractual agreement to some other funds are accounted for in this fund. The General Fund provides for the cost of operating City government and includes the services of the City Attorney, City Clerk, City Council, City Manager, City-wide costs (such as debt service), Finance and Risk Management, Human Resources and Information Technology, Recreation, Building and Planning, Public Works, Economic Vitality and Public Safety. In addition, the General Fund expenditures include transfers to fund capital projects and reserve funding.

As of June 30, 2024, the total General Fund balance was \$14.3 million, which includes an unassigned portion of \$3.2 million. The General Fund fund balance decreased by \$1.8 million for the fiscal year ended June 30, 2024.

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

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

**CITY OF HALF MOON BAY**  
**Comparative Statement**  
*General Fund Statement of Revenues, Expenditures and Fund Balance*  
Year Ended on June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>Variance</u>
<b>Revenues</b>			
Taxes	16,991,811	17,500,650	-3%
License and permits	306,282	452,763	-32%
Fines and forfeitures	81,445	32,232	153%
Charges for services	1,454,141	1,419,473	2%
Impact Fees	-	-	
Rents and Leases	78,135	63,728	23%
Investment Income	804,188	353,945	127%
Intergovernmental revenues	117,400	1,552,805	-92%
Miscellaneous	833,965	970,404	-14%
<b>Total</b>	<u>20,667,367</u>	<u>22,346,000</u>	-8%
<b>Expenditures</b>			
General government	3,138,896	2,272,314	38%
General administration	2,134,173	1,977,351	8%
Public safety	6,452,977	4,914,582	31%
Public works	2,174,611	2,176,714	0%
Recreation Services	538,827	524,211	3%
Planning	2,879,532	2,873,331	0%
Community and Economic Development	1,008,276	843,267	20%
Capital Outlay	-	-	
Debt Service	3,725,598	675,302	452%
<b>Total</b>	<u>22,052,890</u>	<u>16,257,072</u>	36%
Other financing sources (uses)	(474,451)	(5,446,177)	-91%
<b>Net Change in Fund Balances</b>	<u>(1,859,974)</u>	<u>642,751</u>	-134%
<b>Fund Balances at beginning of year</b>	16,227,904	15,585,153	4%
<b>Fund Balances at end of year</b>	<u><u>14,367,930</u></u>	<u><u>\$ 16,227,904</u></u>	<u>-11%</u>

## General Fund Revenues

General Fund revenues for the year ended June 30, 2024, decreased by \$1.6 million or 8%, from the prior year. The preceding chart summarizes revenues into major categories for comparative purposes across two fiscal years.

Total tax revenues decreased by \$508 thousand or 3% from the prior year primarily from a decrease in transient occupancy taxes. Net other financing sources/uses decreased by \$4.9 million primarily due to a refinancing of a \$3 million loan with the County of San Mateo.

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

**General Fund Expenditures**

General Fund expenditures for the 2023-24 fiscal year rose by \$5.7 million, or 36%. This increase is primarily attributed to debt service payments related to the refinancing mentioned above, along with higher expenditures in public safety and general government.

**CITY OF HALF MOON BAY  
Budget to Actual Statement**  
*General Fund Statement of Revenues, Expenditures and Fund Balance*  
Year Ended on June 30, 2024

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 19,916,944	\$ 20,667,367	\$ 750,423
Expenditures	(20,929,448)	(22,052,890)	(1,123,442)
Other Financing Sources (Uses)	(3,979,451)	(474,451)	3,505,000
Net Change in Fund Balance	<u>(4,991,955)</u>	<u>(1,859,974)</u>	<u>3,131,981</u>
Fund balances at beginning of year	16,227,904	16,227,904	-
Fund balances at end of year	<u><u>11,235,949</u></u>	<u><u>14,367,930</u></u>	<u><u>3,131,981</u></u>

**General Fund Budgetary Highlights**

The final budget for the General Fund planned for a net decrease of fund balance by \$4.9 million, however the ending fund balance decreased by \$1.8 million. This is primarily due to the City successfully refinancing an existing loan and decreased operational spending than initially anticipated. A portion of these excess funds have been appropriated in the following budget for fiscal year 2024-25.

**Other Major Governmental Funds**

The following table compares governmental fund balances:

**CITY OF HALF MOON BAY  
Comparative Statement**  
*Governmental Funds Statement of Revenues, Expenditures and Fund Balance*  
Year Ended on June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>Variance</u>
Major Governmental Funds:			
General Fund	14,367,930	16,227,904	-11%
Streets and Road	7,263,726	6,427,224	13%
Lot Acquisition	1,420,599	1,348,210	5%
Affordable Housing	5,954,709	2,164,621	175%
Parks Development	894,568	2,589,695	-65%
Land Asset	26,823,920	26,823,920	0%
Capital Project Fund	1,784,042	2,788,918	-36%
Non-Major Governmental Funds	9,506,536	10,154,437	-6%
Total Fund Balances	<u><u>\$ 68,016,030</u></u>	<u><u>\$ 68,524,929</u></u>	<u><u>-1%</u></u>

# CITY OF HALF MOON BAY, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Streets and Roads Funds**

The Streets and Roads Special Revenue funds provide for all proceeds of Gas Tax funds, Measure A/W Local Transportation Ordinance Tax funds and other grants. These funds are restricted for the purpose of these taxes and mainly used for streets and road maintenance and improvements. As of June 30, 2024, the Streets and Roads Funds had a fund balance of \$7.2 million, a \$836 thousand increase from the prior year, primarily due revenues exceeding expenditures.

### **Lot Acquisition / Retirement Fund**

The Lot Acquisition and Retirement fund is a fund used to account for in-lieu fees and expenses within the purpose of acquiring and retiring development rights on existing legal parcels. As of June 30, 2024, the fund had a fund balance of \$1.4 million, a \$72 thousand increase from the prior year.

### **Affordable Housing Fund**

The Affordable Housing fund accounts for proceeds of construction and development fees, including in lieu fees with the restricted purpose of the development of affordable housing. As of June 30, 2024, the fund balance was \$5.9 million, which is a \$3.7 million increase from the prior year. This is primarily due to the receipt of affordable housing grants totaling \$4.7 million for the fiscal year.

### **Parks Development**

The Parks Development Fund which accounts for development impact fees, Federal, State and County grants, and is restricted for acquisition, development and capital improvements of the City's parks and trails. This fund decreased by \$1.6 million, primarily due capital projects and expenditures. As of June 30, 2024, the fund balance was \$894 thousand.

### **Land Asset Fund**

This is a restricted fund which was created in Fiscal Year 2014-15 for the purposes of recording land assets held for resale. The fund balance as of June 30, 2024 is \$26.8 million, which consists of transfers of land assets for Glenree and Beechwood properties from the General Fund and the Judgment Obligation Bond Funds. The Glenree property was donated to the City. The Beechwood property was acquired by the City as part of the settlement of the Yamagiwa litigation in 2007. With the receipt of the insurance settlement payments, the Beechwood properties are no longer required for the Judgment Obligation Bonds. There was no activity in this fund in fiscal year 2023-24.

### **Capital Project Funds**

Capital Projects Funds accounts for capital projects as detailed in the City's Capital Improvement Plan. As of June 30, 2024, the fund balance was \$1.7 million, a \$1 million decrease from the prior year, primarily due to capital expenditures and progress on capital projects.

### **Non-Major Funds**

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

Special Revenue funds include:

- Police Grants Fund that accounts for revenues received and expenditures made for police services,
- Storm Drain Operating Fund that accounts for the maintenance of the existing storm drain system,
- Traffic Mitigation Fund that provides for all proceeds from traffic mitigation fees imposed on new development and restricted to defray the cost of constructing improvements to mitigate traffic,

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

- CZI Grant Fund accounts for proceeds relating to the CZI Grant. These funds can be used to support learning and evaluation activities for groups currently engaged in the operation and implementation of economic advancement centers.
- Opportunity Center Coastside Fund accounts for proceeds and expenditures as they relate to the operation of the Opportunity Center Coastside. This fund is primarily sourced from American Rescue Plan Act (ARPA) funds.

Debt Service Funds include:

- Judgement Bonds Fund account for debt service on the judgment obligation bonds. The City has no outstanding bonds.

Capital Project Funds:

- Library Fund is used to account for the design, development, and construction of the new library and the maintenance thereafter.
- Public Facilities accounts for expenditures related to public facilities improvements.
- Storm Drain Improvements accounts for all proceeds from storm drainage improvement fees assessed against new and remodeled construction and used for drainage improvements.

As of June 30, 2024, the Non-Major Funds had a fund balance of \$9.5 million, a \$647 thousand decrease from the prior year. This decrease is primarily due capital projects and expenditures relating to the Opportunity Center Coastside.

### **Proprietary Fund Financial Statement Analysis**

As of June 30, 2024, the City's Proprietary Fund net position was \$26.9 million (\$7.2 million invested in capital assets; \$11.4 million restricted for investment in Sewer Authority; \$3 thousand restricted for other post-retirement benefits and \$8.3 million in unrestricted net position). Additional information on this investment can be found in Note 6 of the financial statements. Unrestricted net position of \$4.7 million in the Internal Service Funds is primarily reserved for vehicle and equipment replacement, risk management and general liability claims, and pension cost stabilization.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's total net investment in capital assets for its Governmental and Business-type activities (net of accumulated depreciation) as of June 30, 2024, was \$89.7 million, an increase of \$4.3 million as compared to June 30, 2023.

Capital assets include land, buildings, equipment, vehicles and infrastructure. The following table presents summarized information on capital assets net of depreciation for fiscal years 2024 and 2023:

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

**CITY OF HALF MOON BAY**  
**Comparative Statement**  
*Capital Assets (net of depreciation)*  
Year Ended on June 30, 2024

	Governmental Activities		Business Type Activities		Total		Variance
	2024	2023	2024	2023	2024	2023	
Land	\$ 4,756,385	\$ 4,756,385	\$ -	\$ -	\$ 4,756,385	\$ 4,756,385	0%
Rights of Way	6,990,396	6,990,396	-	-	6,990,396	6,990,396	0%
Construction in progress	11,212,437	9,669,548	-	-	11,212,437	9,669,548	16%
Buildings and improvements	28,935,520	29,731,961	6,801,334	6,950,907	35,736,854	36,682,868	-3%
Machinery and equipment	410,966	405,419	29,795	30,943	440,761	436,362	1%
Infrastructure	30,584,292	26,793,248	-	-	30,584,292	26,793,248	14%
<b>Total</b>	<b>\$ 82,889,996</b>	<b>\$ 78,346,957</b>	<b>\$ 6,831,129</b>	<b>\$ 6,981,850</b>	<b>\$ 89,721,125</b>	<b>\$ 85,328,807</b>	<b>5%</b>

Construction in progress increased by \$1.5 million primarily due to the improvements to Carter Park, Seymour Ditch, and other capital projects. Additional information regarding the City's capital assets can be found in Note 4 in Notes to the Basic Financial Statements.

## Long-term Obligations

As of June 30, 2024, the City's long-term obligations totaled \$22.9 million, primarily comprised of net pension liability and loans related to the library and the corporation yard.

**CITY OF HALF MOON BAY**  
**Comparative Statement**  
*Long Term Obligations*  
Year Ended on June 30, 2024

	Governmental Activities		Business-type Activities		Total		Variance
	2024	2023	2024	2023	2024	2023	
Library Loan	2,863,426	3,436,112	-	-	2,863,426	3,436,112	-17%
880 Stone Pine Loan	3,200,000	3,055,896	-	-	3,200,000	3,055,896	5%
Claims liability	1,670,731	1,064,830	-	-	1,670,731	1,064,830	57%
Employee compensated absences	670,764	550,966	-	-	670,764	550,966	22%
Net Pension Liability	14,029,383	13,296,353	564,424	541,207	14,593,807	13,837,560	5%
<b>Total</b>	<b>\$ 22,434,304</b>	<b>\$ 21,404,157</b>	<b>\$ 564,424</b>	<b>\$ 541,207</b>	<b>\$ 22,998,728</b>	<b>\$ 21,945,364</b>	<b>5%</b>

Library Loan: During the fiscal year ending June 30, 2017, the City entered into a \$6 million interest-free loan agreement with the County of San Mateo to ensure completion of the Library Project. The City began repayment in fiscal year 2020. In fiscal year 2021, due to budgetary constraints caused by the Covid-19 pandemic, the loan was amended so the City would not be required to make the two loans payments due in that fiscal year. The City resumed loan repayments in fiscal year 2021-2022, including the additional amount that was deferred. Since then, the City continues to make its an annual scheduled payment of \$572 thousand.

880 Stone Pine Loan: Since 2009, the City has leased a 21-acre property for its corporation yard facility. In fiscal year 2020-21, the City entered into a \$3.2 million financing agreement to purchase the property. In fiscal year 2023-24, the City refinanced the loan with the County of San Mateo to lift restrictions, allowing

# CITY OF HALF MOON BAY, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

affordable housing efforts on unused portions of the site to proceed. Under the new loan terms, no payment was due in fiscal year 2023-24, with debt service payments scheduled to begin in fiscal year 2024-25.

**Net Pension Liability:** The City participates in one retirement plan through the California Public Employees' Retirement System (CalPERS). The measured net pension liability is measured as a proportionate share of the total net pension liability as reported by the CalPERS Financial Office. As of June 30, 2024, the City's share of the pension liability was measured to be \$14.5 million. This is an increase of \$756 thousand or 5%. This increase in net pension liability is from a decrease in the market value of plan assets held at CalPERS. Additional information about the City's pension liability can be found in Note 8 to the Notes to the Basic Financial Statements.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation. The current debt limit for the City is approximately \$148 million. At June 30, 2024, the City had no debt applicable to this limit. Additional information about the City's long-term obligations can be found in Note 5 to the Notes to the Basic Financial Statements.

### **Currently Known Facts, Conditions, and Decisions**

Outlined below is key information expected to significantly impact the City's financial position and operational outcomes as of this report.

Due to rising costs of existing obligations and declining Transient Occupancy Tax revenues, the City is currently facing a structural deficit. In response, staff has initiated a cost allocation and fee study, is exploring revenue enhancement opportunities, and is reviewing all operating expenditures, capital projects and programs, and staff vacancies to identify short- and long-term savings. Additionally, in November 2024, voters approved Measure R, which will increase the sales tax rate by 0.50%. These combined efforts aim to stabilize the City's finances and ensure sustainable services.

Fiscal sustainability remains a top priority for Half Moon Bay. To that end, staff will continue monitoring these conditions closely and seeking the most efficient ways to provide public services. Staff looks forward to working with the City Council and community to address financial challenges ahead. In addition, staff will continue identifying operational efficiencies, potential economic development opportunities, and alternative revenue options to maintain high-quality services for residents and visitors of Half Moon Bay.

### **Requests for Information**

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

City of Half Moon Bay  
Finance Department  
501 Main Street  
Half Moon Bay, CA 94019.

An electronic version of this report is available at the City's website, found at [www.hmbcity.com](http://www.hmbcity.com)



THE CITY OF  
**HALF MOON BAY**  
CALIFORNIA

**ANNUAL COMPREHENSIVE**

# **FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2024**



**CITY OF HALF MOON BAY, CALIFORNIA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**Fiscal Year Ended June 30, 2024**

Prepared by  
Finance Department



**CITY OF HALF MOON BAY, CALIFORNIA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2024**

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**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2024**

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**CITY OF HALF MOON BAY, CALIFORNIA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2024**

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**CITY OF HALF MOON BAY, CALIFORNIA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
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**INTRODUCTORY SECTION**





## CITY OF HALF MOON BAY

501 Main Street  
Half Moon Bay, CA 94019

December 3, 2024

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

It is a pleasure to submit the Annual Comprehensive Financial Report (ACFR) of the City of Half Moon Bay (the City) for the fiscal year ended June 30, 2024. The intent of this report is to provide a full and transparent understanding of the City's financial activities and position during that fiscal year. The report is prepared in compliance with California Government Sections 25250 and 25253, in accordance with Generally Accepted Accounting Principles (GAAP) set by the Governmental Accounting Standards Board (GASB), and continuing disclosure requirements of the Securities and Exchange Commission (SEC) related to the City's debt.

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

State statutes require an annual audit by independent certified public accountants. The City's financial statements have been audited by Maze & Associates, a firm of licensed certified public accountants in Pleasant Hill, California. The independent auditor has issued an unmodified (or "clean") opinion on the City's financial statements for the year ended June 30, 2024.

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

### **PROFILE OF THE CITY**

Named San Benito in the 1840's and later Spanishtown, Half Moon Bay received its current name in 1874 and is the oldest settlement in San Mateo County. Considered a rural coastal community, the City is home to approximately 11,000 people. There is a rich culture of different traditions and multi-generational families who have lived in Half Moon Bay for well over 100 years. In any given neighborhood you will find farmers, high tech entrepreneurs, and artists living together. At the crossroads of Highway 1 and Highway 92, Half Moon Bay is approximately 25 miles south of San Francisco and at-most a 45-minute drive from almost anywhere in the Bay Area.

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

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

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

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

and water infrastructure services are provided by special districts that are not part of the City's reporting entity.

## **FINANCIAL OPERATIONS**

### **BUDGET PROCESS**

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

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

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

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

### **FINANCIAL CONTROL**

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

The City's Reserve Policy per Resolution C-2020-60 states that a reserve equal to 50% of General Fund annual operating expenditures is to be set aside to: reduce the risk of financial impacts from catastrophic disasters; respond to the challenges of changing economic environment, including prolonged downturns in the local, state, and national economy; and demonstrate continued prudent fiscal management and creditworthiness.

## MAJOR INITIATIVES AND ACCOMPLISHMENTS

Several important initiatives were delivered in the past year. These projects included increased engagement with the community, continued work on affordable housing, and improvement of infrastructure. Accomplishments include:

### 1. City Operations:

- Negotiated a Memorandum of Understanding (MOU) with San Mateo County, helped to secure an Emergency Coastal Development Permit (CDP), and facilitated commencement of construction of 47 affordable manufactured homes for farmworkers at the new Stone Pine Cove neighborhood.
- Launched the Opportunity Center of the Coastside to support small businesses, entrepreneurs, job seekers, and job growth; launched a new business incubator, Coastside Venture Studio, with a focus on resiliency tech.
- Completed a Downtown Streetscape Master Plan which will serve as a road map for downtown revitalization efforts and assist in applying for funding.
- Completed the second Public Review Draft of the Cycle 6 Housing Element; certification from the California Department of Housing and Community Development (HCD) is expected fall of 2024.
- Convened a new Farmworker Memorial and Remembrance Advisory Committee (FMRAC) and held a one-year remembrance ceremony to celebrate the seven lives lost from the January 2023 mass shooting. Attended by 250+ community members.
- Secured \$785,000 in private, public, and philanthropic donations for short-term housing for forty individuals displaced from the January 2023 mass shooting.
- Hosted a historic visit of the Mexican Consulate that served 200 Coastside residents / Mexican Nationals.
- Completed work on new Rental Registry Program, Rent Stabilization Program, and enhanced Tenant Protections provisions.
- Planned and executed the fourth annual Summer's End Music Festival Event.
- Continued to support the Make It Main Street first Thursday events in downtown Half Moon Bay, bringing Coastside artists, creators, and makers together with non-profits and community to connect, exchange, and share while stimulating the downtown economy on a monthly basis from Spring through Fall of each year.
- Implemented the Short-Term Rental and Home Occupation Ordinance following the June 2023 City Council adoption.
- Completed numerous building permit inspections to help facilitate the Main and Kelly Mixed-Use Project currently under construction with expected completion fall 2024.
- Conducted both the N.E.T and FLCA civics and leadership academies for adults and youth.
- Received Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for the FY 22-23 Operating and Capital Budget documents, representing compliance with best practices in budgeting.
- Remodeled Mac Dutra Restrooms.
- Implemented the County's first disposable food ware ordinance.

- Hosted two community recycling days offering free paper shredding, compost pick-up, and e-waste recycling.
- Adopted the City’s Fats, Oils, and Grease (FOG) ordinance and implemented the inaugural program.
- Piloted the use of Automated License Plate Reader (ALPR) technology in the Pilarcitos (Oak Avenue Park) neighborhood in response to community requests following several high-profile crimes.
- Initiated Mounted Patrol and additional Sheriff beach patrols on Poplar Beach to enforce dogs on leash every weekend daytime for the whole summer.

2. Major Capital Projects in Progress:

- Carter Park
- Highway 1 Safety – North
- Poplar Street Traffic Calming and Safety Project – Phase 1
- Eastside Parallel Trail North – Segment 4
- Pilarcitos Creek Restoration and Remediation Project

Much of the work focuses on enhancing and improving infrastructure, as well as creating processes and organizational improvements which allow Staff to better carry out their core functions in serving the public. The 2023-24 through 2027-28 Five-Year Capital Improvement Program (CIP) provides in depth project-by-project information and how it aligns with the City’s Strategic Plan.

**FACTORS AFFECTING FINANCIAL CONDITION**

The information in the financial statements is best understood within the context of the City’s operating environment. During Fiscal Year 2023-24, the City faced a shortfall in economically sensitive revenues, including Transient Occupancy Tax and Sales Tax. While fully funded reserves offer temporary stability, the City anticipates a structural deficit in future fiscal years, as expenditures currently exceed revenues.

**Local Economy**

Employment in Half Moon Bay is concentrated in three major sectors: professional services; farm and agriculture; and retail/food services. The 2023 average unemployment rate for California was 4.8%, San Mateo County was 3%, and Half Moon Bay was 1.2%. Due to the COVID-19 pandemic, the unemployment rate peaked as high as 11.4% for San Mateo County during the month of April 2020. Since then, the unemployment rate has decreased to pre-pandemic levels of 1.6% for Half Moon Bay.

A significant driver of the economy has continued to be the local real estate market, which saw another year-over-year increase in assessed value. Half Moon Bay’s total assessed value for 2023-24 is \$3.9 billion, which is a 4.9% increase over 2022-23. Although housing prices continue to remain strong, the economy appears to be stagnating.

The City faces two major challenges: heavy reliance on Transient Occupancy Tax (TOT) revenues and rising costs of existing services. For the fiscal year ending June 30, 2024, TOT revenues accounted for 40% of all General Fund revenues. While TOT is the City's largest revenue source, it is also highly vulnerable during downturns in tourism, as shown by an 8% year-over-year decline.

The City also saw a sharp increase in costs for existing services, resulting in expenditures surpassing revenues and creating a structural deficit. Ongoing operating costs rose by \$2.7 million, or 14%, primarily due to public safety and legal expenses. Consequently, the City anticipates continued deficits in future years and is actively looking to both cost-containment and revenue-enhancement strategies.

Existing obligations that are still likely to increase in future years include public safety, sewer treatment, and pension costs. These costs coupled with increased demand for essential City services and enhanced infrastructure investment, to maintain and enhance City assets, will strain City finances. Staff will continue to monitor these conditions moving forward, and make budgetary adjustments as necessary, to ensure the City can sustain long-term financial health.

### **Long-Term Financial Planning**

The City's long-term financial plan remains focused on cost containment, cost recovery, revenue enhancements, and maintaining adequate reserves to secure its financial health. These proactive measures reflect the City's commitment to responsible financial management. While the City faces a structural deficit, these strategies are designed to guide the City toward achieving sustainable fiscal balance.

In developing the fiscal year 2024-25 budget, the City reviewed all budget items to reduce expenses wherever possible. Cost containment efforts included ending a leased office agreement and consolidating staff at City Hall, holding vacated positions open to reassess staffing needs, and an overall reduction in discretionary spending. These reductions were designed to address the deficit while preserving essential services.

To address rising costs and use of reserves, voters passed Measure R in November 2024. This measure will increase the sales tax rate by 0.50% to a total of 9.875%, effective April 1, 2025. The City expects this change to generate approximately \$2 million in general fund revenue, supporting the continuation of current services. Additionally, the City is conducting a Cost Allocation and Fee Study to identify the true cost of services provided and align fees with Council's cost recovery policies.

In FY 2019-20, the City Council created a new reserve fund, the Economic Uncertainty Reserve, to smooth the effects of dramatic downturns in the economy that may negatively impact revenues. The goal of this new reserve is to retain 20% of budgeted annual operating expenditures. While the use of this reserve is anticipated in future fiscal years, the City's long-term goals include fully funding both the Economic Uncertainty and the Operating Reserve funds to be a total of 50% of annual operating expenditures. On June 30, 2024, both reserves are fully funded.

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

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

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

### **Risk Management**

Comprehensive general liability coverage is provided through the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA). The PLAN consists of a self-insurance pool involving a number of cities in the San Francisco-Oakland area. The cities contract with the PLAN through a liability coverage agreement that is very similar to a comprehensive general liability, commercial auto, and public officials' errors and omissions policy. The City's limit in the pool is \$5,000,000 with a \$50,000 per occurrence deductible for which it self-insures.

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

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

### **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Half Moon Bay for its annual comprehensive financial report for the fiscal year ended June 30, 2023. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized

annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

We would like to take this opportunity to thank the Administrative Services Department staff. Special thanks to Kenneth Stiles, Finance Manager; Bryan Lopez, Senior Management Analyst; Ernest Azevedo, Management Analyst; Raymond Cruz, Payroll Technician; Margaret Jeanne Geiger, Accounting Technician; and Whitney Rescino, Administrative Assistant for their efforts during the annual audit process and contribution to this report. We also would like to express deep appreciation to the audit team from Maze and Associates for their professional work and assistance during the audit process and throughout the year.

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

Respectfully submitted,

Signed:  \_\_\_\_\_

Matthew Chidester  
City Manager

 \_\_\_\_\_

Lisa Rossi  
Administrative Services Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Half Moon Bay  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2023

*Christopher P. Morill*

Executive Director/CEO

# Half Moon Bay City Limits



Unincorporated  
San Mateo County

Unincorporated  
San Mateo County

Unincorporated  
San Mateo County

City of  
Half Moon Bay



 Map not to Scale

# City of Half Moon Bay City Council



Mayor  
Joaquin Jimenez



Vice Mayor  
Harvey Rarback



Council Member  
Robert Brownstone



Council Member  
Debbie Ruddock



Council Member  
Deborah Penrose

# Executive Team



City Manager  
Matthew Chidester



City Attorney  
Catherine Engberg



Assistant City Manager  
John Doughty



Communications/City Clerk  
Director Jessica Blair



Public Works Director  
Maz Bozorginia



Administrative Services  
Director Lisa Rossi  
REVIEW DRAFT 11-25-24

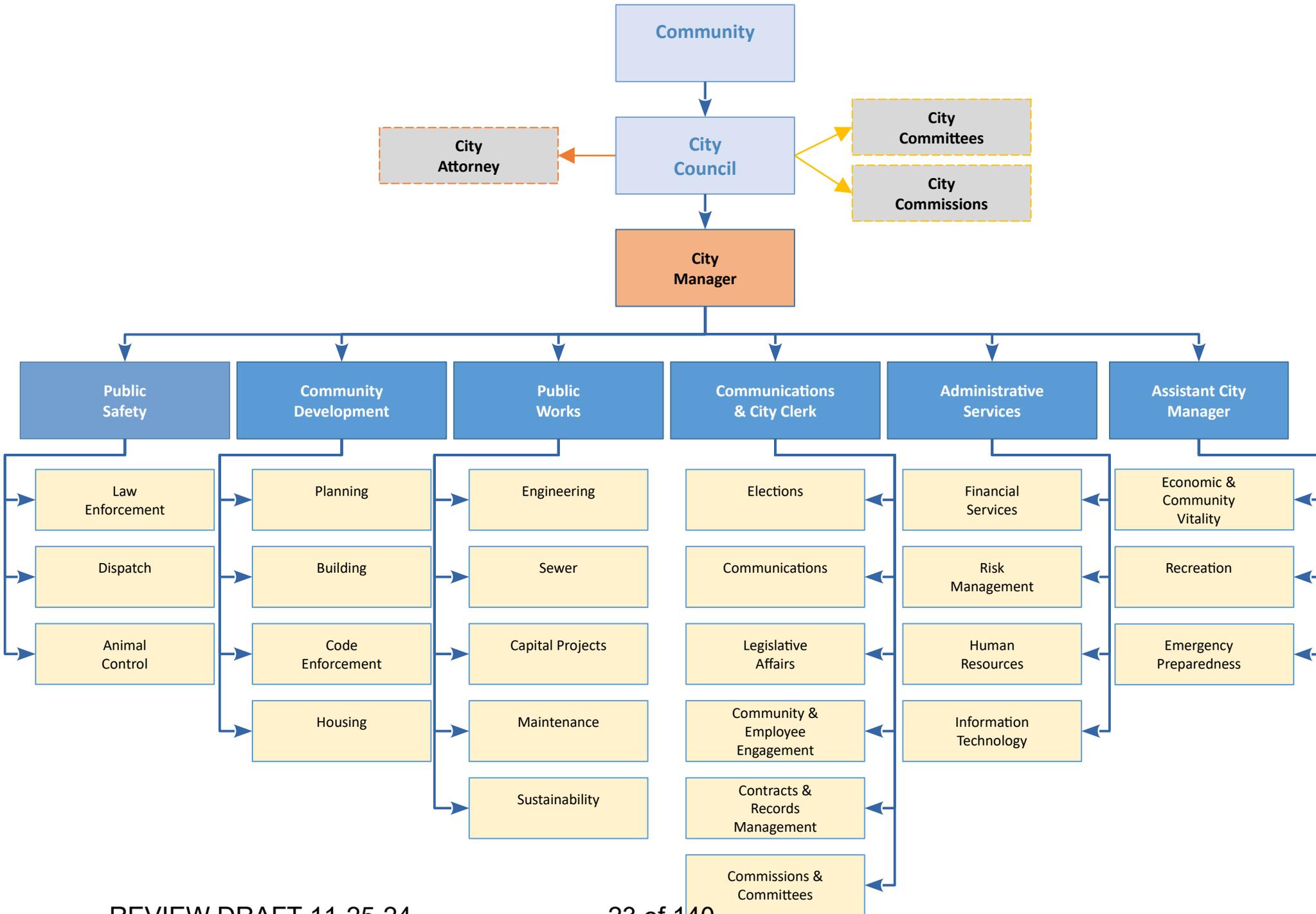
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Community Development  
Director [Vacant]  
22 of 140



Captain  
San Mateo County Sheriff

# City of Half Moon Bay Organizational Chart





**FINANCIAL SECTION**



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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Half Moon Bay, California (City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds information of the City as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Sewer Authority Mid-Coastside (SAM) as of and for the year ended June 30, 2023, related to the calculation of the Investment in SAM. The Investment in SAM, represents \_\_%, \_\_% and \_\_%, respectively, of the assets, net position and revenues of the City's business-type activities. The financial statements of SAM were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the calculation of the Investment in SAM, is based solely on the report of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibility of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section listed in the Table of Contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## **Other Reporting Required by Government Auditing Standards**

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

Pleasant Hill, California

**DATE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF HALF MOON BAY  
STATEMENT OF NET POSITION  
JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments (Note 2)	\$47,430,393	\$4,011,794	\$51,442,187
Accounts receivable, net	3,583,032	17,238	3,600,270
Interest receivable	460,922	45,529	506,451
Prepays			
Loan receivable	300,000		300,000
Land held for resale (Note 1i)	26,823,920		26,823,920
Investment in Sewer Authority			
Mid-Coastside (Note 6)		11,397,062	11,397,062
Net OPEB Asset (Note 9)	212,508	10,593	223,101
Capital assets, not depreciated (Note 4)	22,959,218		22,959,218
Capital assets, depreciated, net (Note 4)	59,930,778	6,831,129	66,761,907
<b>Total assets</b>	<b>161,700,771</b>	<b>22,313,345</b>	<b>184,014,116</b>
<b>Deferred outflows of resources</b>			
Related to OPEB (Note 9)	78,302	5,290	83,592
Related to pensions (Note 8)	5,308,118	235,072	5,543,190
<b>Total deferred outflows of resources</b>	<b>5,386,420</b>	<b>240,362</b>	<b>5,626,782</b>
<b>Liabilities</b>			
Accounts payable	295,288	114,068	409,356
Accrued liabilities	2,790,803		2,790,803
Deposits payable	679,329		679,329
Unearned revenue	75,000		75,000
Claims liabilities, due within one year (Note 11)	1,670,731		1,670,731
Compensated absences (Note 1j):			
Due within one year	33,538		33,538
Due in more than one year	637,226		637,226
Long-term debt (Note 5):			
Due within one year	847,754		847,754
Due in more than one year	5,215,672		5,215,672
Net pension liability, due in more than one year (Note 8)	14,029,383	564,424	14,593,807
<b>Total liabilities</b>	<b>26,274,724</b>	<b>678,492</b>	<b>26,953,216</b>
<b>Deferred inflows of resources</b>			
Related to OPEB (Note 9)	99,786	8,489	108,275
Related to pensions (Note 8)	684,592	68,596	753,188
<b>Total deferred inflows of resources</b>	<b>784,378</b>	<b>77,085</b>	<b>861,463</b>
<b>Net position (Note 7)</b>			
Net investment in capital assets	76,826,570	6,831,129	83,657,699
Restricted for:			
Investment in Sewer Authority		11,397,062	11,397,062
Other Post-Employment Benefits	191,024		191,024
Capital Projects	8,619,031		8,619,031
Debt Service	6,425		6,425
Housing and Economic Development	6,495,481		6,495,481
Special Revenues	2,506,291		2,506,291
Streets and Roads	7,263,726		7,263,726
<b>Total restricted net position</b>	<b>25,081,978</b>	<b>11,397,062</b>	<b>36,479,040</b>
Unrestricted	38,119,541	3,569,939	41,689,480
<b>Total net position</b>	<b>\$140,028,089</b>	<b>\$21,798,130</b>	<b>\$161,826,219</b>

See accompanying notes to financial statements

CITY OF HALF MOON BAY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Contributions and Grants	Governmental Activities	
<b>Governmental Activities:</b>						
General government	\$7,811,794	\$487,874	\$348,890		(\$6,975,030)	(\$6,975,030)
Public safety	6,875,457	120,980	186,159		(6,568,318)	(6,568,318)
Public works	6,255,645	432,066	750,133	\$6,738,537	1,665,091	1,665,091
Recreation	1,534,752	1,166,447			(368,305)	(368,305)
Planning	3,931,872	298,171			(3,633,701)	(3,633,701)
Community and economic development	1,894,276				(1,894,276)	(1,894,276)
<b>Total governmental activities</b>	<b>28,303,796</b>	<b>2,505,538</b>	<b>1,285,182</b>	<b>6,738,537</b>	<b>(17,774,539)</b>	<b>(17,774,539)</b>
<b>Business-type Activities:</b>						
Sewer	6,685,640	6,207,200		1,304,480		826,040
<b>Total</b>	<b>\$34,989,436</b>	<b>\$8,712,738</b>	<b>\$1,285,182</b>	<b>\$8,043,017</b>	<b>(17,774,539)</b>	<b>(16,948,499)</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Property					4,283,589	4,283,589
Sales and use					3,665,449	3,665,449
Transient occupancy					8,167,938	8,167,938
Franchise					992,685	992,685
Business license tax					350,948	350,948
Investment income					2,439,990	2,439,990
Miscellaneous					652,986	652,986
Transfers (Note 3)					982,301	(982,301)
<b>Total general revenues and transfers</b>					<b>21,535,886</b>	<b>(739,390)</b>
<b>Change in Net Position</b>					<b>3,761,347</b>	<b>86,650</b>
<b>Net Position at beginning of year</b>					<b>136,266,742</b>	<b>21,711,480</b>
<b>Net Position at end of year</b>					<b>\$140,028,089</b>	<b>\$21,798,130</b>

See accompanying notes to financial statements

CITY OF HALF MOON BAY  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2024

	General Fund	Special Revenue Funds		
		Streets and Road	Lot Acquisition and Retirement	Affordable Housing
<b>Assets</b>				
Cash and investments (Note 2)	\$13,376,980	\$7,483,296	\$1,406,966	\$5,914,688
Receivables:				
Accounts, net	2,842,998	376,279		
Interest	130,524	70,942	13,633	53,277
Loan				300,000
Land held for resale (Note 1i)				
Due from other funds (Note 3a)	33,065			
Prepays				
<b>Total assets</b>	<b>\$16,383,567</b>	<b>\$7,930,517</b>	<b>\$1,420,599</b>	<b>\$6,267,965</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable		\$31,961		
Accrued liabilities	\$1,336,308	559,830		\$13,256
Deposits payable	679,329			
Due to other funds (Note 3a)				
Unearned revenue		75,000		
<b>Total Liabilities</b>	<b>2,015,637</b>	<b>666,791</b>		<b>13,256</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue - loan				300,000
<b>Fund Balances (Note 7):</b>				
Nonspendable				
Restricted		7,263,726	1,420,599	5,954,709
Committed	11,091,587			
Assigned				
Unassigned	3,276,343			
<b>Total fund balances</b>	<b>14,367,930</b>	<b>7,263,726</b>	<b>1,420,599</b>	<b>5,954,709</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$16,383,567</b>	<b>\$7,930,517</b>	<b>\$1,420,599</b>	<b>\$6,267,965</b>

See accompanying notes to financial statements

Special Revenue				
Fund	Capital Projects Funds		Non-major	
Parks		Capital Projects	Governmental	
Development	Land Asset	Fund	Funds	Total
\$1,497,897		\$1,890,998	\$9,438,998	\$41,009,823
94,070		\$38,195	231,490	3,583,032
19,593		24,570	87,589	400,128
				300,000
	\$26,823,920			26,823,920
				33,065
<u>\$1,611,560</u>	<u>\$26,823,920</u>	<u>\$1,953,763</u>	<u>\$9,758,077</u>	<u>\$72,149,968</u>
\$223,780				\$255,741
493,212		\$169,721	\$218,476	2,790,803
				679,329
			33,065	33,065
				75,000
<u>716,992</u>		<u>169,721</u>	<u>251,541</u>	<u>3,833,938</u>
				300,000
	26,823,920			26,823,920
894,568			9,057,352	24,590,954
				11,091,587
		1,784,042	449,184	2,233,226
				3,276,343
<u>894,568</u>	<u>26,823,920</u>	<u>1,784,042</u>	<u>9,506,536</u>	<u>68,016,030</u>
<u>\$1,611,560</u>	<u>\$26,823,920</u>	<u>\$1,953,763</u>	<u>\$9,758,077</u>	<u>\$72,149,968</u>



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CITY OF HALF MOON BAY  
 Reconciliation of the  
 GOVERNMENTAL FUNDS - BALANCE SHEET  
 with the  
 STATEMENT OF NET POSITION  
 JUNE 30, 2024

Fund balances of governmental funds	\$68,016,030
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets, non depreciable	22,959,218
Capital assets, depreciated, net	59,568,265

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities	300,000
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Deferred outflows below are not current assets of financial resources and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds.

Deferred outflows of resources	5,385,289
Deferred inflows of resources	(783,547)

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

Long-term notes payable	(6,063,426)
Compensated absences	(670,764)
Net pension liability	(14,029,383)
Net OPEB asset	209,742

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

	<u>5,136,665</u>
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Net position of governmental activities	<u><u>\$140,028,089</u></u>
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See accompanying notes to financial statements

CITY OF HALF MOON BAY  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2024

	Special Revenue Funds			
	General Fund	Streets and Road	Lot Acquisition and Retirement	Affordable Housing
<b>REVENUES</b>				
Taxes	\$16,991,811	\$583,677		
License and permits	306,282			
Fines and forfeitures	81,445			
Charges for services	1,454,141			
Impact fees/recreation fees				
Rents and leases	78,135			
Investment income	804,188	358,662	\$72,389	\$225,849
Intergovernmental revenues	117,400	1,055,528		4,750,000
Miscellaneous	833,965			
<b>Total revenues</b>	<b>20,667,367</b>	<b>1,997,867</b>	<b>72,389</b>	<b>4,975,849</b>
<b>EXPENDITURES</b>				
Current:				
General government	3,138,896			
General administration	2,134,173			
Public safety	6,452,977			
Public works	2,174,611	236,775		
Recreation services	538,827			
Planning	2,879,532			1,185,761
Community and economic development	1,008,276			
Capital outlay		957,844		
Debt service:				
Principal	3,628,582			
Interest and fees	97,016			
<b>Total expenditures</b>	<b>22,052,890</b>	<b>1,194,619</b>		<b>1,185,761</b>
Excess (deficiency) of revenues over (under) expenditures	(1,385,523)	803,248	72,389	3,790,088
Other financing sources (uses):				
Transfers in (Note 3)	537,285	40,000		
Transfers (out) (Note 3)	(4,211,736)	(6,746)		
Issuance of debt	3,200,000			
<b>Total other financing sources (uses)</b>	<b>(474,451)</b>	<b>33,254</b>		
<b>Net change in fund balances</b>	<b>(1,859,974)</b>	<b>836,502</b>	<b>72,389</b>	<b>3,790,088</b>
Fund balance at beginning of year, as previously reported	16,227,904	6,427,224	1,348,210	
Adjustments:				
Changes from major to nonmajor fund				
Changes from nonmajor to major fund				2,164,621
<b>Fund balances at beginning of year, as adjusted</b>	<b>16,227,904</b>	<b>6,427,224</b>	<b>1,348,210</b>	<b>2,164,621</b>
<b>Fund balances at end of year</b>	<b>\$14,367,930</b>	<b>\$7,263,726</b>	<b>\$1,420,599</b>	<b>\$5,954,709</b>

See accompanying notes to financial statements

Special Revenue Fund	Debt Service Fund (Formerly Major) Judgment Obligation Bonds	Capital Projects Funds			Non-Major	
		(Formerly Major) Library	Land Asset	Capital Projects Fund	Funds	Total
						\$17,575,488
						306,282
						81,445
						1,454,141
					\$13,000	91,135
\$86,025				\$119,363	473,514	2,139,990
1,446,510				236,632	417,649	8,023,719
						833,965
1,532,535				355,995	904,163	30,506,165
					87,400	3,226,296
						2,134,173
					23,451	6,476,428
					80,757	2,492,143
						538,827
						4,065,293
4,477,662				1,649,258	886,000	1,894,276
					1,350,260	8,435,024
						3,628,582
						97,016
4,477,662				1,649,258	2,427,868	32,988,058
(2,945,127)				(1,293,263)	(1,523,705)	(2,481,893)
1,250,000				1,250,000	979,613	4,056,898
				(961,613)	(103,809)	(5,283,904)
						3,200,000
1,250,000				288,387	875,804	1,972,994
(1,695,127)				(1,004,876)	(647,901)	(508,899)
	\$6,268	\$426,155	\$26,823,920	2,788,918	14,476,330	68,524,929
	(6,268)	(426,155)			432,423	
2,589,695					(4,754,316)	
2,589,695			26,823,920	2,788,918	10,154,437	68,524,929
\$894,568			\$26,823,920	\$1,784,042	\$9,506,536	\$68,016,030



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CITY OF HALF MOON BAY  
Reconciliation of the  
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
with the  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024

Changes in fund balances of governmental funds (\$508,899)

Amounts reported for governmental activities in the statement of activities are different because:

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

Capital asset additions	7,112,143
Depreciation expense	(2,157,388)
Retirements	(332,033)
Assets transferred to Internal Service Funds	(53,928)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Financing lease proceeds	(3,200,000)
Repayment of debt principal	3,628,582

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

OPEB expenses	(611)
Compensated absences	(119,798)
Pension expenses	(659,165)

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

(247,556)

Changes in net position of governmental activities \$3,761,347

See accompanying notes to financial statements

CITY OF HALF MOON BAY  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2024

	Sewer Enterprise Fund	Governmental Activities- Internal Service Funds
Assets:		
Current Assets:		
Cash and investments (Note 2)	\$4,011,794	\$6,420,570
Accounts receivable	17,238	
Interest receivable	45,529	60,794
<b>Total Current Assets</b>	<b>4,074,561</b>	<b>6,481,364</b>
Noncurrent Assets:		
Investment in Sewer Authority Mid-Coastside (Note 6)	11,397,062	
Net OPEB Asset (Note 9)	10,593	2,766
Non-depreciable capital assets (Note 4)		
Depreciable capital assets, net of accumulated depreciation (Note 4)	6,831,129	362,513
<b>Total Non-Current Assets</b>	<b>18,238,784</b>	<b>365,279</b>
<b>Total Assets</b>	<b>22,313,345</b>	<b>6,846,643</b>
Deferred Outflows of Resources		
Related to OPEB (Note 9)	5,290	1,131
Related to pensions (Note 8)	235,072	
<b>Total Deferred Outflows of Resources</b>	<b>240,362</b>	<b>1,131</b>
Liabilities:		
Current Liabilities:		
Accounts payable	114,068	39,547
Claims liability (Note 11)		1,670,731
<b>Total Current Liabilities</b>	<b>114,068</b>	<b>1,710,278</b>
Noncurrent liabilities:		
Net pension liability (Note 8)	564,424	
<b>Total Liabilities</b>	<b>678,492</b>	<b>1,710,278</b>
Deferred Inflows of Resources		
Related to OPEB (Note 9)	8,489	831
Related to pensions (Note 8)	68,596	
<b>Total Deferred Inflows of Resources</b>	<b>77,085</b>	<b>831</b>
Net Position:		
Net investment in capital assets	6,831,129	362,513
Restricted for investment in Sewer Authority	11,397,062	
Restricted for other post employment benefits		3,066
Unrestricted	3,569,939	4,771,086
<b>Total Net Position</b>	<b>\$21,798,130</b>	<b>\$5,136,665</b>

See accompanying notes to financial statements

CITY OF HALF MOON BAY  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES  
 IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2024

	Sewer Enterprise Fund	Governmental Activities- Internal Service Funds
Operating revenues:		
Charges for services	\$6,207,200	
Impact fees		
Total operating revenues	<u>6,207,200</u>	
Operating expenses:		
Salaries and wages	305,205	\$729,608
Contract services	6,067,379	53,832
Supplies		343,372
Repairs and maintenance	162,335	43,599
Insurance		1,079,413
Pensions		457,721
Depreciation	150,721	79,683
Other charges		240
Total operating expenses	<u>6,685,640</u>	<u>2,787,468</u>
Total operating income (loss)	<u>(478,440)</u>	<u>(2,787,468)</u>
Non-operating revenues:		
Gain on investment in Sewer Authority Mid-Coastside (Note 6)	1,304,480	
Investment income	242,911	276,677
Total non-operating revenues	<u>1,547,391</u>	<u>276,677</u>
Income before contributions and transfers	<u>1,068,951</u>	<u>(2,510,791)</u>
Capital contributions		53,928
Transfers in (Note 3)		2,209,307
Transfers (out) (Note 3)	(982,301)	
Total transfers	<u>(982,301)</u>	<u>2,263,235</u>
Change in net position	86,650	(247,556)
Net position at beginning of year	<u>21,711,480</u>	<u>5,384,221</u>
Net position at end of year	<u><u>\$21,798,130</u></u>	<u><u>\$5,136,665</u></u>

See accompanying notes to financial statements

CITY OF HALF MOON BAY  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2024

	Sewer Enterprise Fund	Governmental Activities- Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	\$6,209,097	
Cash payments to suppliers for goods and services	(6,250,610)	(912,679)
Cash payments to employee services	(290,507)	(1,187,324)
Net cash provided by operating activities	(332,020)	(2,100,003)
Cash flows from non-capital and related financing activities:		
Cash collected from other funds		2,209,307
Cash paid to other funds	(982,301)	
Net cash (used for) non-capital and related financing activities	(982,301)	2,209,307
Cash flows from capital and related financing activities:		
Acquisition of capital assets		
Net cash provided by (used for) capital and related financing activities		
Cash flows from investing activities:		
Interest received on investments	240,683	259,013
Net cash provided by investing activities	240,683	259,013
Net increase in cash and cash equivalents	(1,073,638)	368,317
Cash and cash equivalents at beginning of year	5,085,432	6,052,253
<b>Cash and cash equivalents at end of year</b>	<b>\$4,011,794</b>	<b>\$6,420,570</b>
 <b>Reconciliation of operating income (loss) to net cash provided by (used for)</b>		
Provided by (used for) operating activities:		
Operating income (loss)	(\$478,440)	(\$2,787,468)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	150,721	79,683
Change in assets and liabilities:		
Accounts receivable	1,897	1,212
Accounts payable	(20,896)	664
Deferred outflows of resources	(3,013)	
Deferred inflows of resources	(6,705)	5
Claims liability		605,901
Net OPEB asset	1,199	
Net pension liability	23,217	
Net cash provided by operating activities	(\$332,020)	(\$2,100,003)
Non-cash transactions:		
Gain on investment in Sewer Authority Mid-Coastside	\$1,304,480	
Capital contributions		\$53,928

See accompanying notes to financial statements

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**1. Significant Accounting Policies**

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

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

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

**a) Blended Component Unit**

The financial statements of the City include the financial activities of the City, as well as the Community Development Agency of the City of Half Moon Bay (Agency), which is controlled by and dependent on the City. The Agency is a separate government entity created in 1986 whose purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. The Agency has the same governing board as the City, which also performs all accounting and administrative functions for the Agency, and has a financial relationship with the City. The financial activities of the Agency have been aggregated and merged (termed "blending") with those of the City. The Agency is currently inactive for the fiscal year ended June 30, 2024.

**b) Government-wide and Fund Financial Statements**

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

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

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

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**1. Significant Accounting Policies, continued**

***b) Government-wide and Fund Financial Statements, continued***

The City reports the following major governmental funds:

The *General Fund* (Fund 101) is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The major revenue sources for this fund are transient occupancy tax, property taxes, sales taxes, unrestricted revenues from the State, and interest income. Expenditures are made for public safety, planning, building, engineering, and other general government services.

The *Streets and Roads Special Revenue Fund* was established to account for all proceeds of Gas Tax funds (Fund 122), Measure A Local Transportation Ordinance Tax funds (Fund 124), Main Street Bridge fund (Fund 121) and other grants (Fund 123) that are restricted to purposes of these taxes.

The *Lot Acquisition and Retirement Special Revenue Fund* (Fund 133) is used to account for in-lieu fees and expenses within the purpose of acquiring and retiring development rights on existing legal parcels.

The *Affordable Housing Special Revenue Fund* (Fund 126) was established to account for proceeds of construction and development fees, including in lieu fees, whose purpose is for the development of affordable housing for very low, low, and moderate income households to rent or buy.

The *Parks Development Special Revenue Fund* (Fund 125) was established to account for proceeds of construction and development fees, whose purpose is for the acquisition, development, improvement, and expansion of parks and recreational areas, including equipment for recreation purposes and for capital expenditures such as infrastructure construction projects. In addition, this fund also includes the Library Fund (Fund 113) which accounts for the operations of the public library and is funded by contributions from the City and the San Mateo County Library Joint Powers Authority.

The *Land Asset Capital Projects Fund* (Fund 154) was established to account for the two land parcels held for resale.

The *Capital Projects Fund* (Fund 151) is used to fund Capital Improvement Program projects, including construction, technology, and other infrastructure improvements.

The City reports the following major enterprise fund:

The *Sewer Enterprise Fund* is used to account for the financial activity of the City's sewer utility. The costs of providing these services to the general public are financed or recovered primarily through user charges (Fund 201 is Sewer Operating Fund; Fund 202 is Sewer Capital Fund).

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**1. Significant Accounting Policies, continued**

***b) Government-wide and Fund Financial Statements, continued***

The City also reports the following fund types:

*Internal Service Funds:*

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

***c) Basis of Accounting and Financial Statement Presentation***

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

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

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

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

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

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**1. Significant Accounting Policies, continued**

*c) Basis of Accounting and Financial Statement Presentation, continued*

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

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

*d) Cash and Investments*

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

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

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

*e) Cash and Investments with Fiscal Agents*

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

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**1. Significant Accounting Policies, continued**

***f) Fair Value Measurements***

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

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

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

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

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

***g) Interfund Receivables and Payables***

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

***h) Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at estimated acquisition value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. In addition, the City does not capitalize the allocation of capital costs related segments of projects maintained by other entities. The City utilizes a capitalization threshold of \$5,000.

Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets as follows:

Building and Improvements	40 years
Sewer Mains and Laterals	60 years
Infrastructure	20 to 50 years
Vehicles	5 to 10 years
Equipment	5 to 20 years

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**1. Significant Accounting Policies, continued**

*i) Land Held for Resale*

Lands held for resale are recorded in the Land Asset Capital Projects Fund at the lower of acquisition cost or estimated resale value. Fund balances are reserved in amounts equal to the carrying value of land held for resale since such assets are not available to finance the City's current operations.

Land held for resale of \$26,823,920 at June 30, 2024 is stated at the lower of historical cost or net realizable value.

*j) Compensated Absences*

Depending upon length of employment, City employees earn 12 to 27 vacation days a year. Sick leave is accrued at the rate of 12 days per year. Employees can carry forward two to three years-worth of earned but unused vacation leave benefits to subsequent years depending on employee group. Upon termination, the City is obligated to compensate employees for all earned but unused vacation days. The earned but unused sick leave benefits are payable for some employees, when vested, in the event of employee termination.

In the government-wide financial statements, a liability is accrued for all earned but unused vacation leave benefits, as well as vested amounts of sick leave relating to the operations of the funds. General Fund is typically used to liquidate the liability for compensated absences. This liability will be liquidated as either additional cash payments in the event of employee termination or as part of budgeted salary expenditures if used by employees as compensated leave time while still employed by the City. In the fund financial statements, governmental funds report compensated absences only if they have matured, i.e. unused reimbursable leave still outstanding at fiscal year-end following an employee's resignation or retirement. Non-current amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

The changes in compensated absences for the year ended June 30, 2024 is as follows:

Beginning Balance	\$550,966
Additions	640,588
Payments	<u>(520,790)</u>
Ending Balance	<u>\$670,764</u>
Current Portion	<u>\$33,538</u>
Non-current Portion	<u>\$637,226</u>

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**1. Significant Accounting Policies, continued**

***k) Long-term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as service expenditures.

***l) Claims and Judgments***

The City records a liability for litigation, judgments and claims when it is probable that an asset has been impaired, or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the Internal Service Funds, which account for the City's risk management activities.

***m) Property Taxes***

State of California (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value (\$1 per \$100 of assessed value) plus an additional amount for general obligation debt approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold or transferred. The state legislature has determined the method of distribution of receipts from the \$1.00 tax levy among the counties, cities, school districts and other districts.

The County of San Mateo assesses properties and bills for and collects property taxes as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	On or before November 1	July 1
Due dates (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

The term "unsecured" refers to taxes on personal property other than land and buildings. These "unsecured" taxes are secured by liens on the personal property being taxed. The County of San Mateo distributes to the City the entire amount of each year's levy and in return receives all penalties and interest on delinquent payments.

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**1. Significant Accounting Policies, continued**

***n) Estimates***

The preparation of basic financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***o) Pensions and OPEB (Other Post-Employment Benefits)***

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported in the OPEB Trust Fund. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

***p) Leases***

As clarified by the Government Accounting Standards Board (GASB) Statement No. 87, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The City recognizes lease receivables or liabilities with an initial, individual value of \$200,000 or more, based on the future lease payments remaining at the start of the lease.

The City has no leases subject to GASB #87 for the fiscal year 2024.

***q) Subscription-Based Information Technology Arrangements (SBITAs) Accounting***

As clarified by the Government Accounting Standards Board (GASB) Statement No. 96, a Subscription-Based Information Technology Arrangement (SBITA) is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**1. Significant Accounting Policies, continued**

***q) Subscription-Based Information Technology Arrangements (SBITAs) Accounting, continued***

At the commencement of a SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the contract term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets. The City recognizes SBITA liabilities with an initial, individual value of \$200,000 or more for all funds, based on the future SBITA payments remaining at the start of the contract.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments as follows:

- The City uses the interest rate charged by the IT vendor as the discount rate. When the interest rate charged by the IT vendor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for subscription liabilities.
- The subscription term includes the noncancellable period of the subscription.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability. Subscription assets are reported with other capital assets and subscription liabilities are reported with liabilities on the statement of net position.

The City has no SBITA subject to GASB #96 for the fiscal year 2024.

***r) New GASB Pronouncement***

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2024.

**Effect of New Governmental Accounting Standards Board (GASB) Pronouncements**

**GASB 100 – Accounting for Changes and Error Corrections**

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**1. Significant Accounting Policies, continued**

*r) New GASB Pronouncement, continued*

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2023, and all reporting periods thereafter. The City implemented the provisions of the Statement, but it did not have an effect on the fiscal year 2024 financial statements.

*s) Renamed Fund*

The ARPA Special Revenue Fund was renamed to the Opportunity Center Coastside Special Revenue Fund.

**2. Cash, Cash Equivalents, and Investments**

Cash and investments as of June 30, 2024 consist of the following:

Cash on hand	\$292
Deposits with financial institutions	1,036,632
Investments	50,405,263
Total cash and investments	\$51,442,187

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**2. Cash, Cash Equivalents, and Investments, continued**

**a) Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a policy for custodial credit risk on deposits. As of June 30, 2024, the carrying amount of the City's deposits was \$1,036,632 and the bank balance was \$3,084,952. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code.

Under the California Government Code, a financial institution is required to secure deposits in excess of \$250,000 made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Such collateral is considered to be held in the name of the City.

**b) Investments Authorized by the City's Investment Policy**

The City maintains a cash and investment pool that is available for use by all funds. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	5 Years	None	None	None
U.S. Government Sponsored Enterprise Obligations	5 Years	None	None	None
Bankers' Acceptances	180 Days	None	20%	5%
Commercial Paper	180 Days	Highest Rating	15%	2%
Negotiable Certificates of Deposit	2 Years	None	30%	None
Repurchase Agreements	1 year	None	10%	5%
California Local Agency Investment Fund	None	None	None	\$75 million per account
San Mateo County Investment Pool	None	None	None	None
Time Certificates of Deposit	2 years	None	10%	None
Medium-Term Corporate Notes	5 Years	Highest Rating	10%	10% (A)
Money Market Mutual Funds	None	Highest Rating	20%	5%

(A) Commercial paper holdings are to be included when calculating the 10% limitation.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**2. Cash, Cash Equivalents, and Investments, continued**

***c) Investments Authorized by Debt Agreements***

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	No Limit	No Limit
U.S. Agency Securities	None	None	No Limit	No Limit
State Obligations	None	AAA	No Limit	No Limit
Municipal Obligations	None	AAA	No Limit	No Limit
Bankers' Acceptances	360 Days	A1	No Limit	No Limit
Commercial Paper	270 Days	A1+	No Limit	No Limit
Money Market Mutual Funds	None	Aam	No Limit	No Limit
California Local Agency Investment Fund	None	None	No Limit	No Limit
Repurchase Agreements	None	None	No Limit	No Limit

***d) Fair Value Hierarchy***

The City adopted GASB Statement No. 72, Fair Value Measurement and Applications, which required governmental entities to measure investments at fair value. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation input used to measure the fair value of asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

	<b>Total</b>
<b>Investments exempt from Fair Value Hierarchy:</b>	
San Mateo County Investment Pool	\$42,234,178
California Local Agency Investment Fund	<u>8,171,085</u>
<b>Total Investments</b>	<u><u>\$50,405,263</u></u>

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**2. Cash, Cash Equivalents, and Investments, continued**

***e) Interest Rate Risk***

Interest Rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

Investment Type	Remaining Maturity (in Months)	
	12 Months Or Less	Total
<b><i>Available for Operations</i></b>		
California Local Agency Investment Fund	\$8,171,085	\$8,171,085
San Mateo County Investment Pool	42,234,178	42,234,178
Total Investments	\$50,405,263	\$50,405,263

***f) Custodial Credit Risk - Investment***

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. All of the City's investments in securities are held in the name of the City. The City's custody agreement policy prohibits counterparties holding securities not in the City's name.

***g) Credit Risk – Investments***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of ratings by nationally recognized statistical rating organization (S&P).

Investment Type	AA	Not Rated	Total
<b><i>Held by City</i></b>			
California Local Agency Investment Fund		\$8,171,085	\$8,171,085
San Mateo County Investment Pool	\$42,234,178		42,234,178
Total Investments	\$42,234,178	\$8,171,085	\$50,405,263

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**2. Cash, Cash Equivalents, and Investments, continued**

*h) Investments in San Mateo County Investment Pool*

The City is also a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County of San Mateo. The City reports its investment in the County Pool at the fair value amount provided by the County. The balance available for withdrawal is based on the accounting records maintained by the County Pool which are recorded on an amortized cost basis. Included in the County Pool's investment portfolio are U.S. Treasury Notes, Obligations issued by agencies of the United States Government, LAIF, Corporate Notes, Commercial Paper, collateralized mortgage obligations, mortgage-backed securities, repurchase agreements, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2024, these investments matured in an average of 1.64 years.

*i) Investments in State Treasurer's Local Agency Investment Pool*

The City is also a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. At June 30, 2024, these investments matured in an average of 217 days.

**3. Interfund Transactions**

*a) Current Balances*

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The purpose of these balances is to eliminate negative cash balances at year end in various funds. At June 30, 2024, the Opportunity Center Coastside Special Revenue Fund owed the General Fund \$33,065.

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**b) Transfers**

Transfers between funds during the fiscal year ended June 30, 2024, were as follows:

Transfer To	Transfer From	Amount	
General Fund	Sewer Enterprise Fund	\$537,285	(a)
Streets and Road Special Revenue Fund	General Fund	40,000	(b)
Parks Development Special Revenue Fund	General Fund	950,000	(b)
	Capital Projects Capital Projects Fund	300,000	(b)
Capital Projects Capital Projects Fund	General Fund	1,250,000	(b)
Non-Major Governmental Funds	General Fund	218,000	(b)
	Capital Projects Capital Projects Fund	661,613	(b)
	Non-Major Governmental Funds	100,000	(b)
Internal Service Funds	General Fund	1,753,736	(c)
	Streets and Roads Special Revenue Fund	6,746	(c)
	Non-Major Governmental Funds	3,809	(c)
	Sewer Enterprise Fund	445,016	(c)
		<u>\$6,266,205</u>	

Interfund transfers were principally used for the following purposes:

- (a) Sewer management expenditures
- (b) Capital program expenditures
- (c) Program expenditures

**4. Capital Assets**

**a) Capital Assets Activity**

A Summary of changes in capital assets for the year ended June 30, 2024, is as follows:

	Balance June 30, 2023	Additions	Transfers	Retirements	Balance June 30, 2024
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$4,756,385				\$4,756,385
Rights of way	6,990,396				6,990,396
Construction in progress	9,669,548	\$6,269,995	(\$4,395,073)	(\$332,033)	11,212,437
Total capital assets not being depreciated	<u>21,416,329</u>	<u>6,269,995</u>	<u>(4,395,073)</u>	<u>(332,033)</u>	<u>22,959,218</u>
Capital assets being depreciated:					
Buildings & improvements	38,456,364	112,382	11,241		38,579,987
Machinery & equipment	1,461,878	97,343			1,559,221
Infrastructure	45,419,176	632,423	4,383,832		50,435,431
Total capital assets being depreciated	<u>85,337,418</u>	<u>842,148</u>	<u>4,395,073</u>		<u>90,574,639</u>
Less accumulated depreciation for:					
Buildings & improvements	8,724,403	920,064			9,644,467
Machinery & equipment	1,056,459	91,796			1,148,255
Infrastructure	18,625,928	1,225,211			19,851,139
Total accumulated depreciation	<u>28,406,790</u>	<u>2,237,071</u>			<u>30,643,861</u>
Net depreciable assets	<u>56,930,628</u>	<u>(1,394,923)</u>	<u>4,395,073</u>		<u>59,930,778</u>
Governmental activities capital assets, net	<u>\$78,346,957</u>	<u>\$4,875,072</u>		<u>(\$332,033)</u>	<u>\$82,889,996</u>

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**4. Capital Assets, continued**

*a) Capital Assets Activity, continued*

	Balance June 30, 2023	Additions	Balance June 30, 2024
<i><b>Business-type activities:</b></i>			
Capital assets being depreciated:			
Buildings & improvements	\$9,099,769		\$9,099,769
Machinery & equipment	763,646		763,646
Total capital assets being depreciated	9,863,415		9,863,415
Less accumulated depreciation for:			
Buildings & improvements	2,148,862	\$149,573	2,298,435
Machinery & equipment	732,703	1,148	733,851
Total accumulated depreciation	2,881,565	150,721	3,032,286
Net depreciable assets	6,981,850	(150,721)	6,831,129
Business-type activities capital assets, net	\$6,981,850	(\$150,721)	\$6,831,129

*b) Depreciation*

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities:</b>	
General government	\$107,227
Recreation	820,003
Public safety	20,288
Public works	1,209,870
Depreciation on capital assets held by the City's Internal Service Funds is charged to the various functions based on their usage of the assets	79,683
<b>Total Governmental Activities</b>	<b>\$2,237,071</b>
<b>Business-Type Activities:</b>	
Sewer Fund	\$150,721

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**5. Long-Term Debt**

The following is a summary of long-term debt transactions for the year ended June 30, 2024:

	Original Issue Amount	Balance June 30, 2023	Additions	Retirements	Balance June 30, 2024	Current Portion
<b><i>Governmental Activity Debt</i></b>						
Direct borrowings:						
San Mateo County Advance	\$5,726,855	\$3,436,112		\$572,686	\$2,863,426	\$572,686
iBank Financing Agreement A & B	3,200,000	3,055,896		3,055,896		
San Mateo County Loan	3,200,000		\$3,200,000		3,200,000	275,068
<b>Total Governmental Activity</b>		<u>\$6,492,008</u>	<u>\$3,200,000</u>	<u>\$3,628,582</u>	<u>\$6,063,426</u>	<u>\$847,754</u>

**a) Library Loan – Advance Agreement with the County of San Mateo**

During the fiscal year ended June 30, 2017, the City entered into a \$6 million Interest-free loan agreement with the County of San Mateo to ensure completion of the Library Project. The Project includes design, environmental review, demolition of existing library, construction, and construction management. The terms of repayment are directly from the property tax apportionments in two installments on December 15 and April 15 per fiscal year for a ten-year period beginning no later than December 15, 2019 and final payment is to be made no later than April 15, 2030. As of June 30, 2024, the City had drawn down \$5,726,855. Repayments began in fiscal year 2020.

**b) Financed Purchase – Financing Agreement with the California Infrastructure and Economic Development Bank**

During fiscal year ended June 30, 2021, the City entered into a \$3.2 million financed purchase agreement with the California Infrastructure and Economic Development Bank (iBank) for the 880 Stone Pine Road property purchase and related construction costs. The City plans to upgrade and restore the Corporation yard. This will then be used to store the City’s vehicles, equipment, and supplies. The terms of repayment are directly from the rental income with two interest payments due on August 1 and February 1 every fiscal year with one annual principal payment due on August 1 of each year. The first principal payment is due in August 2022. The City repaid the outstanding balance of the loan during fiscal year 2024 with the proceeds of the new agreement with the County of San Mateo discussed below.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**5. Long-Term Debt, continued**

*c) Financed Purchase Agreement with the County of San Mateo*

In August 2023, the City entered into a Memorandum of Understanding (MOU) with the County of San Mateo related to an affordable housing development at a portion of 880 Stone Pine Road. Under the terms of the MOU, in September 2023 the City and the County also entered into a lease and sublease agreement under which the County made a one-time upfront lease payment to the City in the amount of \$3.2 million that the City used to discharge the iBank Loan discussed above to remove financing restrictions and continue affordable housing efforts at the location. The lease is for property at Correas Street and Purissima Street that will be used for as a library and other recreational functions and simultaneously, the City will sublease the property back from the County with annual rental payments over a lease term of 10 years, at a fixed interest rate of 3.13% per year. The Sublease is secured by secured property taxes collected by the General Fund. While the pledge of repayment is from the secured property taxes, repayment can be made from any source. Under the terms of the sublease, The City is also responsible for paying the County’s costs associated with the property that will be billed periodically and are due within 30 days of receipt of the invoice. To terminate the Sublease after having fully paid all installment payments through and including the year seven payment, the City may make prepay the sublease at any time with five days’ notice to the County. The sublease bears an interest rate of 3.13%. Interest and principal on the sublease is payable semi-annually December 30 and April 30 through 2033, with the first payment due in December 2024. The County did not bill the City for any additional costs incurred during the year ended June 30, 2024.

*d) Debt Service*

As of June 30, 2024, annual debt service to maturity for the private placements is as follows:

Year ending June 30	Governmental Activities		
	Direct Borrowings		Total
	Principal	Interest	
2025	\$847,754	\$98,024	\$945,778
2026	856,431	89,347	945,778
2027	865,381	80,397	945,778
2028	874,614	71,164	945,778
2029	884,135	61,640	945,775
2030-2033	1,735,111	130,348	1,865,459
Total	<u>\$6,063,426</u>	<u>\$530,920</u>	<u>\$6,594,346</u>

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**6. Investment in Sewer Authority Mid-Coast side**

The City, along with the Montara Water and Sanitary District and El Granada Sanitary District, established the Sewer Authority Mid-Coastside (SAM) in 1976 to build and operate a sewage treatment facility for its members. SAM is controlled by a six-member board consisting of two representatives from each member. The board appoints management and employees of SAM and is responsible for SAM's budget, operations and finances. As one of SAM's member agencies, the City makes contributions to SAM in the form of collections assessments and operations and maintenance assessments. The City exercises significant influence over SAM's operations; therefore, the City's share of SAM's net position has been recorded as an investment in the City's financial statements. The City's share of SAM's net position is calculated annually, based on the proportion of SAM's total assessed valuation within the City limits. Complete financial statements for SAM can be obtained from the SAM at 1000 North Cabrillo Highway, Half Moon Bay, California 94019-1466. Based on SAM's audited financial statements for June 30, 2023, the City recorded its investment in SAM in the amount of \$11,397,062 at June 30, 2024.

**7. Net Position/Fund Balances**

**a) Fund Balances**

In the fund financial statements, governmental funds report the following fund balance classifications: non-spendable, restricted, committed, assigned, and unassigned. The City Council, as the highest level of decision-making authority for the City, has the ability to commit fund balances through the adoption of a formal resolution. The same action must be taken to modify or rescind the commitment. The City Council has approved a policy (Resolution No. C-44-11) authorizing the City Manager to assign fund balances for specific purposes up to \$8,000,000. Assignments of amounts over \$8,000,000 require the approval of City Council.

**b) Stabilization Arrangements**

City Council adopted a resolution (No. C-44-11) to establish a contingency reserve in the amount of 30% of the following fiscal year's budgeted operating expenditures. City Council adopted a resolution (No. C-2020-60) that renamed the reserve to the General Fund Reserve and revised the policy to a minimum of 30% of the budgeted annual General Fund operating expenditures with no maximum. Changes to the reserve amount require City Council approval. Appropriations from the General Fund Reserve commitment can only be made for the following specific circumstances:

1. Meeting cash flow needs during the fiscal year.
2. Closing a projected short-term revenue-expenditure gap.
3. Responding to unexpected expenditure requirements or revenue shortfalls.
4. When an economic downturn results in a short-term budgetary shortfall and where reasonable cuts to expenditures are not adequate to meet revenue without the use of the reserve.
5. Unfunded liabilities such as self-insurance, pensions and retiree health obligations.
6. Institutional changes, such as State budget takeaways and unfunded mandates.

**CITY OF HALF MOON BAY, CALIFORNIA**  
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**FISCAL YEAR ENDED JUNE 30, 2024**

**7. Net Position/Fund Balances, continued**

***b) Stabilization Arrangements, continued***

The City Council also established an Economic Uncertainty Reserve in the amount of a minimum of 20% of the budgeted annual General Fund operating expenditures with no maximum. Funds held in the Economic Uncertainty Reserve assignment are held for the following uses:

1. When a fiscal forecast shows an ongoing structural gap due to an economic downturn to providing a strategic bridge to future economic stability.
2. When during a declared emergency, expenditures exceed revenues and where the reserve will meet economic shortfalls due to a related economic downturn.
3. When an economic downturn results in a long-term budgetary shortfall and where reasonable cuts to expenditures are not adequate to meet revenue without the use of the reserve.
4. Where its use will prevent a reduction of required services.

The reserves can only be used in accordance with the policies above and at the direction of the City Council. It is the intent of the City to limit use of the reserves to address unanticipated, non-recurring needs or known, planned future obligations. Reserves shall not normally be applied to recurring annual operating expenditures. The reserves may, however, be used to allow time for the City to restructure its operations in a deliberate manner (such as might be required in the case of a severe economic downturn), but such use will only take place in the context of an adopted long-term plan to reach a sustainable structure.

The General Fund Reserve and Economic Uncertainty Reserve will be funded from excess ongoing and one-time funds when available. If reserve fund balances fall below established thresholds, the City will replenish reserves in the priority of the General Fund Reserve, followed by the Economic Uncertainty Reserve. Where funding of the General Fund Reserve and Economic Uncertainty Reserve exceeds the established thresholds, the City Council may authorize the use of those funds for any budgetary need.

In the event the City Council authorizes use of the reserves, the City Manager is to propose a plan for the replenishment of the reserves to the City Council during City budget hearings. The City will make every reasonable effort to fully replenish the reserves within five years. If, based on the Finance Director's analysis and forecasting, the target balance is not being met or is likely not going to be met at some point within a five-year period, a plan to meet the target balance will be developed and presented to the City Council for consideration.

***c) Classifications***

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2024, fund balances for government funds are made up of the following:

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**7. Net Position/Fund Balances, continued**

*c) Classifications, continued*

- *Non-spendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, long-term notes receivable and land.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action (resolution) of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance* – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City Council or (b) the City Manager. The City Council has delegated the authority for the City Manager to assign amounts of up to \$8 million to be used for specific purposes (Resolution C-44-11).
- *Unassigned Fund Balance* – is the residual classification and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. General Fund is the only fund that reports a positive unassigned fund balance.

*d) Policies*

The standard also requires governments to disclose the accounting policies that indicate the order in which restricted, committed, assigned and unassigned amounts are spent.

The City considers restricted amounts to have been spent first when an expenditure is incurred for purposes of which both restricted and unrestricted fund balance is available. Additionally, the City considers committed amounts to have been spent first, assigned amounts to have been spent second, and unassigned amounts to have been spent last when an expenditure is incurred for purposes of which committed, assigned, and unassigned fund balance is available.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**7. Net Position/Fund Balances, continued**

***d) Policies, continued***

Fund balances for all the major and non-major governmental funds as of June 30, 2024, were distributed as follows:

	General Fund	Streets and Roads	Lot Acquisition and Retirement	Affordable Housing	Parks Development	Land Asset	Capital Projects	Non-major Governmental Funds	Total
<b>Nonspendable:</b>									
Land held for resale						\$26,823,920			\$26,823,920
<b>Total nonspendable</b>						26,823,920			26,823,920
<b>Restricted:</b>									
Streets & roads		\$7,263,726							7,263,726
Community development			\$1,420,599						1,420,599
Economic/Community Grants							\$240,772		240,772
Park development improvements					\$894,568				894,568
Debt service							6,425		6,425
Police grants							1,085,692		1,085,692
Storm drain maintenance improvements							1,654,713		1,654,713
Traffic mitigation							4,561,540		4,561,540
Affordable housing				\$5,954,709					5,954,709
Public facilities							1,508,210		1,508,210
<b>Total restricted</b>		7,263,726	1,420,599	5,954,709	894,568		9,057,352		24,590,954
<b>Committed:</b>									
General Fund reserve	\$6,654,952								6,654,952
Economic uncertainty reserve	4,436,635								4,436,635
<b>Total committed</b>	11,091,587								11,091,587
<b>Assigned:</b>									
San Mateo County Library								449,184	449,184
Capital projects							\$1,784,042		1,784,042
<b>Total assigned</b>							1,784,042	449,184	2,233,226
<b>Unassigned:</b>	3,276,343								3,276,343
<b>Total Fund Balances</b>	\$14,367,930	\$7,263,726	\$1,420,599	\$5,954,709	\$894,568	\$26,823,920	\$1,784,042	\$9,506,536	\$68,016,030

***e) Net Position***

Net Position is the excess of all assets and deferred outflows of resources over all liabilities and deferred inflows of resources. Net Position is divided into three categories. These categories apply only to Net Position, which is determined only at the Government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and successor agency assets.

Unrestricted describes the portion of Net Position which is not restricted as to use.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**7. Net Position/Fund Balances, continued**

*f) Net Investment in Capital Assets*

The balances related to Net Investment in Capital Assets are comprised of the following as of June 30, 2024:

	Governmental Activities	Business-Type Activities	Total
Capital Asset, net of accumulated depreciation:	\$82,889,996	\$6,831,129	\$89,721,125
Less: Capital debt:	(6,063,426)		(6,063,426)
	\$76,826,570	\$6,831,129	\$83,657,699

**8. Pension Plans**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

*a) General Information about the CalPERS Pension Plan*

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety and Miscellaneous Employee Pension Rate Plans. The City’s Safety and Miscellaneous Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees’ Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors three rate plans (two miscellaneous and one safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**8. Pension Plans, continued**

*a) General Information about the Pension Plans, continued*

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2024, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7%	8.25%
Required employer contribution rates	13.26%	8.00%
Required UAL Contribution	\$455,753	\$0
	<u>Safety</u>	
	<u>Prior to January 1, 2013</u>	
Hire date		
Benefit formula	3% @ 50	
Benefit vesting schedule	5 years service	
Benefit payments	monthly for life	
Retirement age	50	
Monthly benefits, as a % of eligible compensation	3%	
Required employee contribution rates	0%	
Required employer contribution rates	0%	
Required UAL Contribution	\$457,721	

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis or can be paid in a lump sum reduced amount. The City elected to make the lump sum contributions and the required contribution for the unfunded liability was \$913,474 in fiscal year 2024, as show in the table above.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**8. Pension Plans, continued**

*a) General Information about the Pension Plan, continued*

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

For the year ended June 30, 2024, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous	Safety	Total
Contributions - employer	\$937,025	\$457,721	\$1,394,746

*b) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. The governmental activities net pension liability is liquidated primarily by the General Fund.

As of June 30, 2024, the City reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$7,314,381
Safety	7,279,426
Total Net Pension Liability	\$14,593,807

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**8. Pension Plans, continued**

***b) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued***

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for the Plan as of June 30, 2022, and 2023 was as follows:

	Miscellaneous	Safety	Total
Proportion - June 30, 2022	0.14468%	0.10285%	0.24753%
Proportion - June 30, 2023	0.14628%	0.09738%	0.24366%
Change - Increase (Decrease)	0.00160%	(0.00547%)	(0.00387%)

For the year ended June 30, 2024, the City recognized pension expense of \$3,542,329 for Miscellaneous Rate Plan and \$828,716 for Safety Rate Plan, with a total pension expense of \$4,371,045.

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$937,025		\$457,721		\$1,394,746	
Changes in assumptions	441,602	-	424,837	-	866,439	
Differences between actual and expected experience	373,658	(\$57,963)	534,444	(\$45,754)	908,102	(\$103,717)
Net change in Proportion DIDO and Net Pension Liability	52,367	(154,471)	20,506	(183,644)	72,873	(338,115)
Net difference in actual contribution and proportion contributions	83,629	(62,753)	36,950	(248,603)	120,579	(311,356)
Net differences between projected and actual earnings on plan investments	1,184,264	-	996,187	-	2,180,451	
Total	\$3,072,545	(\$275,187)	\$2,470,645	(\$478,001)	\$5,543,190	(\$753,188)

\$1,394,746 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended			
June 30	Miscellaneous	Safety	Total
2025	\$525,464	\$420,821	\$946,285
2026	367,828	319,321	687,149
2027	933,060	766,976	1,700,036
2028	33,981	27,805	61,786
Total	\$1,860,333	\$1,534,923	\$3,395,256

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**8. Pension Plans, continued**

*c) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued*

**Actuarial Assumptions** – For the measurement period ended June 30, 2023, the total pension liability was determined by rolling forward the June 30, 2022 total pension liability. The June 30, 2022 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous & Safety
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increases	Varies by Entry Age, Service and Type of Employment
Investment Rate of Return	6.90% net of pension plan investment expenses, including inflation
Mortality	Derived using CalPERS Membership Data for all Funds (1)
Post Retirement Benefit Increase	Lessor of the contract COLA up to 2.30% until Purchasing Power applies, 2.30% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2022 valuation were based on the results of a November 2021 actuarial experience study for the period 2001 to 2019. Further details of the Experience Study can be found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**8. Pension Plans, continued**

*c) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued*

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

The table below reflects the long-term expected real rate of return by asset class.

Asset Class(a)	Assumed Asset Allocation	Real Return (1), (2)
Global Equity-Cap-Weighted	30.0%	4.54%
Global Equity-Non-Cap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-Backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100%	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**8. Pension Plans, continued**

*c) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued*

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
1% Decrease	5.90%	5.90%	5.90%
Net Pension Liability	\$10,880,761	\$10,378,120	\$21,258,881
Current Discount Rate	6.90%	6.90%	6.90%
Net Pension Liability	\$7,314,381	\$7,279,426	\$14,593,807
1% Increase	7.90%	7.90%	7.90%
Net Pension Liability	\$4,378,944	\$4,746,022	\$9,124,966

*Pension Plan Fiduciary Net Position* – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

*d) Deferred Compensation Plans*

City employees may defer a portion of their compensation under two separate, optional City sponsored Deferred Compensation Plans created in accordance with Internal Revenue Code Section 457. Under these Plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plans.

The Plans are part of public agency agent multiple-employer defined contribution plans that are administered by Mission Square Retirement (formerly ICMA RC) and California Public Employees Retirement System. Benefit provisions under the Plans are established by City resolution. The City has no liability for any losses incurred by the Plans and does not participate in any gains, but does have the duty of due care that would be required of an ordinary prudent investor. The City has contracts with each company to manage and invest the assets of the Plans. The administrators pool the assets of each Plan with those of other participants and do not make separate investments for the City. The assets in each Plan are the sole property of the participants or their beneficiaries. Since the assets held under each Plan are not the City’s property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements. The Plans require investments to be stated at fair value and it requires all gains and losses on Plan investments to accrue directly to participant accounts.

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**8. Pension Plans, continued**

*d) Deferred Compensation Plans, continued*

Employer contributions to the Plans are based on an employee's bargaining unit. For employees under the Local 39, Unrepresented Executive Employees, Non-Represented Confidential Employees, and Represented Management Team bargaining units, who have completed one year of service with the City, the City will match 50 cents for every dollar that the employee contributes towards their 457 Plan account, up to an employee contribution of six percent (6.0%) of the employee's salary. For example, if an employee contributes 6.0% or more of their salary towards their 457 Plan account, they will receive a 3.0% match from the City.

In addition to the employees in the groups listed above, the City Manager receives contributions to the employee's Plan accounts of \$10,000 annually, based on the contract between the City and the individual filling the Council Appointee position.

The City's required contributions for the year ended June 30, 2023 totaled \$101,174.

**9. Other Post Employment Healthcare Benefits**

*a) Post-Employment Benefits Plan*

Plan Description: The City provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements through its defined benefit plan. The City pays the minimum amount provided under Government Code Section 22892 of the Public Employees Medical and Hospital Care Act. The City currently pays \$115 to \$119 per month for any health coverage. The City joined the Public Agencies Post-Retirement Health Care Plan, an agent multiple-employer plan administered by Public Agency Retirement Services (PARS). The City established an irrevocable trust with PARS, managed by an appointed board not under the control of City Council. This trust is not considered a component unit of the City and has been excluded from these financial statements. Separately issued financial statements for PARS may be obtained from PARS at 4350 Von Karman Ave., Suite 200, Newport Beach, CA 92660.

City's Funding Policy: The contribution requirements of plan members and the City are established and may be amended by City Council. The contributions required to be made are under City Council and labor agreement requirements. When the City established the irrevocable retiree benefit trust with PARS, the City continued with the same funding policy of payment to a full ADC contribution. The long-term portion of governmental activities OPEB liabilities are liquidated primarily by the General Fund.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**9. Other Post Employment Healthcare Benefits, continued**

***b) Employees covered by benefit terms***

Plan membership varies based on different employee bargaining groups. As of the June 30, 2023 actuarial valuation (the most recent available), membership in the Plan consisted of the following:

	Number of members
Active employees	41
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	11
Total	52

***c) Net OPEB Liability(Asset)***

The components of the net OPEB liability of the City at June 30, 2024, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
<b>Balance at Fiscal Year Ending 6/30/2023:</b>	\$494,032	\$750,500	(\$256,468)
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	36,231	-	36,231
Interest	28,516	-	28,516
Expected investment income			-
Contributions:			
Employer - City's contribution	-	20,975	(20,975)
Employer - Implicit subsidy	-	2,602	(2,602)
Net investment income	-	73,905	(73,905)
Benefit payments	(23,577)	(23,577)	-
Actual vs. expected experience			-
Changes of assumptions	64,176		64,176
Administrative expenses	-	(1,926)	1,926
<b>Net Changes during Fiscal Year 2023</b>	105,346	71,979	33,367
<b>Balance at Fiscal Year Ending 6/30/2024:</b>	\$599,378	\$822,479	(\$223,101)

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**9. Other Post Employment Healthcare Benefits, continued**

***d) Sensitivity of the Net OPEB Liability(Asset) to Changes in the Discount Rate and Healthcare Cost Trend Rates***

The following table presents the net OPEB liability of the Plan as of June 30, 2024, calculated using the discount rate of 6%, as well as what the Plan’s net OPEB liability (asset) would be if it were calculated using a discount rate or healthcare cost trend rate that is 1- percentage-point lower or 1- percentage point higher than the current rate:

<b>Net OPEB Liability/(Asset)</b>		
Discount Rate -1%	Discount Rate	Discount Rate +1%
(5.00%)	(6.00%)	(7.00%)
(\$155,281)	(\$223,101)	(\$280,525)

<b>Net OPEB Liability/(Asset)</b>		
Healthcare Cost		
1% Decrease	Trend Rates	1% Increase
(\$297,890)	(\$223,101)	(\$130,671)

***e) Actuarial Assumptions***

The City’s net OPEB liability (asset) was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023, rolled forward to June 30, 2024, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Contribution Policy	City contributes full ADC
Actuarial Cost Method	Entry Age Normal. Level percentage of payroll
Actuarial Assumptions:	
Discount Rate	6.00%
Long Term Expected Rate	6.00%
Rate of Return on Assets	6.00%
Inflation	2.50%
Payroll Growth	3.00%
Mortality Rate	Based on assumptions for Public Agency Miscellaneous members published in the 2021 CalPERS Experience Study. These tables include generational mortality improvement using 80% of scale MP-2020.
Healthcare Cost Trend Rate	7.6% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years.
Healthcare participation for future retirees	45% if covered; 45% if waived
PEMHCA Minimum Increases	3.50% annually

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**9. Other Post Employment Healthcare Benefits, continued**

***g) Changes of Assumptions***

Effective with the June 30, 2023 valuation date (2024 measurement date), the following assumption changes were implemented:

- The accounting discount rate was increased from 5.50% to 6.00% based on updated long-term investment return assumptions.
- The percent of future retirees currently electing coverage assumed to elect coverage at retirement changed from 50% to 45% to reflect recent plan experience.
- The percent of future retirees currently waiving coverage assumed to elect coverage at retirement changed from 30% to 45% to reflect recent plan experience.
- The percent of retirees electing spouse coverage changed from 30% to 50% to reflect recent plan experience.
- The percent of future on-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.
- The payroll growth assumption was changed from 2.75% to 3.00% based on the 2021 CalPERS experience study.
- The CPI Medical Care component was updated from 4.00% to 3.50% based on updated historical analysis and forward-looking market expectations.

***h) OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB***

For the fiscal year ended June 30, 2024, the City recognized OPEB expense of \$24,216. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$2,752	(\$87,853)
Changes in assumptions	74,886	(20,422)
Net difference between projected and actual earnings on OPEB plan investments	5,954	
Total	\$83,592	(\$108,275)

**CITY OF HALF MOON BAY, CALIFORNIA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FISCAL YEAR ENDED JUNE 30, 2024**

**9. Other Post Employment Healthcare Benefits, continued**

***h) OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB***

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year</u> <u>Ended June 30</u>	<u>Annual</u> <u>Amortization</u>
2025	(\$3,497)
2026	15,386
2027	(11,765)
2028	(10,658)
2029	(3,903)
Thereafter	<u>(10,246)</u>
Total	<u><u>(\$24,683)</u></u>

Plan Administration

The City is the plan administrator. The Public Agency Retirement Services (PARS) administers the trust for the City’s retiree healthcare benefit plan – a single-employer defined benefit OPEB plan that provides healthcare benefits for eligible general and public safety employees of the City.

	<u>Fiscal Year ended</u> <u>June 30, 2024</u>
Plan Type	Agent Multiple Employer
OPEB Trust	Yes
Special Funding Situation	No
Nonemployer Contributing Entity	No

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**9. Other Post Employment Healthcare Benefits, continued**

Contribution Information

PARS established rates for each employer based on an actuarially determined rate for each employer. Plan members are not required to contribute to the plan. The City did not make any contribution to the Trust in fiscal year 2024.

Investment Policy

PARS offers different investment portfolios as part of the investment vehicle. The City invests in the “Moderate” portfolio; the primary goal of the Moderate objective is to provide current income and moderate capital appreciation. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. Assets are invested in both equity securities and fixed income. The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

The following is the City adopted asset allocation policy as of June 30, 2024:

Asset Class	Target Allocation	PARS Long-Term Expected Real Rate of Return	PARS Long-Term Expected Nominal Rate of Return
U.S. Equity - large cap	26.50%	5.20%	7.70%
U.S. Equity - mid cap	5.00%	5.50%	8.00%
U.S. Equity - small cap	7.50%	6.00%	8.50%
International Equity	6.00%	5.00%	7.50%
Emerging Market Equity	3.25%	5.00%	7.50%
REIT's	1.75%	4.10%	6.60%
Short-Term Bond	10.00%	0.80%	3.30%
Intermediate-Term Bond	33.50%	1.50%	4.00%
High Yield Bond	1.50%	3.20%	5.70%
Cash and Equivalents	5.00%	0.10%	2.60%
Total	<u>100.00%</u>		6.18%
Assumed Long-Term Rate of Inflation			0.00%
Adjusted Total Expected Return			6.18%
Reduction for Assumed Investment Expense			-0.25%
Expected Long-Term Net Rate of Return, Rounded			<u>6.00%</u>

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**10. LEASES**

*a) Policies*

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The City recognizes lease receivable or liabilities with an initial, individual value of \$300,000 or more for all funds, based on the future lease payments remaining at the start of the lease.

**Lessor**

The City is a lessor for noncancellable leases of buildings and facilities. If the lease receivable is over the capitalization threshold, the City will recognize a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The City uses bond interest rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**Lessee**

The City is a lessee for miscellaneous leases. If the lease is over the threshold, the City will recognize a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**10. LEASES, continued**

Key estimates and judgments related to leases include how City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments as follows:

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, City generally uses bond interest rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

***b) Leases Receivable (City as Lessor) and Leases Payable (City as Lessee)***

As of June 30, 2024, the City has no leases over the threshold subject to GASB 87 as a lessor or lessee.

**11. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. The Pooled Liability Assurance Network Joint Powers Authority covers general liability claims in an amount up to \$35,000,000. The City has a deductible or uninsured liability of up to \$50,000 per claim. Once the City's deductible is met The Plan becomes responsible for payment of all claims up to the limit. The Cities Group covers workers compensation claims up to \$1,000,000 for miscellaneous employees and \$1,500,000 for safety employees and has coverage above that limit to a maximum of \$10,000,000 per incident in excess. The City has no deductible for these claims. The City also belongs to the California Sanitation Risk Management Authority, which insures the City up to \$500,000 per property against sewer backup damages. The City is liable for only one claim per property and is not liable for any future damages, as the property owner is then required to install a back flow valve on their line, with the exception of properties in certain low lying areas.

The City provides for the uninsured portion of claims and judgments in the General Fund and Risk Management Internal Service Fund. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable.

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**11. Risk Management, continued**

Settled claims have not exceeded the City's excess coverage in any of the past three fiscal years. Claims expenses and liabilities are reported for self-insured deductibles when it is probable that a loss has occurred, the amount of that loss can be reasonably estimated and includes incremental claim expenses. Allocated and unallocated claims adjustment expenses are included in the claims liability balance. These losses include an estimate of claims that have been incurred but not reported. The liability for general liability self-insurance claims is the City's best estimate based on available information.

**a) *The Cities Group***

The City, along with five other governments located within San Mateo County, is a member of The Cities Group, a public entity risk pool and a provider of workers' compensation insurance coverage, claims management, risk management services and legal defense to each participating member. The Cities Group is governed by a Board of Directors, which comprises officials appointed by each participating member. Premiums paid to The Cities Group may be modified by Board decision according to the loss experience of each member. This loss experience mechanism will operate to ensure that each member returns over a period of time to The Cities Group the funds paid out on its behalf as paid losses. In the opinion of City management, premiums paid represent the best available estimate of the ultimate cost of the City's participation in The Cities Group and, accordingly, the accompanying basic financial statements of the City includes no provisions for possible refunds or additional assessments. For the year ended June 30, 2024, the City paid premiums of \$42,193 to The Cities Group. Financial statements may be obtained from The Cities Group at P.O. Box 111, Burlingame, CA 94011-0111.

**b) *PLAN JPA***

Prior to January 2018 the City participated in ABAG Plan Corporation, a non-profit public benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. On January 16, 2018, ABAG Plan Corporation transitioned to Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA), a self-funded pooled insurance corporation established by a joint powers authority in which the City is one of 28 members. The rights and responsibilities of the member agencies are governed by the bylaws of the PLAN JPA, the risk coverage agreement, and a related memorandum of coverage. Each member chooses its self-insured liability retention at a level between \$25,000 and \$250,000. Each member has a vote in approving the pool's self-insured retention level, in setting the coverage limit, in establishing the level of pool reserves, approving the premium allocation methodology for setting premiums for each member, and in approving the methodology for returning disburseable equity to members. PLAN JPA is responsible for administering the insurance program. PLAN JPA provides claims administration and risk management services to the members. Audited financial information may be obtained from PLAN JPA at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

For the year ended June 30, 2024, the City paid premiums of \$413,022 to PLAN JPA. Financial statements may be obtained from Plan JPA at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2024**

**11. Risk Management, continued**

***c) Liability for Uninsured Claims***

The City's liability for uninsured claims was estimated by management based on prior year claims experience as follows:

	June 30, 2024	June 30, 2023
Beginning balance of claims payable	\$1,064,830	\$919,647
Increase in estimated liability	1,883,998	445,208
Claims paid	(1,278,097)	(300,025)
Ending balance of claims payable	\$1,670,731	\$1,064,830

**12. Commitments and Contingencies**

***a) Litigation***

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation, which is likely to have a material adverse effect on the financial position of the City.

***b) Grant Programs***

The City participates in Federal, State and local grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

***c) JobTrain – Conflict of Interest***

As part of its commitment to provide relief to individuals and businesses impacted by COVID and to position the coastside economy for long-term resiliency, the City Council sponsored the Coastsides Recovery Initiative. That effort resulted in a public report, *Building a More Equitable, Vibrant and Resilient Coastsides Economy*. Substantiated by findings and recommendations from that report, the San Mateo County Board of Supervisors approved a \$2,500,000 funding allocation to support the development of the Opportunity Center of the Coastsides (OCC) – a first-of-its-kind service center for job seekers, small businesses, and entrepreneurs.

After entering the agreement with the County and securing a space for the OCC, staff onboarded qualified service providers in each of the following areas: rapid employment services and career training (provided by JobTrain), small business development and support services (provided by Renaissance Entrepreneurship Center), and a new business incubator to support startups focused on resiliency tech (provided by American Energy Society).

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

**12. Commitments and Contingencies**

*c) JobTrain – Conflict of Interest, continued*

On November 7, 2023, the City Council adopted a resolution authorizing the City Manager to execute a professional services agreement with JobTrain, up to \$337,000. Under the Agreement, JobTrain would provide Job Seeker workforce development program services via the OCC. That agreement was set to expire on September 30, 2024, unless the contract was amended.

An amendment for the professional services agreement with JobTrain was originally included in the staff recommendation from the Council meeting on September 17. The amendment for the JobTrain contract was excluded from Resolution No. C-2024-72 in order to provide additional time to analyze potential conflicts of interest pertaining to the employment of the Regional Director position at JobTrain which is currently held by an elected Half Moon Bay councilmember. The councilmember was Vice-Mayor and participated in approval of the original contract in 2023, but was not an employee of JobTrain at that time.

The City Attorney prepared a legal opinion that indicates, in summary, under the applicable conflict of interest laws, in particular Government Code section 1090, the Mayor has a conflict of interest in the JobTrain contract by virtue of his financial interest in his employer. However, the Mayor's interest is subject to the "remote interest" exception, which applies to officers and employees of nonprofit entities. Therefore, the City may enter into the JobTrain contract so long as the Mayor discloses his interest to the City Council, the interest is noted in the official records, and the Mayor recuses from the decision, including leaving the room during consideration of the contract, pursuant to the Political Reform Act's recusal requirements.

The City Council voted to amend the professional services agreement with JobTrain with a contract term ending September 30, 2025, and in a contract amount not to exceed \$350,372, and the Mayor recused from the vote.

**REQUIRED SUPPLEMENTARY INFORMATION**

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **COST-SHARING EMPLOYER DEFINED PENSION PLAN:**

#### **SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

This schedule reports the proportion (percentage) of the collective net pension liability, the proportionate share (amount) of the collective net pension liability, the employer's covered employee payroll, the proportionate share (amount of the collective net pension liability as a percentage of the employer's covered employee payroll and the pension plan's fiduciary net position as a percentage of the total pension liability.

#### **SCHEDULE OF CONTRIBUTIONS**

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

#### **SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS PLAN**

This schedule presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**REQUIRED SUPPLEMENTARY INFORMATION**

Miscellaneous Rate Plan  
 Cost-Sharing Multiple-Employer Defined Pension Plan  
 Last 10 Years  
**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE  
 NET PENSION LIABILITY AND RELATED RATIOS AS OF  
 THE MEASUREMENT DATE**

Measurement date:	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Plan's proportion of the Net Pension Liability (Asset)	0.04792%	0.10917%	0.11869%	0.12281%	0.12663%	0.13120%	0.13584%	0.18148%	0.14468%	0.14628%
Plan's proportionate share of the Net Pension Liability (Asset)	\$2,981,768	\$2,994,972	\$4,123,054	\$4,841,079	\$4,772,172	\$5,254,057	\$5,729,928	\$3,445,863	\$6,769,868	\$7,314,381
Covered Payroll	\$1,412,295	\$1,986,876	\$2,014,025	\$2,423,106	\$3,177,604	\$3,415,448	\$3,945,078	\$3,974,973	\$4,318,701	\$4,671,261
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	211.13%	150.74%	204.72%	199.79%	150.18%	153.83%	145.24%	86.69%	156.76%	156.58%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%	75.26%	75.26%	75.10%	88.29%	76.68%	76.21%

Miscellaneous Rate Plan  
 Cost-Sharing Multiple Employer Defined Pension Plan  
 As of fiscal year ending June 30,  
 Last 10 Years  
**SCHEDULE OF CONTRIBUTIONS**

Fiscal year ended June 30:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Actuarially determined contribution	\$168,511	\$344,215	\$435,299	\$525,289	\$649,405	\$728,503	\$819,301	\$905,657	\$937,025
Contributions in relation to the actuarially determined contributions	(168,511)	(344,215)	(435,299)	(525,289)	(649,405)	(728,503)	(819,301)	(905,657)	(937,025)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$2,014,025	\$2,423,106	\$3,177,604	\$3,415,448	\$3,945,078	\$3,974,973	\$4,318,701	\$4,671,261	\$5,144,449
Contributions as a percentage of covered payroll	8.4%	14.2%	13.7%	15.4%	16.5%	18.3%	19.0%	19.4%	18.2%
<b>Notes to Schedule</b>									
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021

## REQUIRED SUPPLEMENTARY INFORMATION

Safety Rate Plan  
 Cost-Sharing Multiple-Employer Defined Pension Plan  
 Last 10 Years  
**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE  
 NET PENSION LIABILITY AND RELATED RATIOS AS OF  
 THE MEASUREMENT DATE**

Measurement date:	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Plan's proportion of the Net Pension Liability (Asset)	0.06033%	0.10493%	0.10385%	0.10143%	0.10417%	0.10123%	0.03615%	0.12006%	0.10285%	0.09738%
Plan's proportionate share of the Net Pension Liability (Asset)	\$3,754,036	\$4,323,582	\$5,378,768	\$6,060,745	\$6,112,200	\$6,319,361	\$6,550,836	\$4,213,402	\$7,067,692	\$7,279,426
Covered Payroll	N/A									
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	N/A									
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%	75.26%	75.26%	75.10%	88.29%	76.68%	76.21%

Safety Rate Plan  
 Cost-Sharing Multiple Employer Defined Pension Plan  
 As of fiscal year ending June 30,  
 Last 10 Years  
**SCHEDULE OF CONTRIBUTIONS**

Fiscal year ended June 30:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Actuarially determined contribution	\$414,500	\$249,322	\$445,240	\$551,942	\$555,649	\$594,797	\$612,617	\$660,198	\$457,721
Contributions in relation to the actuarially determined contributions	(414,500)	(249,322)	(445,240)	(551,942)	(555,649)	(594,797)	(612,617)	(660,198)	(457,721)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	N/A								
Contributions as a percentage of covered payroll	N/A								
<b>Notes to Schedule</b>									
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS An Agent Multiple-Employer Defined Benefit OPEB Plan Last 10 fiscal years\*

Measurement Date	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
<b>Total OPEB Liability (1)</b>								
Service Cost	\$25,533	\$27,065	\$27,877	\$28,713	\$30,749	\$31,671	\$35,261	\$36,231
Interest	24,624	26,373	28,268	30,256	32,113	32,877	26,723	28,516
Differences between expected and actual experience	-	-	-	-	-	-	-	-
Benefit payments	(22,522)	(22,553)	(22,788)	(24,885)	(29,523)	(33,272)	(37,150)	(23,577)
Actual vs. expected experience	-	-	-	5,947	-	(122,083)	-	-
Changes of assumptions	-	-	-	(8,808)	30,158	(22,718)	-	64,176
<b>Net change in total OPEB liability</b>	<u>27,635</u>	<u>30,885</u>	<u>33,357</u>	<u>31,223</u>	<u>63,497</u>	<u>(113,525)</u>	<u>24,834</u>	<u>105,346</u>
<b>Total OPEB liability - beginning</b>	<u>396,126</u>	<u>423,761</u>	<u>454,646</u>	<u>488,003</u>	<u>519,226</u>	<u>582,723</u>	<u>469,198</u>	<u>494,032</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$423,761</u>	<u>\$454,646</u>	<u>\$488,003</u>	<u>\$519,226</u>	<u>\$582,723</u>	<u>\$469,198</u>	<u>\$494,032</u>	<u>\$599,378</u>
<b>OPEB fiduciary net position</b>								
Net investment income	\$48,425	\$32,087	\$41,937	\$29,170	\$136,486	(\$91,716)	\$44,412	\$73,905
Contributions:								
Employer - City's contribution	22,522	39,261	22,928	26,083	(5,366)	33,410	37,336	20,975.00
Employer - Implicit subsidy	-	-	-	2,602	-	-	-	2,602
Administrative expense	(2,071)	(1,552)	(1,745)	(2,911)	(2,934)	(2,117)	(1,983)	(1,926)
Actual vs. expected experience	-	-	-	-	-	-	-	-
Benefit payments	(22,522)	(22,553)	(22,788)	(24,885)	(29,523)	(33,272)	(37,150)	(23,577)
<b>Net change in plan fiduciary net position</b>	<u>46,354</u>	<u>47,243</u>	<u>40,332</u>	<u>30,059</u>	<u>98,663</u>	<u>(93,695)</u>	<u>42,615</u>	<u>71,979</u>
<b>Plan fiduciary net position - beginning</b>	<u>541,531</u>	<u>587,885</u>	<u>635,128</u>	<u>675,460</u>	<u>705,519</u>	<u>804,182</u>	<u>710,487</u>	<u>753,102</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$587,885</u>	<u>\$635,128</u>	<u>\$675,460</u>	<u>\$705,519</u>	<u>\$804,182</u>	<u>\$710,487</u>	<u>\$753,102</u>	<u>\$825,081</u>
Net OPEB liability (asset) - ending (a)-(b)	<u>(\$164,124)</u>	<u>(\$180,482)</u>	<u>(\$187,457)</u>	<u>(\$186,293)</u>	<u>(\$221,459)</u>	<u>(\$241,289)</u>	<u>(\$259,070)</u>	<u>(\$225,703)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	138.73%	139.70%	138.41%	135.88%	138.00%	151.43%	152.44%	137.66%
Covered-employee payroll (A)	N/A **	\$3,009,829	\$4,157,271	\$4,976,211	\$4,806,006	\$5,072,966	\$6,658,959	\$5,233,729
Total OPEB liability as a percentage of covered-employee payroll	N/A **	-6.00%	-4.51%	-3.74%	-4.61%	-4.71%	-3.89%	-4.31%

\* Fiscal year 2018 was the first year of implementation of GASB 75

Administrative expenses are included in investment expenses.

\*\*Fiscal year 2017 was the first year of GASB 74 implementation.

(A) City's contributions to OPEB plan are not based on a measure of pay

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CONTRIBUTIONS An Agent Multiple-Employer Defined Benefit OPEB Plan Last 10 fiscal years\*

Fiscal Year Ended June 30,	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially Determined Contribution (ADC)	\$16,708	\$17,251	\$15,539	\$16,054	\$15,992	\$16,392	\$3,915	\$2,371
Less: Contributions in Relation to the ADC	(22,522)	(39,261)	(22,928)	(26,083)	(5,366)	(20,975)	(37,336)	(23,577)
Contribution deficiency (excess)	<u>(\$5,814)</u>	<u>(\$22,010)</u>	<u>(\$7,389)</u>	<u>(\$10,029)</u>	<u>\$10,626</u>	<u>(\$4,583)</u>	<u>(\$33,421)</u>	<u>(\$21,206)</u>
Covered-employee payroll	N/A **	\$3,009,829	\$4,157,271	\$4,976,211	\$4,806,006	\$5,072,966	\$6,658,959	\$5,233,729
Contributions as a percentage of Covered-employee payroll	N/A **	1.30%	0.55%	0.52%	0.11%	0.41%	0.56%	0.45%

**Notes to Schedule:**

\* Fiscal year 2018 was the first year of implementation.

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal, level percentage of payroll
Amortization Period	Each year's gain or loss is straight-line amortized over 5
Asset Valuation Method	The Actuarial Value of Assets is a 5-year smoothed market value. Gains and losses are recognized over a five year period and limited to a corridor of 80% to 120% of the market value
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.50%
	7.6% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years.
Medical Trend	
PEMHCA Minimum	3.50% annually
Mortality	Based on assumptions for Public Agency Miscellaneous members published in the 2021 CalPERS Experience Study.
Mortality Improvement	Mortality generational improvement using 80% of scale MP-2020.

\* Fiscal year 2018 was the first year of implementation of GASB 75.

\*\*Fiscal year 2017 was the first year of GASB 74 implementation.

CITY OF HALF MOON BAY  
GENERAL FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$18,241,411	\$16,984,412	\$16,991,811	\$7,399
Licenses and permits	208,800	208,800	306,282	97,482
Fines and forfeitures	27,936	27,936	81,445	53,509
Charges for services	1,302,388	1,213,921	1,454,141	240,220
Rents and leases	77,000	77,000	78,135	1,135
Investment income	242,000	508,662	804,188	295,526
Intergovernmental revenues	5,000	5,000	117,400	112,400
Miscellaneous	617,721	891,213	833,965	(57,248)
Total revenues	20,722,256	19,916,944	20,667,367	750,423
Expenditures:				
Current operations:				
General government	2,672,440	3,172,440	3,138,896	33,544
General administration	2,204,184	2,204,184	2,134,173	70,011
Public safety	7,164,062	7,164,062	6,452,977	711,085
Public works	2,304,097	2,304,097	2,174,611	129,486
Recreation services	653,730	653,730	538,827	114,903
Planning	3,461,099	3,461,099	2,879,532	581,567
Community and economic development	1,233,226	1,233,226	1,008,276	224,950
Debt service:				
Principal	650,612	650,612	3,628,582	(2,977,970)
Interest and fiscal charges	85,998	85,998	97,016	(11,018)
Total expenditures	20,429,448	20,929,448	22,052,890	(1,123,442)
Excess of revenues over expenditures	292,808	(1,012,504)	(1,385,523)	(373,019)
Other financing sources (uses):				
Issuance of debt			3,200,000	3,200,000
Transfers in	537,285	537,285	537,285	
Transfers out	(4,516,736)	(4,516,736)	(4,211,736)	305,000
Total Other Financing Sources (Uses)	(3,979,451)	(3,979,451)	(474,451)	3,505,000
Net change in fund balance	(\$3,686,643)	(\$4,991,955)	(1,859,974)	\$3,131,981
Fund balance at beginning of year			16,227,904	
Fund balance at end of year			\$14,367,930	

CITY OF HALF MOON BAY  
STREETS AND ROADS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Taxes	\$729,266	\$575,676	\$583,677	\$8,001
Investment income	98,000	213,669	358,662	144,993
Intergovernmental revenue	5,449,246	5,432,272	1,055,528	(4,376,744)
Total revenues	6,276,512	6,221,617	1,997,867	(4,223,750)
Expenditures:				
Current:				
Public works	226,803	226,803	236,775	(9,972)
Capital outlay	6,157,567	6,207,165	957,844	5,249,321
Total expenditures	6,384,370	6,433,968	1,194,619	5,239,349
Excess (deficiency) of revenues over (under) expenditures	(107,858)	(212,351)	803,248	1,015,599
Other financing sources (uses):				
Transfer in	40,000	40,000	40,000	
Transfer out	(6,746)	(6,746)	(6,746)	
Total other financing sources (uses)	33,254	33,254	33,254	
Net change in fund balance	(\$74,604)	(\$179,097)	836,502	\$1,015,599
Fund balance at beginning of year			6,427,224	
Fund balance at end of year			\$7,263,726	

CITY OF HALF MOON BAY  
 LOT ACQUISITION AND RETIREMENT SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$27,100	\$44,891	\$72,389	\$27,498
Total revenues	27,100	44,891	72,389	27,498
Expenditures:				
Current:				
General government	400,000	400,000		400,000
Total expenditures	400,000	400,000		400,000
Excess (deficiency) of revenues over (under) expenditures	(372,900)	(355,109)	72,389	427,498
Net change in fund balance	(\$372,900)	(\$355,109)	72,389	\$427,498
Fund balance at beginning of year			1,348,210	
Fund balance at end of year			\$1,420,599	

CITY OF HALF MOON BAY  
AFFORDABLE HOUSING SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Investment income	\$31,400	\$68,740	\$225,849	\$157,109
Intergovernmental revenues		3,250,000	4,750,000	1,500,000
 Total revenues	 31,400	 3,318,740	 4,975,849	 1,657,109
Expenditures:				
Current:				
Planning	1,000,000	1,300,000	1,185,761	114,239
 Total expenditures	 1,000,000	 1,300,000	 1,185,761	 114,239
 Excess of revenues over expenditures	 (968,600)	 2,018,740	 3,790,088	 1,771,348
Other financing sources:				
Transfers out		(150,000)		150,000
 Net change in fund balance	 (968,600)	 \$1,868,740	 3,790,088	 \$1,921,348
 Fund balance at beginning of year			 2,164,621	
 Fund balance at end of year			 \$5,954,709	

CITY OF HALF MOON BAY  
PARKS DEVELOPMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
Revenues:				
Impact fees/recreation fees	\$147,000	\$66,890		(\$66,890)
Investment income	40,700	61,778	\$86,025	24,247
Intergovernmental revenues	<u>5,564,000</u>	<u>4,589,895</u>	<u>1,446,510</u>	<u>(3,143,385)</u>
Total revenues	<u>5,751,700</u>	<u>4,718,563</u>	<u>1,532,535</u>	<u>(3,186,028)</u>
Expenditures:				
Capital outlay	<u>6,022,117</u>	<u>8,226,080</u>	<u>4,477,662</u>	<u>3,748,418</u>
Total expenditures	<u>6,022,117</u>	<u>8,226,080</u>	<u>4,477,662</u>	<u>3,748,418</u>
Excess of revenues over expenditures	<u>(270,417)</u>	<u>(3,507,517)</u>	<u>(2,945,127)</u>	<u>562,390</u>
Other financing sources:				
Transfers in	300,000	1,250,000	1,250,000	
Transfers out	<u>(175,000)</u>	<u>(175,000)</u>		<u>175,000</u>
Total other financing sources	<u>125,000</u>	<u>1,075,000</u>	<u>1,250,000</u>	<u>175,000</u>
Net change in fund balance	<u>(\$145,417)</u>	<u>(\$2,432,517)</u>	<u>(1,695,127)</u>	<u>\$737,390</u>
Fund balance at beginning of year			<u>2,589,695</u>	
Fund balance at end of year			<u><u>\$894,568</u></u>	

CITY OF HALF MOON BAY  
 CAPITAL PROJECTS  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2024

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$77,458	\$119,363	\$41,905
Intergovernmental revenues	595,000	236,632	(358,368)
Total revenues	<u>672,458</u>	<u>355,995</u>	<u>(316,463)</u>
Expenditures:			
Capital Outlay	4,981,648	1,649,258	3,332,390
Total expenditures	<u>4,981,648</u>	<u>1,649,258</u>	<u>3,332,390</u>
Excess of revenues over expenditures	<u>(4,309,190)</u>	<u>(1,293,263)</u>	<u>3,015,927</u>
Other financing sources (uses):			
Transfers in	2,680,000	1,250,000	(1,430,000)
Transfers out	(1,010,000)	(961,613)	48,387
Total other financing sources (uses)	<u>1,670,000</u>	<u>288,387</u>	<u>(1,381,613)</u>
Net change in fund balance	<u>(\$2,639,190)</u>	<u>(1,004,876)</u>	<u>\$1,634,314</u>
Fund balance at beginning of year		<u>2,788,918</u>	
Fund balance at end of year		<u>\$1,784,042</u>	

## REQUIRED SUPPLEMENTARY INFORMATION

### Budget and Budgetary Accounting

The City Council adopts an Annual Budget no later than the second meeting of June of each year for the fiscal year commencing the following July 1. The Annual Budget is adopted on a basis consistent with generally accepted accounting principles. The Capital Projects Funds are budgeted annually, with major capital improvement projects details in a separate Five Year Capital Improvement Program budget document, except that there is no budget adopted for the Land Asset Capital Projects Fund.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The City Manager submits to the City Council a proposed operating budget for the following fiscal year. The operating budget includes proposed revenues and expenditures.
2. After a review by the City Council, a public hearing is conducted and further comment is received from the City Council and the general public.
3. Upon completion of the hearings and modifications, if any, to the proposed budget, it is adopted by the City Council through passage of an appropriate resolution.
4. Generally, the budget is amended in the middle of the year and at the end of the year. All approved additional appropriations are added to the adopted budget and an amended budget is presented to the City Council, which adopts it after due review.
5. The City Manager is authorized to transfer from time to time budget amounts of operational expenditure categories within divisions as deemed necessary in order to meet the City's needs.
6. City Council approval is required for all fund to fund transfers, fund reserve to appropriations transfers, for new revenue sources with offsetting appropriations, and for transfers to/from the capital expenditure category. The legal level of budgetary control of the City Council is at the fund level. This is the level that management cannot overspend the budget without approval of the City Council.

#### *Expenditures in Excess of Budget*

The General Fund and the Police Grants Special Revenue Fund incurred expenditures in excess of budget in the amounts of \$1,123,442 and \$23,451, respectively.

Sufficient resources were available in each fund to fund these excesses.



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**SUPPLEMENTARY INFORMATION**



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**CITY OF HALF MOON BAY, CALIFORNIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

***Special Revenue Funds***

Special Revenue Funds are established to account for revenue derived from specific taxes or other earmarked revenue sources (other than for major capital projects that are restricted by law or administrative action to expenditures for specified purposes).

The *Police Grants Fund* (Fund 128) was established to account for revenues received and expenditures made for police services. The City receives funds for police services from Federal, State, County and local governmental agencies. These funds are designated for specific police services, activities, and capital equipment.

The *Storm Drain Operating Fund* (Fund 111) accounts for the maintenance of the existing storm drain system.

The *Traffic Mitigation Fund* (Fund 112) was established to account for all proceeds from traffic mitigation fees, whose purpose is to defray the actual costs of constructing improvements to mitigate traffic and circulation impacts resulting from proposed new development.

The *CZI Grant Fund* (Fund 134) was established to account for proceeds relating to the CZI Grant. These funds can be used to support learning and evaluation activities for groups currently engaged in the operation and implementation of economic advancement centers.

The *Opportunity Center Coastside Fund* (Fund 135) was established to account for proceeds from the American Rescue Plan Act funds where the City is a subrecipient. These funds may only be used to address the negative economic impacts from the COVID-19 public health emergency.

***Debt Service Fund***

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

**Capital Projects Funds**

Capital Projects Funds are utilized to account for resources used for the acquisition and construction of capital facilities and infrastructure by the City, with the exception of those assets financed by proprietary funds.

The *Library Fund* (Fund 153) is used to account for the construction and facilities maintenance of the library.

The *Public Facilities Fund* (Fund 127) accounts for expenditures related to public facilities improvements that are needed - police facilities, the library, the public works yard, etc. The funds are received from various contractual agreements that are one-time in nature and which are not specifically dedicated, as well as grants.

The *Storm Drain Improvements Fund* (Fund 152) is used to account for all proceeds from storm drainage improvement fees which are assessed against new or remodeled construction and are used for drainage improvements.

CITY OF HALF MOON BAY  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2024

	SPECIAL REVENUE FUNDS				
	Police Grants	Storm Drain Operating	Traffic Mitigation	CZI Grant	Opportunity Center Coastside
Assets					
Cash and investments	\$1,075,519	\$265,453	\$4,518,499	\$208,969	
Accounts receivable					\$231,490
Interest receivable	10,173	2,543	43,041	2,094	1,013
<b>Total assets</b>	<b>\$1,085,692</b>	<b>\$267,996</b>	<b>\$4,561,540</b>	<b>\$211,063</b>	<b>\$232,503</b>
Liabilities:					
Accrued expenses					
Accrued liabilities					\$169,729
Due to other funds					33,065
<b>Total liabilities</b>					<b>202,794</b>
Fund Balances:					
Restricted	\$1,085,692	\$267,996	\$4,561,540	\$211,063	29,709
Assigned					
<b>Total fund balances</b>	<b>1,085,692</b>	<b>267,996</b>	<b>4,561,540</b>	<b>211,063</b>	<b>29,709</b>
<b>Total liabilities and fund balances</b>	<b>\$1,085,692</b>	<b>\$267,996</b>	<b>\$4,561,540</b>	<b>\$211,063</b>	<b>\$232,503</b>

DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS			
Judgement Obligation Bonds	Library	Public Facilities	Storm Drain Improvements	Total
\$6,425	\$444,803	\$1,517,170	\$1,402,160	\$9,438,998
				231,490
	4,381	10,751	13,593	87,589
<u>\$6,425</u>	<u>\$449,184</u>	<u>\$1,527,921</u>	<u>\$1,415,753</u>	<u>\$9,758,077</u>
			\$29,036	\$29,036
		\$19,711		189,440
				33,065
		19,711	29,036	251,541
6,425		1,508,210	1,386,717	9,057,352
	449,184			449,184
6,425	449,184	1,508,210	1,386,717	9,506,536
<u>\$6,425</u>	<u>\$449,184</u>	<u>\$1,527,921</u>	<u>\$1,415,753</u>	<u>\$9,758,077</u>

CITY OF HALF MOON BAY  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2024

	SPECIAL REVENUE FUNDS				
	Police Grants	Storm Drain Operating	Traffic Mitigation	CZI Grant	Opportunity Center Coastside
Revenues:					
Charges for services					
Impact fees/recreation fees					
Investment income	\$51,129	\$16,519	226,346	\$13,061	\$19,873
Rents and leases					13,000
Intergovernmental revenues	186,159				231,490
<b>Total Revenues</b>	<b>237,288</b>	<b>16,519</b>	<b>226,346</b>	<b>13,061</b>	<b>264,363</b>
Expenditures:					
Current:					
General government				87,400	
Public safety	23,451				
Public works			30,292		
Recreation services					
Planning					
Community and economic development					886,000
Capital outlay					
Debt service:					
Principal					
<b>Total Expenditures</b>	<b>23,451</b>		<b>30,292</b>	<b>87,400</b>	<b>886,000</b>
Excess (deficiency) of revenues over (under) expenditures	213,837	16,519	196,054	(74,339)	(621,637)
Other financing sources:					
Transfers in					
Transfer (out)		(100,000)			
Issuance of long-term debt					
<b>Total Other Financing Sources</b>		<b>(100,000)</b>			
<b>Net change in fund balances</b>	<b>213,837</b>	<b>(83,481)</b>	<b>196,054</b>	<b>(74,339)</b>	<b>(621,637)</b>
Fund balance at beginning of year, as previously reported	871,855	351,477	4,365,486	285,402	651,346
Adjustments:					
Changes from major to nonmajor fund					
Changes from nonmajor to major fund					
Fund balances at beginning of year, as adjusted	871,855	351,477	4,365,486	285,402	651,346
Fund balances at end of year	<b>\$1,085,692</b>	<b>\$267,996</b>	<b>\$4,561,540</b>	<b>\$211,063</b>	<b>\$29,709</b>

SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS				Total
		(Formerly Major)	(Formerly Nonmajor)			
(Formerly Nonmajor) Affordable Housing	(Formerly Major) Judgement Obligation Bonds	Library	Parks Development	Public Facilities	Storm Drain Improvements	
	\$157	\$23,029		\$65,700	57,700	473,514
						13,000
						417,649
	157	23,029		65,700	57,700	904,163
						87,400
						23,451
					50,465	80,757
				777,060	573,200	886,000
						1,350,260
				777,060	623,665	2,427,868
	157	23,029		(711,360)	(565,965)	(1,523,705)
				150,000	829,613	979,613
					(3,809)	(103,809)
				150,000	825,804	875,804
	157	23,029		(561,360)	259,839	(647,901)
\$2,164,621			2,589,695	2,069,570	1,126,878	14,476,330
	6,268	426,155				432,423
(2,164,621)			(2,589,695)			(4,754,316)
	6,268	426,155		2,069,570	1,126,878	10,154,437
	\$6,425	\$449,184		\$1,508,210	\$1,386,717	\$9,506,536

CITY OF HALF MOON BAY  
POLICE GRANTS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$28,280	\$51,129	\$22,849
Intergovernmental	<u>186,408</u>	<u>186,159</u>	<u>(249)</u>
Total revenues	<u>214,688</u>	<u>237,288</u>	<u>22,600</u>
Expenditures:			
Current:			
Public Safety		<u>23,451</u>	<u>(23,451)</u>
Total expenditures		<u>23,451</u>	<u>(23,451)</u>
Excess (deficiency) of revenues over ( under) expenditures	<u>214,688</u>	<u>213,837</u>	<u>(851)</u>
Net change in fund balance	<u><u>\$214,688</u></u>	<u>213,837</u>	<u><u>(\$851)</u></u>
Fund Balance at beginning of year		<u>871,855</u>	
Fund balance at end of year		<u><u>\$1,085,692</u></u>	

CITY OF HALF MOON BAY  
 STORM DRAIN OPERATING SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2024

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	<u>\$5,100</u>	<u>\$16,519</u>	<u>\$11,419</u>
Total revenues	<u>5,100</u>	<u>16,519</u>	<u>11,419</u>
Other financing sources:			
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	
Net change in fund balance	<u>(\$94,900)</u>	<u>(83,481)</u>	<u>\$11,419</u>
Fund balance at beginning of year		<u>351,477</u>	
Fund balance at end of year		<u>\$267,996</u>	

CITY OF HALF MOON BAY  
 TRAFFIC MITIGATION SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2024

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Impact fees/recreation fees	\$68,000		(\$68,000)
Investment income	137,702	\$226,346	88,644
	<u>205,702</u>	<u>226,346</u>	<u>20,644</u>
Total revenues			
	<u>205,702</u>	<u>226,346</u>	<u>20,644</u>
Expenditures:			
Current:			
Public works	37,033	30,292	6,741
	<u>37,033</u>	<u>30,292</u>	<u>6,741</u>
Total expenditures			
	<u>37,033</u>	<u>30,292</u>	<u>6,741</u>
Excess (deficiency) of revenues over (under) expenditures			
	<u>168,669</u>	<u>196,054</u>	<u>27,385</u>
Net change in fund balance			
	<u>\$168,669</u>	<u>196,054</u>	<u>\$27,385</u>
Fund balance at beginning of year			
		<u>4,365,486</u>	
Fund balance at end of year			
		<u>\$4,561,540</u>	

CITY OF HALF MOON BAY  
CZI GRANT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2024

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	4,000	\$13,061	\$9,061
Intergovernmental revenues			
Total revenues	<u>4,000</u>	<u>13,061</u>	<u>9,061</u>
Expenditures:			
Current:			
General government	<u>289,401</u>	<u>87,400</u>	<u>202,001</u>
Total expenditures	<u>289,401</u>	<u>87,400</u>	<u>202,001</u>
Excess of revenues over expenditures	<u>(285,401)</u>	<u>(74,339)</u>	<u>211,062</u>
Net change in fund balance	<u><u>(\$285,401)</u></u>	<u><u>(74,339)</u></u>	<u><u>\$211,062</u></u>
Fund balance at beginning of year		<u>285,402</u>	
Fund balance at end of year		<u><u>\$211,063</u></u>	

CITY OF HALF MOON BAY  
 OPPORTUNITY CENTER COASTSIDE SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2024

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$20,177	\$19,873	(\$304)
Rents and leases		13,000	13,000
Intergovernmental revenues	<u>3,350,000</u>	<u>231,490</u>	<u>(3,118,510)</u>
Total revenues	<u>3,370,177</u>	<u>264,363</u>	<u>(3,105,814)</u>
Expenditures:			
Current:			
Community and economic development	<u>2,470,000</u>	<u>886,000</u>	<u>1,584,000</u>
Excess of revenues over expenditures	<u>900,177</u>	<u>(621,637)</u>	<u>(1,521,814)</u>
Other financing sources:			
Transfers out	<u>(500,000)</u>		<u>500,000</u>
Net change in fund balance	<u>\$400,177</u>	<u>(621,637)</u>	<u>(\$1,021,814)</u>
Fund balance at beginning of year		<u>651,346</u>	
Fund balance at end of year		<u>\$29,709</u>	

CITY OF HALF MOON BAY  
 JUDGMENT OBLIGATION BONDS DEBT SERVICE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2024

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$100	\$157	\$57
Total revenues	100	157	57
Net change in fund balance	\$100	157	\$57
Fund balance at beginning of year		6,268	
Fund balance at end of year		\$6,425	

CITY OF HALF MOON BAY  
LIBRARY CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2024

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$6,400	\$23,029	\$16,629
Intergovernmental revenues			
Total revenues	6,400	23,029	16,629
Net change in fund balance	\$6,400	23,029	\$16,629
Fund balance at beginning of year		426,155	
Fund balance at end of year		\$449,184	

CITY OF HALF MOON BAY  
PUBLIC FACILITIES CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	<u>\$39,402</u>	<u>\$65,700</u>	<u>\$26,298</u>
Total revenues	<u>39,402</u>	<u>65,700</u>	<u>26,298</u>
Expenditures:			
Capital outlay	<u>1,342,399</u>	<u>777,060</u>	<u>565,339</u>
Total expenditures	<u>1,342,399</u>	<u>777,060</u>	<u>565,339</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,302,997)</u>	<u>(711,360)</u>	<u>591,637</u>
Other financing sources (uses):			
Transfers in	150,000	150,000	
Transfers out	(400,000)		400,000
Issuance of long-term debt			
Total other financing sources (uses)	<u>(250,000)</u>	<u>150,000</u>	<u>400,000</u>
Net change in fund balance	<u><u>(\$1,552,997)</u></u>	<u>(561,360)</u>	<u><u>\$991,637</u></u>
Fund balance at beginning of year		<u>2,069,570</u>	
Fund balance at end of year		<u><u>\$1,508,210</u></u>	

CITY OF HALF MOON BAY  
STORM DRAIN IMPROVEMENTS CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2024

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u>        </u>	<u>        </u>	<u>        </u>
Revenues:			
Charges for services	\$7,900		(\$7,900)
Investment income	35,918	\$57,700	21,782
	<u>        </u>	<u>        </u>	<u>        </u>
Total revenues	43,818	57,700	13,882
	<u>        </u>	<u>        </u>	<u>        </u>
Expenditures:			
Current:			
Public works	56,048	50,465	5,583
Capital outlay	1,804,691	573,200	1,231,491
	<u>        </u>	<u>        </u>	<u>        </u>
Total expenditures	1,860,739	623,665	1,237,074
	<u>        </u>	<u>        </u>	<u>        </u>
Excess of revenues over expenditures	(1,816,921)	(565,965)	1,250,956
	<u>        </u>	<u>        </u>	<u>        </u>
Other financing sources:			
Transfers in	878,000	829,613	(48,387)
Transfers out	(53,809)	(3,809)	50,000
	<u>        </u>	<u>        </u>	<u>        </u>
Total other financing sources	824,191	825,804	1,613
	<u>        </u>	<u>        </u>	<u>        </u>
Net change in fund balance	(\$992,730)	259,839	\$1,252,569
	<u>        </u>	<u>        </u>	<u>        </u>
Fund balance at beginning of year		1,126,878	
		<u>        </u>	
Fund balance at end of year		\$1,386,717	
		<u>        </u>	

**CITY OF HALF MOON BAY, CALIFORNIA**  
**INTERNAL SERVICE FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2024**

Internal Service Funds are used to account for the financing of goods and services provided by one City department or agency to other departments or agencies of the City, or to other government units on a cost- reimbursement basis (including depreciation).

The *Equipment* (Fund 302) and *Vehicle Replacement* (Fund 301) *Fund* is used to account for replacement of furniture, fixtures, equipment, and vehicles. These funds cover the cost of repair, maintenance and replacement of City vehicles and provide for the service, maintenance of the management information systems, leased copiers and leased postage meter. Revenues are derived from charges to user departments (all funds) based on usage.

The *Risk Management Fund* (Fund 303) administers the City's general insurance and workers compensation programs with the goals of reducing insurance-related costs, maintain appropriate levels of coverage and to build for contingent legal reserves.

The *Pension Stabilization Fund* (Fund 304) stabilizes major fluctuations in annual pension costs driven by market factors and actuarial changes.

CITY OF HALF MOON BAY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2024

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Assets				
Current Assets:				
Cash and investments	\$1,089,392	\$3,835,865	\$1,495,313	\$6,420,570
Accounts receivable				
Interest receivable	9,812	36,755	14,227	60,794
Total Current Assets	<u>1,099,204</u>	<u>3,872,620</u>	<u>1,509,540</u>	<u>6,481,364</u>
Non-current assets:				
Net OPEB asset		2,766		2,766
Capital assets, net of Accumulated depreciation	362,513			362,513
Total Assets	<u>1,461,717</u>	<u>3,875,386</u>	<u>1,509,540</u>	<u>6,846,643</u>
Deferred outflow of resources				
Related to OPEB		1,131		1,131
Total Deferred Outflows of Resources		<u>1,131</u>		<u>1,131</u>
Liabilities				
Current Liabilities:				
Accounts payable	32,537	7,010		39,547
Claims liability		1,670,731		1,670,731
Total Liabilities	<u>32,537</u>	<u>1,677,741</u>		<u>1,710,278</u>
Deferred inflow of resources				
Related to OPEB		831		831
Total Deferred Inflows of Resources		<u>831</u>		<u>831</u>
Net Position				
Net position:				
Invested in capital assets	362,513			362,513
Restricted for OPEB		3,066		3,066
Unrestricted	1,066,667	2,194,879	1,509,540	4,771,086
Total Net Position	<u>\$1,429,180</u>	<u>\$2,197,945</u>	<u>\$1,509,540</u>	<u>\$5,136,665</u>

CITY OF HALF MOON BAY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2024

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Operating revenues:				
Impact fees				
Total operating revenues				
Operating expenses:				
Salaries and wages	105,779	\$168,076	\$455,753	729,608
Contract services	48,612	5,220		53,832
Services and supplies	343,372			343,372
Repairs and maintenance	43,599			43,599
Insurance expense		1,079,413		1,079,413
Pension			457,721	457,721
Depreciation	79,683			79,683
Other charges		240		240
Total operating expenses	621,045	1,252,949	913,474	2,787,468
Operating income (loss)	(621,045)	(1,252,949)	(913,474)	(2,787,468)
Non-operating revenues (expenses):				
Investment income	47,202	178,746	50,729	276,677
Total non-operating revenues	47,202	178,746	50,729	276,677
Capital contributions	53,928			53,928
Transfers in	633,402	662,431	913,474	2,209,307
Change in net position	113,487	(411,772)	50,729	(247,556)
Net position at beginning of year	1,315,693	2,609,717	1,458,811	5,384,221
Net position at end of year	\$1,429,180	\$2,197,945	\$1,509,540	\$5,136,665

CITY OF HALF MOON BAY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2024

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Cash flows from operating activities:				
Cash received from department users				
Cash payments to suppliers of goods and services	(433,331)	(479,348)		(912,679)
Cash payments to employees for services	(105,779)	(168,071)	(913,474)	(1,187,324)
Net cash provided by (used for) operating activities	(539,110)	(647,419)	(913,474)	(2,100,003)
Cash flows from non-capital financing activities:				
Transfer in	633,402	662,431	913,474	2,209,307
Net cash provided by (used for) non-capital financing activities	633,402	662,431	913,474	2,209,307
Cash flows form capital and related financing activities:				
Acquisition of capital assets				
Net cash provided by (used for) capital and related financing activities				
Cash flows from investing activities:				
Interest received on investments	43,513	168,576	46,924	259,013
Net cash provided by investing activities	43,513	168,576	46,924	259,013
Net increase (decreased) in cash and cash equivalents	137,805	183,588	46,924	368,317
Cash and cash equivalents at beginning of year	951,587	3,652,277	1,448,389	6,052,253
Cash and cash equivalents at end of year	\$1,089,392	\$3,835,865	\$1,495,313	\$6,420,570
Reconciliation of operating income to net cash flows provided by operating activities:				
Operating income (loss)	(\$621,045)	(\$1,252,949)	(\$913,474)	(\$2,787,468)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	79,683			79,683
(Increase) in accounts receivable	1,212			1,212
Increase (Decreased) in accounts payable	1,040	(376)		664
Increase (Decreased) in employees benefits		5		5
Increase (Decreased) in claims liability		605,901		605,901
Net cash provided by (used for) operating activities	(539,110)	(647,419)	(913,474)	(2,100,003)
Non-cash transactions:				
Capital contributions	\$53,928			\$53,928

**STATISTICAL SECTION**



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**CITY OF HALF MOON BAY, CALIFORNIA**

**STATISTICAL SECTION**

**FISCAL YEAR ENDED JUNE 30, 2024**

This part of the City's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

**Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the ability to issue additional debt in the future.

**Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue sources.

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**Operating Information**

These schedules contain service data to help the reader understand how the information in the City's financial report relates to the services the City's provides and the activities it performs.

**Property Tax Information**

These schedules contain information to help the reader assess the City's property tax sources and changes.

**Note:** Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant years.

**CITY OF HALF MOON BAY**

**Net Position by Component**

**Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Governmental activities:										
Invested in capital assets, net of related debt	\$ 37,550,877	\$ 40,513,950	\$ 46,399,149	\$ 63,168,981	\$ 60,800,162	\$ 62,744,013	\$ 67,193,002	\$ 68,275,626	\$ 71,854,949	\$ 76,826,570
Restricted	18,540,842	19,779,956	22,157,470	25,844,530	27,738,822	16,416,110	19,871,245	21,340,221	22,502,708	25,081,978
Unrestricted	26,042,003	34,369,708	28,173,022	17,010,742	25,475,062	35,553,961	34,061,834	38,471,511	41,909,085	38,119,541
Total governmental activities net position	<u>\$ 82,133,722</u>	<u>\$ 94,663,614</u>	<u>\$ 96,729,641</u>	<u>\$ 106,024,253</u>	<u>\$ 114,014,046</u>	<u>\$ 114,714,084</u>	<u>\$ 121,126,081</u>	<u>\$ 128,087,358</u>	<u>\$ 136,266,742</u>	<u>\$ 140,028,089</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 3,970,876	\$ 3,871,356	\$ 3,816,994	\$ 4,490,973	\$ 4,566,718	\$ 4,587,090	\$ 6,199,508	\$ 6,948,434	\$ 6,981,850	\$ 6,831,129
Restricted	-	-	-	5,946,230	6,385,095	8,692,609	9,377,687	9,554,843	10,092,582	11,397,062
Unrestricted	19,063,158	20,635,855	21,900,766	14,129,580	13,683,606	11,937,949	8,461,534	5,502,097	4,637,048	3,569,939
Total business-type activities net position	<u>\$ 23,034,034</u>	<u>\$ 24,507,211</u>	<u>\$ 25,717,766</u>	<u>\$ 24,566,783</u>	<u>\$ 24,635,419</u>	<u>\$ 25,217,648</u>	<u>\$ 24,038,729</u>	<u>\$ 22,005,374</u>	<u>\$ 21,711,480</u>	<u>\$ 21,798,130</u>
Primary government:										
Invested in capital assets, net of related debt	\$ 41,521,753	\$ 44,385,306	\$ 50,216,143	\$ 67,659,954	\$ 65,366,880	\$ 67,331,103	\$ 73,392,510	\$ 75,224,060	\$ 78,836,799	\$ 83,657,699
Restricted	18,540,842	19,779,956	22,157,470	31,790,760	34,123,917	25,108,719	29,248,932	30,895,064	32,595,290	36,479,040
Unrestricted	45,105,161	55,005,563	50,073,788	31,140,322	39,158,668	47,491,910	42,523,368	43,973,608	46,546,133	41,689,480
Total primary government net position <sup>(1)</sup>	<u>\$ 105,167,756</u>	<u>\$ 119,170,825</u>	<u>\$ 122,447,401</u>	<u>\$ 130,591,036</u>	<u>\$ 138,649,465</u>	<u>\$ 139,931,732</u>	<u>\$ 145,164,810</u>	<u>\$ 150,092,732</u>	<u>\$ 157,978,222</u>	<u>\$ 161,826,219</u>

<sup>(1)</sup> The \$12.5 million increase in primary government net position in FY 2015-16 is primarily attributable to higher tax revenues and a contribution of \$6.0 million from the County of the library construction capital project that is scheduled to commence during fiscal year 2016-17.

The \$3.5 million increase in primary government net position in FY 2016-17 is primarily attributable to investment in infrastructure and capital projects.

The \$8.4 million increase in primary government net position in FY 2017-18 is primarily attributable to investment in capital projects.

The \$8.0 million increase in primary government net position in FY 2018-19 is primarily attributable to higher tax and general revenues

The \$700 thousand increase in primary government net position in FY 2019-20 is primarily attributable to increased investments in capital assets

The \$5.2 million increase in primary government net position in FY 2020-21 is primarily attributable to a higher than expected revenues and lower expenditures budgeted

The \$4.9 million increase in primary government net position in FY 2021-22 is primarily attributable to a higher than expected tax revenues

The \$7.8 million increase in primary government net position in FY2022-23 is primarily due to increased operating grants and contributions, other revenues and the sewer charges as approved through the Prop 218 process in fiscal year 2019-21

The \$3.8 million increase in primary government net position in FY2023-24 is primarily due to increased capital contributions and grants.

**CITY OF HALF MOON BAY**

**Changes in Net Position**

**Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 2,190,464	\$ 3,725,642	\$ 3,940,242	\$ 5,030,648	\$ 4,722,479	\$ 4,981,025	\$ 5,175,257	\$ 6,008,499	\$ 6,018,989	\$ 7,811,794
Public safety	3,901,511	3,449,122	5,183,033	3,878,176	3,975,865	4,631,203	4,743,620	5,017,087	5,275,682	6,875,457
Public works	2,605,015	2,670,228	3,314,879	3,801,624	3,506,195	3,754,258	2,817,305	2,765,717	4,129,117	6,255,645
Recreation services	282,251	337,331	348,604	926,730	1,167,467	1,808,657	1,942,872	2,823,410	597,127	1,534,752
Planning	1,081,255	1,952,892	2,427,687	2,603,389	2,784,468	3,286,029	2,764,254	2,779,608	2,965,787	3,931,872
Community and Economic Development									843,267	1,894,276
Interest and fiscal charges	1,053,237	937,704	937,704	937,704	937,704	468,852	-	-	-	-
Total governmental activities expenses	<u>11,113,733</u>	<u>13,072,919</u>	<u>16,152,149</u>	<u>17,178,271</u>	<u>17,094,178</u>	<u>18,930,024</u>	<u>17,443,308</u>	<u>19,394,321</u>	<u>19,829,969</u>	<u>28,303,796</u>
<b>Business-type activities:</b>										
Sewer	4,078,003	2,943,013	2,966,613	4,757,056	4,562,513	5,950,383	5,670,214	6,042,199	5,998,227	6,685,640
Total business-type activities expenses	<u>4,078,003</u>	<u>2,943,013</u>	<u>2,966,613</u>	<u>4,757,056</u>	<u>4,562,513</u>	<u>5,950,383</u>	<u>5,670,214</u>	<u>6,042,199</u>	<u>5,998,227</u>	<u>6,685,640</u>
Total primary government expenses	<u>15,191,736</u>	<u>16,015,932</u>	<u>19,118,762</u>	<u>21,935,327</u>	<u>21,656,691</u>	<u>24,880,407</u>	<u>23,113,522</u>	<u>25,436,520</u>	<u>25,828,196</u>	<u>34,989,436</u>
<b>Program revenues:</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$ 105,737	\$ 98,171	\$ 20,738	\$ 29,879	\$ 97,755	\$ 94,986	\$ 17,962	\$ 646,363	\$ 687,941	\$ 487,874
Public safety	107,738	118,204	95,883	961,407	64,011	159,631	138,299	105,983	79,661	120,980
Public works	423,449	407,342	452,260	672,979	392,876	332,903	383,211	360,649	442,582	432,066
Recreation services	550,144	588,890	624,771	841,581	630,725	494,433	987,511	1,176,088	1,113,689	1,166,447
Planning	457,237	560,073	505,373	213,701	293,316	165,686	314,178	520,110	558,369	298,171
Operating grants and contributions	1,903,151	390,970	1,166,559	932,873	1,390,373	786,552	4,123,613	2,544,520	3,628,574	1,285,182
Capital grants and contributions	596,856	7,915,220	607,526	6,940,211	5,090,594	627,168	3,145,690	1,647,350	1,677,758	6,738,537
Total governmental activities program revenues	<u>4,144,312</u>	<u>10,078,870</u>	<u>3,473,110</u>	<u>10,592,631</u>	<u>7,959,650</u>	<u>2,661,359</u>	<u>9,110,464</u>	<u>7,001,063</u>	<u>8,188,574</u>	<u>10,529,257</u>
<b>Business-type activities:</b>										
Charges for services:										
Sewer	5,105,502	4,715,919	4,524,358	4,261,126	4,533,846	4,540,020	4,477,159	5,005,399	5,994,167	6,207,200
Operating grants and contributions	45,628	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	1,304,480
Total business-type activities program revenues	<u>5,151,130</u>	<u>4,715,919</u>	<u>4,524,358</u>	<u>4,261,126</u>	<u>4,533,846</u>	<u>4,540,020</u>	<u>4,477,159</u>	<u>5,005,399</u>	<u>5,994,167</u>	<u>7,511,680</u>
Total primary government program revenues	<u>9,295,442</u>	<u>14,794,789</u>	<u>7,997,468</u>	<u>14,853,757</u>	<u>12,493,496</u>	<u>7,201,379</u>	<u>13,587,623</u>	<u>12,006,462</u>	<u>14,182,741</u>	<u>18,040,937</u>
<b>Net revenues (expenses):</b>										
Governmental activities	\$ (6,969,421)	\$ (2,994,049)	\$ (12,679,039)	\$ (6,585,640)	\$ (9,134,528)	\$ (16,268,665)	\$ (8,332,844)	\$ (12,393,258)	\$ (11,641,395)	\$ (17,774,539)
Business-type activities	1,073,127	1,772,906	1,557,745	(495,930)	(28,667)	(1,410,363)	(1,193,055)	(1,036,800)	(4,060)	826,040
Total net revenues (expenses) <sup>(2)</sup>	<u>(5,896,294)</u>	<u>(1,221,143)</u>	<u>(11,121,294)</u>	<u>(7,081,570)</u>	<u>(9,163,195)</u>	<u>(17,679,028)</u>	<u>(9,525,899)</u>	<u>(13,430,058)</u>	<u>(11,645,455)</u>	<u>(16,948,499)</u>

**CITY OF HALF MOON BAY**

**Changes in Net Position**

**Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>General revenues and other changes in net position:</b>										
<b>Governmental activities:</b>										
Taxes:										
Property taxes	\$ 2,871,413	\$ 3,116,710	\$ 3,126,884	\$ 3,379,657	\$ 3,613,782	\$ 3,667,867	\$ 3,582,161	\$ 4,592,317	\$ 4,129,317	\$ 4,283,589
Sales and use taxes	3,862,041	4,068,786	2,514,852	2,836,614	2,804,748	3,042,265	2,929,586	3,358,759	3,315,341	3,665,449
Transient occupancy taxes	5,433,394	5,935,558	6,024,855	6,434,808	6,828,108	5,291,821	4,817,532	9,442,518	8,852,640	8,167,938
Other taxes	832,390	808,224	919,666	1,038,546	1,242,286	1,346,187	1,304,943	1,341,327	1,276,299	1,343,633
Investment income	798,406	811,191	583,497	703,351	1,188,804	2,257,971	(96,482)	(702,830)	865,654	2,439,990
Other general revenues	779,392	783,472	1,575,312	1,386,752	1,446,593	1,362,594	2,207,101	1,322,444	1,381,527	652,986
Transfers										982,301
Total governmental activities	<u>14,577,036</u>	<u>15,523,941</u>	<u>14,745,066</u>	<u>15,779,728</u>	<u>17,124,321</u>	<u>16,968,705</u>	<u>14,744,841</u>	<u>19,354,535</u>	<u>19,820,778</u>	<u>21,535,886</u>
<b>Business-type activities:</b>										
Investment income	63,696	93,088	135,003	195,743	332,868	382,491	(49,678)	(155,664)	129,865	242,911
Miscellaneous	(250,000)	(392,817)	(482,199)	(857,213)	(235,565)	1,610,101	63,814	(840,891)	(419,699)	
Transfers										(982,301)
Total business-type activities	<u>(186,304)</u>	<u>(299,729)</u>	<u>(347,196)</u>	<u>(661,470)</u>	<u>97,303</u>	<u>1,992,592</u>	<u>14,136</u>	<u>(996,555)</u>	<u>(289,834)</u>	<u>(739,390)</u>
Total primary government	<u>14,390,732</u>	<u>15,224,212</u>	<u>14,397,870</u>	<u>15,118,258</u>	<u>17,221,624</u>	<u>18,961,297</u>	<u>14,758,977</u>	<u>18,357,980</u>	<u>19,530,944</u>	<u>20,796,496</u>
<b>Changes in net position:</b>										
Governmental activities	\$ 7,607,615	\$ 12,529,892	\$ 2,066,027	\$ 9,194,088	\$ 7,989,793	\$ 700,040	\$ 6,411,997	\$ 6,961,277	\$ 8,179,383	\$ 3,761,347
Business-type activities	886,823	1,473,177	1,210,549	(1,157,400)	68,636	582,229	(1,178,919)	(2,033,355)	(293,894)	86,650
Total primary government <sup>(1)</sup>	<u>\$ 8,494,438</u>	<u>\$ 14,003,069</u>	<u>\$ 3,276,576</u>	<u>\$ 8,036,688</u>	<u>\$ 8,058,429</u>	<u>\$ 1,282,269</u>	<u>\$ 5,233,078</u>	<u>\$ 4,927,922</u>	<u>\$ 7,885,489</u>	<u>\$ 3,847,997</u>

<sup>(1)</sup> Change in Net Assets in Primary Government:

FY 2014-15 increase in net position of \$8.5 million is primarily due to higher tax revenues and timing of sewer-related capital spending.

FY 2015-16 increase in net position of \$14 million is primarily due to higher tax revenues and timing of sewer-related capital spending.

FY 2016-17 increase in net position of \$3.2 million is primarily due to investment in infrastructure and capital projects.

FY 2017-18 increase in net position of \$8 million is primarily due to investment in capital projects.

The \$8.0 million increase in primary government net position in FY 2018-19 is primarily attributable to higher tax and general revenues

FY 2020-21 increase in net position of \$5.2 million is primarily due to higher revenues from capital and operating grants/contributions

FY 2021-22 increase in net position of \$4.9 million is primarily due to higher revenues from transient occupancy taxes

FY 2022-23 increase in net position of \$7.8 million is primarily due to increased operating grants and contributions, other revenues and the sewer charges as approved through the Prop 218 process in fiscal year 2019-20

FY 2023-24 increase in net position of \$3.8 million is primarily due to increased capital contributions and grants.

<sup>(2)</sup> Total net expenses in FY 2019-20 increased by \$8.5 million primarily for the final \$10.9 million payment of the judgement obligation bond

**CITY OF HALF MOON BAY**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
General fund:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	3,012,735	2,909,550	5,070,257	5,070,257	5,146,354	7,300,642	7,271,604	8,999,117	9,841,012	11,091,587
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	6,529,822	7,829,894	5,986,903	4,892,195	5,809,910	3,333,510	3,869,096	6,586,036	6,386,892	3,276,343
Total general fund <sup>(1)</sup>	<u>\$ 9,542,557</u>	<u>\$ 10,739,444</u>	<u>\$ 11,057,160</u>	<u>\$ 9,962,452</u>	<u>\$ 10,956,264</u>	<u>\$ 10,634,152</u>	<u>\$ 11,140,700</u>	<u>\$ 15,585,153</u>	<u>\$ 16,227,904</u>	<u>\$ 14,367,930</u>
All other governmental funds:										
Nonspendable	\$ 26,823,920	\$ -	\$ -	\$ -	\$ 26,823,920	\$ 26,823,920	\$ 26,823,920	\$ 26,823,920	\$ 26,823,920	\$ 26,823,920
Restricted	23,288,017	31,602,450	23,288,663	25,844,530	27,738,822	16,416,110	19,871,245	21,340,221	22,258,032	24,590,954
Committed	-	26,823,920	26,823,920	26,823,920	-	-	-	-	-	-
Assigned	-	-	5,611,038	2,161,189	1,244,495	2,806,125	3,069,792	2,288,175	3,215,073	2,233,226
Unassigned	-	-	-	-	2,364,020	-	-	-	-	-
Total all other governmental funds <sup>(2)</sup>	<u>\$ 50,111,937</u>	<u>\$ 58,426,370</u>	<u>\$ 55,723,621</u>	<u>\$ 54,829,639</u>	<u>\$ 58,171,257</u>	<u>\$ 46,046,155</u>	<u>\$ 49,764,957</u>	<u>\$ 50,452,316</u>	<u>\$ 52,297,025</u>	<u>\$ 53,648,100</u>

<sup>(1)</sup> General Fund:

FY 2014-15 Nonspendable fund balance decrease is due to the land held for resale transfer from the General Fund to the newly created Land Asset Fund.  
FY 2015-16 Unassigned fund balance increase is primarily due to increase in tax revenue.  
FY 2016-17 Unassigned fund balance decrease is primarily due to increased investment in capital projects.  
FY 2017-18 Unassigned fund balance decrease is primarily due to investment in capital projects.  
FY 2018-19 Unassigned fund balance increase is primarily due to in tax and general revenues  
FY 2019-20 Unassigned fund balance decrease is primarily due to lower revenues from TOT  
FY 2020-21 Unassigned fund balance increased primarily due to unexcepted revenue overperformance in TOT  
FY 2021-22 Unassigned fund balance increased primarily due to unexcepted revenue overperformance in TOT and vehicle in-lieu fees  
FY 2022-23 Unassigned fund balance decreased primarily due to a shortfall in Transient Occupancy tax revenues and more funds assigned to committed reverses per the City's Reserve Policy  
FY 2023-24 Unassigned fund balance decreased primarily due to increases in public safety expenditures and decreases in TOT revenues

<sup>(2)</sup> Other Governmental Funds:

FY 2014-15 Nonspendable fund balance increase is due to the land held for resale transfer from the General Fund to the newly created Land Asset Fund.  
FY 2015-16 Restricted fund balance increase is primarily due to a contribution of \$6.0 million from the County of San Mateo for the library construction project.  
FY 2016-17 \$2.7 million decrease is primarily due to progress on the Library Capital project.  
FY 2017-18 \$890,000 decrease is primarily due to progress on the Library Capital project.  
FY 2018-19 \$3.0 M increase is primarily due to progress in capital projects  
FY 2019-20 \$12.1 M decrease is primarily due to the final \$10.9 million payment of the Judgement Obligation Bond  
FY 2020-21 \$3.7 M increase is primarily due to the receipt of an one-time \$2.6 million in-lieu fee  
FY 2021-22 \$1 million increase is primarily due to capital contributions and funding for future capital expenditures  
FY 2022-23 \$1.8 million increase is primarily due to operating grants and funding for future capital expenditures  
FY 2023-24 \$1.3 million increase is primarily due to capital grants and contributions towards affordable housing efforts

**CITY OF HALF MOON BAY**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenues:</b>										
Taxes	\$ 12,999,238	\$ 13,929,278	\$ 12,586,257	\$ 13,638,171	\$ 14,448,702	\$ 13,180,918	\$ 12,223,462	\$ 18,670,447	\$ 17,500,650	17,575,488
Licenses and permits	394,931	379,749	444,388	370,269	377,873	521,121	597,590	543,965	1,062,066	306,282
Fines and forfeitures	83,812	102,202	79,132	171,873	189,415	140,238	108,937	70,383	32,232	81,445
Charges for services	765,457	806,642	701,163	1,255,479	1,165,640	1,173,171	1,306,842	1,552,251	1,432,304	1,454,141
Recreation fees/ Impact fees	625,166	717,469	1,173,275	1,065,005	2,700,943	304,827	2,988,507	188,114	296,256	-
Investment income	798,408	772,575	549,489	703,354	1,225,128	1,164,650	(75,704)	(722,249)	869,782	2,139,990
Rents and leases	-	20,000	10,080	87,536	75,603	-	-	-	63,728	91,135
Intergovernmental revenues	2,260,890	8,058,785	1,069,157	1,910,615	2,074,855	1,506,209	4,232,648	4,008,756	4,714,737	8,023,719
Administrative fees	65	-	-	-	-	-	-	-	-	-
Miscellaneous	519,595	400,376	1,089,034	908,337	1,325,476	779,514	1,877,238	1,146,003	970,404	833,965
<b>Total revenues</b>	<b>18,447,562</b>	<b>25,187,076</b>	<b>17,701,975</b>	<b>20,110,639</b>	<b>23,583,635</b>	<b>18,770,648</b>	<b>23,259,520</b>	<b>25,457,670</b>	<b>26,942,159</b>	<b>30,506,165</b>
<b>Expenditures</b>										
<b>Current:</b>										
General government	2,727,404	3,582,831	3,143,214	3,968,569	3,445,355	3,281,719	3,543,362	3,954,480	4,976,923	5,360,469
Public safety	946,395	1,083,666	3,610,736	3,689,490	3,727,302	4,104,603	4,394,717	4,539,399	4,920,995	6,476,428
Public works	3,089,741	3,208,099	1,639,299	1,768,330	2,147,231	2,301,920	2,110,852	2,077,238	2,449,832	2,492,143
Recreation services	1,987,691	1,347,508	176,497	701,405	896,854	976,977	1,109,425	1,876,093	524,211	538,827
Planning services	142,020	183,328	2,353,980	2,505,066	2,686,651	3,156,081	2,662,112	2,628,557	2,873,331	4,065,293
Community and Economic Development	-	-	-	-	-	-	-	-	843,267	1,894,276
Capital outlay	2,745,770	4,437,029	7,766,781	18,996,455	5,027,468	4,088,777	5,955,565	3,038,936	6,442,855	8,435,024
<b>Debt service:</b>										
Principal retirement <sup>(1)</sup>	4,655,000	-	-	-	-	11,487,686	-	1,191,724	620,197	3,628,582
Interest and fiscal charges	1,053,237	937,704	937,704	937,704	937,704	468,852	-	68,277	55,105	97,016
<b>Total expenditures</b>	<b>17,347,258 <sup>(2)</sup></b>	<b>14,780,165</b>	<b>19,628,211</b>	<b>32,567,019</b>	<b>18,868,565</b>	<b>29,866,615</b>	<b>19,776,033</b>	<b>19,374,704</b>	<b>23,706,716</b>	<b>32,988,058</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,100,304</b>	<b>10,406,911</b>	<b>(1,926,236)</b>	<b>(12,456,380)</b>	<b>4,715,070</b>	<b>(11,095,967)</b>	<b>3,483,487</b>	<b>6,082,966</b>	<b>3,235,443</b>	<b>(2,481,893)</b>
<b>Other financing sources (uses):</b>										
Advanced Proceeds from San Mateo County	-	-	-	5,726,855	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	2,035,000	421,373	693,387	3,200,000
Capital grants	-	-	-	5,726,855	726,000	-	-	-	-	-
Transfers in <sup>(2)</sup>	35,780,529	5,285,654	5,059,687	5,024,534	3,216,998	7,026,829	2,107,524	5,334,717	5,247,526	4,056,898
Transfers out <sup>(2)</sup>	(36,062,453)	(6,181,245)	(5,518,484)	(6,010,554)	(4,322,638)	(8,378,076)	(3,400,661)	(6,707,244)	(6,688,896)	(5,283,904)
<b>Total other financing sources (uses)</b>	<b>(281,924)</b>	<b>(895,591)</b>	<b>(458,797)</b>	<b>10,467,690</b>	<b>(379,640)</b>	<b>(1,351,247)</b>	<b>741,863</b>	<b>(951,154)</b>	<b>(747,983)</b>	<b>1,972,994</b>
<b>Net change in fund balances <sup>(3)</sup></b>	<b>\$ 818,380</b>	<b>\$ 9,511,320</b>	<b>\$ (2,385,033)</b>	<b>\$ (1,988,690)</b>	<b>\$ 4,335,430</b>	<b>\$ (12,447,214)</b>	<b>\$ 4,225,350</b>	<b>\$ 5,131,812</b>	<b>\$ 2,487,460</b>	<b>\$ (508,899)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>39.1%</b>	<b>9.1%</b>	<b>7.9%</b>	<b>6.9%</b>	<b>6.8%</b>	<b>46.4%</b>	<b>0.0%</b>	<b>7.7%</b>	<b>3.9%</b>	<b>15.2%</b>

<sup>(1)</sup> In FY 2014-15 the City elected to completely pay off the 2009A Judgement Obligation Bonds. In FY 2019-20 the city paid off the 2009B Judgement Obligation Bond

<sup>(2)</sup> The increase in transfers in FY 2014-15 is primarily due to the creation of and transfers to the Land Asset Capital Project Fund (\$26.8 million) and the Library Capital Fund

<sup>(3)</sup> The net change in fund balance of \$15.6 million in FY 2012-13 is primarily due to receipt of one time insurance payment (\$13.2 million), increase in general taxes, and revenue from the law enforcement services contract amendment that was negotiated in FY 2012-13.

The net change in fund balance of \$2.7 million in FY 2013-14 is higher tax revenues and grants received.

The net change in fund balance of \$9.5 million in FY 2015-16 is primarily due to higher tax revenues and a contribution of \$6.0 million from the County of San Mateo for the library construction capital project that is scheduled to commence during fiscal year 2016-17.

The net decrease in fund balance of \$2.4 million in FY 2016-17 is primarily due to progress on the Library Capital project.

The net decrease in fund balance of \$1.9 million in FY 2017-18 is primarily due to progress on the Library Capital project.

The net increase in fund balance of \$4.3 million in FY 2018-19 is primarily due to increase in revenues and decrease in library project expenditures

The net decrease in fund balance of \$12.4 million in FY 2019-20 is primarily due to the final \$10.9 million payoff the judgement obligation bond

The net increase in fund balance of \$4.2 million in FY 2020-21 is primarily due to higher revenues than anticipated

The net increase in fund balance of \$5.1 million in FY 2021-22 is primarily due to higher tax revenues

The net increase in fund balance of \$2.4 million in FY 2022-23 is primarily due to increased investment income and intergovernmental revenues.

The net decrease in fund balance of \$508 thousand in FY 2023-24 is primarily due to expenditures outpacing revenues

**CITY OF HALF MOON BAY**  
**Transient Occupancy Tax (TOT) Rate**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	TOT Tax Rate
2015	12%
2016	12%
2017	12%
2018	12%
2019	12%
2020	12%
2021	12%
2022	14%
2023	15%
2024	15%

Source: City of Half Moon Bay Finance Department

**CITY OF HALF MOON BAY**

**Transient Occupancy Tax (TOT) by Lodging Type (BASE) <sup>(1)</sup>**

**Last Ten Fiscal Years**

**As of June 30th**

	June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>LODGING TYPE</b>										
Hotels/Motels	\$ 5,002,165	\$ 5,643,075	\$ 5,785,989	\$ 6,078,131	\$ 6,409,533	\$ 4,852,270	\$ 4,161,340	\$ 8,309,989	\$ 7,988,272	\$ 7,248,083
B&Bs/ Inns / Cottages	101,393	99,062	60,671	68,729	66,079	104,715	105,823	441,900	169,545	181,552
RV Parks/Camps	281,880	148,191	150,019	170,855	159,065	164,658	241,705	233,898	224,713	233,479
Vacation Rentals	45,105	44,230	43,790	115,398	218,561	170,178	308,664	456,731	470,110	504,824
Totals	\$ 5,430,543	\$ 5,934,558	\$ 6,040,468	\$ 6,433,114	\$ 6,853,237	\$ 5,291,821	\$ 4,817,532	\$ 9,442,518	\$ 8,852,640	\$ 8,167,938

<sup>(1)</sup> TOT information by individual establishment is confidential and therefore is not available to the public. TOT is the City's largest "own-source" revenue, as defined by GASB Statement No. 44.

Source: City of Half Moon Bay Finance Department

**CITY OF HALF MOON BAY**  
**Transient Occupancy Taxpayers by Type of Establishment**  
**Current Year and Ten Years Prior**

TOT Taxpayer Type	2023-24		2013-14	
	TOT Collected	Percent of Total TOT Revenues	TOT Collected	Percent of Total TOT Revenues
Hotels/Motels/Lodges	\$7,248,083	88.74%	\$ 4,583,970	92.09%
Bed & Breakfasts and Inns	\$181,552	2.22%	\$ 114,610	2.30%
RV Parks & Campgrounds	\$233,479	2.86%	\$ 243,467	4.89%
Vacation Rentals	\$504,824	6.18%	\$ 35,392	0.71%
	\$ 8,167,938	100.00%	\$ 4,977,439	100.00%

Source: City of Half Moon Bay Finance Department

**CITY OF HALF MOON BAY**  
**Ratios of Outstanding Debt by Type <sup>(1)</sup>**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Governmental Activities			Judgment Obligation Bonds	Total Governmental Activities <sup>(2)</sup>	Total Primary Government	Percentage of Personal Income <sup>(3)</sup>	Debt Per Capita
	Lease Financing	San Mateo County Advance						
2015	\$ -	\$ -	\$ 10,915,000	\$ 10,915,000	\$ 10,915,000	22.46%	\$ 931	
2016	-	-	10,915,000	10,915,000	10,915,000	21.33%	931	
2017	-	-	10,915,000	10,915,000	10,915,000	21.35%	871	
2018	-	-	10,915,000	10,915,000	10,915,000	20.29%	867	
2019	-	-	10,915,000	10,915,000	10,915,000	17.32%	864	
2020	-	5,154,170	-	5,154,170	5,154,170	8.03%	408	
2021	2,035,000	5,154,170	-	7,189,170	7,189,170	11.35%	556	
2022	2,410,020	4,008,798	-	6,418,818	6,418,818	9.17%	521	
2023	3,055,896	3,436,112	-	6,492,008	6,492,008	9.55%	581	
2024	3,200,000	2,863,426	-	6,063,426	6,063,426	7.58%	546	

<sup>(1)</sup> Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>(2)</sup> The City has no outstanding debt from Business-Type Activities.

<sup>(3)</sup> Population information was obtained from the United States Census Bureau

**CITY OF HALF MOON BAY**

**Ratio of General Bonded Debt Outstanding**

**Last Ten Fiscal Years  
(In Thousands, except Per Capita)**

Fiscal Year Ended June 30	Outstanding General Bonded Debt				Percent of Assessed Value <sup>(1)</sup>	Debt Per Capita
	Lease Revenue Bonds	Judgment Obligation Bonds	Total			
2015	\$ -	\$ 10,915	\$ 10,915	\$ 10,915	0.0005%	\$ 931
2016	-	10,915	10,915	10,915	0.0004%	931
2017	-	10,915	10,915	10,915	0.0004%	871
2018	-	10,915	10,915	10,915	0.0004%	867
2019	-	10,915	10,915	10,915	0.0004%	864
2020	-	-	-	-	0.0000%	-
2021	-	-	-	-	0.0000%	-
2022	-	-	-	-	0.0000%	-
2023	-	-	-	-	0.0000%	-
2024	-	-	-	-	0.0000%	-

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

<sup>(1)</sup> Assessed value has been used because the actual value of taxable property is not readily available in the State of California. Percentages less than 0.0000% are not shown.

**CITY OF HALF MOON BAY**

**Direct and Overlapping Debt**

**June 30, 2024**

2023-24 Assessed Value		\$ 3,957,919,060	
	Percentage Applicable <sup>(1)</sup>	Total Debt 6/30/2024	City's Share of Debt 06/30/24
Overlapping Tax and Assessment Debt:			
San Mateo Community College District	1.285%	\$ 682,237,216	\$ 8,766,748
Cabrillo Unified School District	45.864%	134,615,000	61,739,824
Midpeninsula Regional Open Space District	0.974%	80,700,000	786,018
Total Overlapping Tax and Assessment Debt		\$ 897,552,216	\$ 71,292,590
 <u>Ratio to Assessed Valuation:</u>			
Total Overlapping Tax and Assessment Debt			1.80%
Direct and Overlapping General Fund Debt:			
San Mateo County General Fund Obligations	1.285%	\$ 565,146,645	\$ 7,262,134
San Mateo County Board of Education Certificates of Participation	1.285%	5,735,000	73,695
Midpeninsula Regional Open Space District General Fund Obligations	0.974%	79,795,600	777,209
San Mateo County Mosquito and Vector Control District General Fund C	1.285%	3,404,654	43,750
Direct: City of Half Moon Bay Loan Agreement	100%	2,863,426	2,863,426
Direct: County of San Mateo Financing Agreement (880 Stone Pine)	100%	3,200,000	3,200,000
Total Direct Debt			\$ 6,063,426
Total Overlapping Debt			79,449,378
Combined Total Debt			\$ 85,512,804 <sup>(2)</sup>

1

- <sup>(1)</sup> The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- <sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2023-24 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.80%
Total Direct Debt (\$6,063,426)	0.15%
Combined Total Debt	2.16%

Source: California Municipal Statistics, Inc. (Austin Busch - Austin@calmuni.com)

**CITY OF HALF MOON BAY**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	June 30									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Assessed valuation	\$ 2,553,357,622	\$ 2,733,242,180	\$ 2,755,768,400	\$ 2,893,093,932	\$3,123,075,037	\$3,303,922,465	\$3,426,640,450	\$3,541,390,900	\$3,771,479,639	\$3,957,919,060
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	638,339,406	683,310,545	688,942,100	723,273,483	780,768,759	825,980,616	856,660,113	885,347,725	942,869,910	989,479,765
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	95,750,911	102,496,582	103,341,315	108,491,022	117,115,314	123,897,092	128,499,017	132,802,159	141,430,486	148,421,965
Total net debt applicable to limit:										
General obligation bonds	<u>10,915,000</u>	<u>10,915,000</u>	<u>10,915,000</u>	<u>10,915,000</u>	<u>10,915,000</u>	<u>10,915,000</u>	-	-	-	-
Legal debt margin	<u>\$ 84,835,911</u>	<u>\$ 91,581,582</u>	<u>\$ 92,426,315</u>	<u>\$ 97,576,022</u>	<u>\$ 106,200,314</u>	<u>\$ 112,982,092</u>	<u>\$ 128,499,017</u>	<u>\$ 132,802,159</u>	<u>\$ 141,430,486</u>	<u>\$ 148,421,965</u>
Total debt applicable to the limit as a percentage of debt limit	11.4%	10.6%	10.6%	10.1%	9.3%	8.8%	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for the parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25 % level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Sources: City Finance Department  
San Mateo County Tax Assessor Combined Tax Roll 650-363-4777

**CITY OF HALF MOON BAY**

**Principal Employers**

**6/30/2024 and Ten Years Prior**

Employer	2024		2014	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Ritz Carlton Hotel	275	9.44%	100	2.95%
New Leaf Community Market	105	3.60%	60	1.77%
Sam's Chowder House	98	3.36%	160	4.72%
Safeway Store	94	3.23%	115	3.40%
Rocket Farms Inc.	59	2.03%	131	3.87%
Pasta Moon Inc	49	1.68%		
Sea Crest School	49	1.68%		
Hassett Hardware	45	1.54%		
Mullins Bar and Grill	43	1.48%		
Beach House LLC	42	1.44%	44	1.30%
Its Italia Pizzeria			49	1.45%
Half Moon Bay Golf Links			48	1.42%
Damasco & Associates LLP			48	
CVS Pharmacy			43	1.27%
SP Plus				
San Benito House				
McMahon Floral				
Subtotal Top Ten Employers	859	29.49%	798	23.56%
Total Employment	<u>2,913</u>	<u>100.00%</u>	<u>3,387</u>	<u>100.00%</u>

"Total Employment" as used above represents the total employment of all employers with business licenses located within City limits.

Source: Employer information from City of Half Moon Bay HdL Business License System.

**CITY OF HALF MOON BAY**  
**Full-time Equivalent City Employees By Function**  
**Last Ten Fiscal Years**

<b>Function</b>	<b>June 30</b>									
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
General Government	17	18	19	19	19	21	17	20	20	21
Public Safety	-	-	-	-	-	-	-	-	-	-
Public Works/Maintenance	7	9	10	10	13	16	14	16	16	15
Community/Recreation Services	0	0	2	2	4	5	4	5	6	6
Planning	1	3	5	5	6	7	7	8	8	7
Total	<u>26</u>	<u>31</u>	<u>36</u>	<u>36</u>	<u>42</u>	<u>48</u>	<u>42</u>	<u>48</u>	<u>50</u>	<u>50</u>

Note: General government includes five City Council members as well as Administration and Finance staff.

Source: City of Half Moon Bay Finance Department

**CITY OF HALF MOON BAY**  
**Operating Indicators By Function**  
**Last Ten Fiscal Years**

	2015	2016	2017	2018	June 30 2019	2020	2021	2022	2023	2024
Police: <sup>(1)</sup>										
Arrests - Part 1 crimes	30	44	38	48	54	71	56	78	33	19
Traffic citations - Moving	436	527	489	921	2,128	2,517	1,664	1,819	636	568
Traffic citations - Parking	1,065	1,598	1,212	3,994	3,465	2,444	1,698	872	553	2,253
Parks and Recreation: <sup>(2)</sup>										
Number of recreation classes	87	88	75	159	105	123	41	112	99	91
Number of facility rentals <sup>(3)</sup>	42	110	88	324	397	389	200	459	407	552
Building and Code Enforcement: <sup>(4)</sup>										
Number of permits issued (est.)	487	413	460	413	473	450	352	456	441	405
Number of plan checks (est.)	110	105	220	166	205	237	185	157	200	150
Number of inspections (est.)	2,355	2,820	2,216	2,520	2,442	2,057	1,839	1,654	1,538	2,138
Planning: <sup>(3)</sup>										
Planning Commission Meetings	20	15	12	20	23	20	23	22	13	18
Number of permits processed	70	111	47	43	102	145	89	94	154	78

<sup>(1)</sup> The City started contracting with the San Mateo County Sheriff Office in June 2011. Traffic and parking citation counts for FY 2011-12 are from June 2011 to April 2012.

<sup>(2)</sup> In FY 2011-12, the City contracted out Recreation services to the City of San Carlos. In FY 2014-15, it changed to the Boys & Girls Club. All programs are provided directly to the public by the contractors.

<sup>(3)</sup> In FY 2016-17, the City re-assumed responsibility for the Parks and Recreation program. The facility rentals count for FY 2016-17 is estimated based on rental revenue received.

<sup>(4)</sup> Information will continue to be added as made available.

Sources: City of Half Moon Bay Departments

**CITY OF HALF MOON BAY**  
**Capital Asset Statistics By Function**  
**Last Ten Fiscal Years**

	2015	2016	2017	2018	2019	June 30 2020	2021	2022	2023	2024
<b>Police:</b>										
Sheriff Substation/EOC	1	1	1	1	1	1	1	1	1	1
<b>Public Works:</b>										
Streets (miles)	35	35	29	29	29	28	28	28	28	28
Parks	9	9	9	9	9	9	9	9	9	9
Community Centers	1	1	1	1	1	1	1	1	1	1
Sewer lines (miles)	37	37	37	37	37	38	38	38	38	38
Library					1	1	1	1	1	1
Facilities/Buildings	6	6	6	6	6	6	6	6	6	6
Bike Trails (miles)	6	7	7	7	7	7	7	7	7	7
Land (acres)	176	176	176	176	176	176	197	199	199	199
<b>Administration:</b>										
Facilities/Buildings	1	1	1	1	1	1	1	1	1	1

Source: City of Half Moon Bay Finance Department



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**INDEPENDENT AUDITOR REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Members of the City of Council  
City of Half Moon Bay, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the City of Half Moon Bay (City), California, as of and for the year ended June 30, 2024, and have issued our report thereon dated **DATE**.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated **DATE** which is an integral part of our audit and should be read in conjunction with this report.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pleasant Hill, California  
**DATE**

**BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY**

**AGENDA REPORT**

For meeting of: **December 3, 2024**

---

**TO:** Honorable Mayor and City Council

**VIA:** Matthew Chidester, City Manager

**FROM:** Jessica Blair, Communications Director / City Clerk  
Lisa Rossi, Administrative Services Director  
Kenneth Stiles, Finance Manager

**TITLE: MEASURE R – TRANSACTION AND USE (SALES) TAX IMPLEMENTATION**

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**RECOMMENDATION:**

By motion: 1) adopt a resolution authorizing the City Manager to execute agreements with the California Department of Tax and Fee Administration (CDTFA) for implementation of a local transactions and use tax; 2) adopt a resolution authorizing the examination of the sales, use, and transactions tax records for the City; and 3) appropriate \$175,000 of Measure R revenue for the preparatory costs incurred by the CDTFA necessary to administer the City’s transactions and use tax.

**FISCAL IMPACT:**

Measure R is projected to generate approximately \$2 million annually in additional sales tax revenue for the City’s General Fund. The sales tax increase will take effect on April 1, 2025, with the first remittance to the City anticipated in June 2025. The California Department of Tax and Fee Administration (CDTFA) will require one-time setup costs not to exceed \$175,000.

**STRATEGIC ELEMENT:**

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

**DISCUSSION:**

With the passage of Measure R at the General Election held on November 5, 2024, Ordinance No. 2024-06 was approved, amending the Half Moon Bay Municipal Code and imposing a half-cent transactions and use tax, operative April 2025.

The California Department of Tax and Fee Administration (CDTFA) is the state agency responsible for overseeing the collection and reporting of all sales taxes throughout the state. In its role as administrator, CDTFA collects sales taxes from retailers throughout the state and remits these revenues to cities, counties, and special districts, as applicable. The CDTFA requires two contracts

to be in place prior to the administration and collection of these taxes. Exhibit A to the Resolution (Attachment 1) is the “Preparatory Agreement” required by the CDTFA that sets forth the scope of work required to prepare to administer and operate a transactions and use tax. Exhibit B to the Resolution (Attachment 1) is the “Administrative Agreement” that presents the CDTFA terms for ongoing administration of the transactions and use tax.

The Preparatory Agreement presents a cost not to exceed \$175,000 to be paid to the CDTFA for developing procedures, programming for data processing, developing and adopting regulations, designing and printing forms, developing instructions for the CDTFA’s staff and taxpayers, and other appropriate and necessary costs. The Administration Agreement discusses the procedures for ongoing collection and distribution of the collected funds. The Administration Agreement requires the City to pay the ongoing costs for CDTFA to administer the City’s sales tax. Such amounts are set by law using the calculation method described in the Revenue & Taxation Code section 7273 and will be deducted from the taxes collected by CDTFA for the City.

The Resolution for examination of confidential records (Attachment 2) designates, by position title, those that are authorized to access confidential sales or transactions and use tax records.

The CDFTA deadline for all documents is December 27, 2024, to ensure timely implementation.

**ATTACHMENTS:**

1. Resolution authorizing the execution of Agreements with Exhibit A, City Preparatory Agreement and Exhibit B, City Administration Agreement
2. Resolution for examination of confidential record

**RESOLUTION NO. C-2024-\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY  
AUTHORIZING THE CITY MANAGER TO EXECUTE AGREEMENTS WITH THE CALIFORNIA  
DEPARTMENT OF TAX AND FEE ADMINISTRATION FOR IMPLEMENTATION OF A LOCAL  
TRANSACTIONS AND USE TAX**

**WHEREAS**, on July 16, 2024, the City Council, by resolution, approved placing Ordinance No. 2024-06, amending the City’s Municipal Code and providing for a local transactions and use tax before the voters for approval. Voters approved the local transactions and use tax at the November 5, 2024 General Municipal Election, and the City Council declared the results on December 16, 2024; and

**WHEREAS**, the California Department of Tax and Fee Administration (Department) administers and collects the transactions and use taxes for all applicable jurisdictions within the state; and

**WHEREAS**, the Department will be responsible to administer and collect the transactions and use tax for the City; and

**WHEREAS**, the Department requires that the City enter into a “Preparatory Agreement” and an “Administration Agreement” prior to implementation of said taxes; and

**WHEREAS**, the Department requires that the City Council authorize the agreements.

**NOW, THEREFORE BE IT RESOLVED THAT** the City Council of the City of Half Moon Bay hereby finds and determines that the “Preparatory Agreement” attached as Exhibit A and the “Administrative Agreement” attached as Exhibit B are hereby approved and the City Manager is hereby authorized to execute each agreement.

\*\*\*\*\*

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 3<sup>rd</sup> day of December, 2024 by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSTAIN, Councilmembers:

ABSENT, Councilmembers

ATTEST:

\_\_\_\_\_  
Jessica Blair, City Clerk

APPROVED:

\_\_\_\_\_  
Joaquin Jimenez, Mayor

**AGREEMENT FOR PREPARATION TO ADMINISTER AND OPERATE  
CITY'S TRANSACTIONS AND USE TAX ORDINANCE**

In order to prepare to administer a transactions and use tax ordinance adopted in accordance with the provision of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code, the City of Half Moon Bay, hereinafter called *City*, and the CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION, hereinafter called *Department*, do agree as follows:

1. The Department agrees to enter into work to prepare to administer and operate a transactions and use tax in conformity with Part 1.6 of Division 2 of the Revenue and Taxation Code which has been approved by a majority of the electors of the City and whose ordinance has been adopted by the City.

2. City agrees to pay to the Department at the times and in the amounts hereinafter specified all of the Department's costs for preparatory work necessary to administer the City's transactions and use tax ordinance. The Department's costs for preparatory work include costs of developing procedures, programming for data processing, developing and adopting appropriate regulations, designing and printing forms, developing instructions for the Department's staff and for taxpayers, and other appropriate and necessary preparatory costs to administer a transactions and use tax ordinance. These costs shall include both direct and indirect costs as specified in Section 11256 of the Government Code.

3. Preparatory costs may be accounted for in a manner which conforms to the internal accounting and personnel records currently maintained by the Department. The billings for costs may be presented in summary form. Detailed records of preparatory costs will be retained for audit and verification by the City.

4. Any dispute as to the amount of preparatory costs incurred by the Department shall be referred to the State Director of Finance for resolution, and the Director's decision shall be final.

5. Preparatory costs incurred by the Department shall be billed by the Department periodically, with the final billing within a reasonable time after the operative date of the ordinance. City shall pay to the Department the amount of such costs on or before the last day of the next succeeding month following the month when the billing is received.

6. The amount to be paid by City for the Department's preparatory costs shall not exceed one hundred seventy-five thousand dollars (\$175,000) (Revenue and Taxation Code Section 7272.)

7. Communications and notices may be sent by first class United States mail or through email at [jsservices@cdtfa.ca.gov](mailto:jsservices@cdtfa.ca.gov). If and when communications and notices may include confidential information, communications and notices must be sent through encrypted email at [jsservices@cdtfa.ca.gov](mailto:jsservices@cdtfa.ca.gov) or by mail. Communications and notices to be sent to the Department shall be addressed to:

California Department of Tax and Fee Administration  
P.O. Box 942879 MIC: 27  
Sacramento, California 94279-0027

Attention: Administrator  
Local Revenue Branch

Communications and notices to be sent to City shall be addressed to:

Lisa Rossi, Administrative Services Director  
501 Main Street, Half Moon Bay, CA, 94019  
\_\_\_\_\_

8. The date of this agreement is the date on which it is approved by the Department of General Services. This agreement shall continue in effect until the preparatory work necessary to administer City's transactions and use tax ordinance has been completed and the Department has received all payments due from City under the terms of this agreement.

CITY OF HALF MOON BAY

CALIFORNIA DEPARTMENT OF TAX  
AND FEE ADMINISTRATION

By \_\_\_\_\_  
(Signature)

By \_\_\_\_\_  
Administrator  
Local Revenue Branch

Matthew Chidester  
(Typed Name)

Date: \_\_\_\_\_

City Manager  
(Title)

Date: \_\_\_\_\_

**AGREEMENT FOR STATE ADMINISTRATION  
OF CITY TRANSACTIONS AND USE TAXES**

The City Council of the City of Half Moon Bay has adopted, and the voters of the City of Half Moon Bay (hereafter called “City” or “District”) have approved by the required majority vote, the City of Half Moon Bay Transactions and Use Tax Ordinance (hereafter called “Ordinance”), a copy of which is attached hereto. To carry out the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code and the Ordinance, the California State Department of Tax and Fee Administration, (hereinafter called the “Department”) and the City do agree as follows:

**ARTICLE I  
DEFINITIONS**

Unless the context requires otherwise, wherever the following terms appear in the Agreement, they shall be interpreted to mean the following:

1. "District taxes" shall mean the transactions and use taxes, penalties, and interest imposed under an ordinance specifically authorized by Revenue and Taxation code Section 7285.9, and in compliance with Part 1.6, Division 2 of the Revenue and Taxation Code.

2. "City Ordinance" shall mean the City's Transactions and Use Tax Ordinance referred to above and attached hereto, Ordinance No. 2024-06, as amended from time to time, or as deemed to be amended from time to time pursuant to Revenue and Taxation Code Section 7262.2.

**ARTICLE II  
ADMINISTRATION AND COLLECTION  
OF CITY TAXES**

**A. Administration.** The Department and City agree that the Department shall perform exclusively all functions incident to the administration and operation of the City Ordinance.

**B. Other Applicable Laws.** City agrees that all provisions of law applicable to the administration and operation of the Department Sales and Use Tax Law which are not inconsistent with Part 1.6 of Division 2 of the Revenue and Taxation Code shall be applicable to the administration and operation of the City Ordinance. City agrees that money collected pursuant to the City Ordinance may be deposited into the State Treasury to the credit of the Retail Sales Tax Fund and may be drawn from that Fund for any authorized purpose, including making refunds, compensating and reimbursing the Department pursuant to Article IV of this Agreement, and transmitting to City the amount to which City is entitled.

**C. Transmittal of money.**

1. For the period during which the tax is in effect, and except as otherwise provided herein, all district taxes collected under the provisions of the City Ordinance shall be transmitted to City periodically as promptly as feasible, but not less often than twice in each calendar quarter.

2. For periods subsequent to the expiration date of the tax whether by City's self-imposed limits or by final judgment of any court of the State of California holding that City's ordinance is invalid or void, all district taxes collected under the provisions of the City Ordinance shall be transmitted to City not less than once in each calendar quarter.

3. Transmittals may be made by mail or electronic funds transfer to an account of the City designated and authorized by the City. A statement shall be furnished at least quarterly indicating the amounts withheld pursuant to Article IV of this Agreement.

**D. Rules.** The Department shall prescribe and adopt such rules and regulations as in its judgment are necessary or desirable for the administration and operation of the City Ordinance and the distribution of the district taxes collected thereunder.

**E. Preference.** Unless the payor instructs otherwise, and except as otherwise provided in this Agreement, the Department shall give no preference in applying money received for state sales and use taxes, state-administered local sales and use taxes, and district transactions and use taxes owed by a taxpayer, but shall apply moneys collected to the satisfaction of the claims of the State, cities, counties, cities and counties, redevelopment agencies, other districts, and City as their interests appear.

**F. Security.** The Department agrees that any security which it hereafter requires to be furnished by taxpayers under the State Sales and Use Tax Law will be upon such terms that it also will be available for the payment of the claims of City for district taxes owing to it as its interest appears. The Department shall not be required to change the terms of any security now held by it, and City shall not participate in any security now held by the Department.

**G. Records of the Department.**

When requested by resolution of the legislative body of the City under section 7056 of the Revenue and Taxation Code, the Department agrees to permit authorized personnel of the City to examine the records of the Department, including the name, address, and account number of each seller holding a seller's permit with a registered business location in the City, pertaining to the ascertainment of transactions and use taxes collected for the City. Information obtained by the City from examination of the Department's records shall be used by the City only for purposes related to the collection of transactions and use taxes by the Department pursuant to this Agreement.

**H. Annexation.** City agrees that the Department shall not be required to give effect to an annexation, for the purpose of collecting, allocating, and distributing District transactions and use taxes, earlier than the first day of the calendar quarter which commences not less than two months after notice to the Department. The notice shall include the name of the county or counties annexed to the extended City boundary. In the event the City shall annex an area, the boundaries of which are not coterminous with a county or counties, the notice shall include a description of the area annexed and two maps of the City showing the area annexed and the location address of the property nearest to the extended City boundary on each side of every street or road crossing the boundary.

**ARTICLE III**

**ALLOCATION OF TAX**

**A. Allocation.** In the administration of the Department's contracts with all districts that impose transactions and use taxes imposed under ordinances, which comply with Part 1.6 of Division 2 of the Revenue and Taxation Code:

1. Any payment not identified as being in payment of liability owing to a designated district or districts may be apportioned among the districts as their interest appear, or, in the discretion

of the Department, to all districts with which the Department has contracted using ratios reflected by the distribution of district taxes collected from all taxpayers.

2. All district taxes collected as a result of determinations or billings made by the Department, and all amounts refunded or credited may be distributed or charged to the respective districts in the same ratio as the taxpayer's self-declared district taxes for the period for which the determination, billing, refund or credit applies.

**B. Vehicles, Vessels, and Aircraft.** For the purpose of allocating use tax with respect to vehicles, vessels, or aircraft, the address of the registered owner appearing on the application for registration or on the certificate of ownership may be used by the Department in determining the place of use.

#### **ARTICLE IV COMPENSATION**

The City agrees to pay to the Department as the State's cost of administering the City Ordinance such amount as is provided for by law. Such amounts shall be deducted from the taxes collected by the Department for the City.

#### **ARTICLE V MISCELLANEOUS PROVISIONS**

**A. Communications.** Communications and notices may be sent by first class United States mail to the addresses listed below, or to such other addresses as the parties may from time to time designate or through email at [jsservices@cdtfa.ca.gov](mailto:jsservices@cdtfa.ca.gov). If and when communications and notices may include confidential information, communications and notices must be sent through encrypted email at [jsservices@cdtfa.ca.gov](mailto:jsservices@cdtfa.ca.gov) or by mail.

Communications and notices to be sent to the Department shall be addressed to:

California State Department of Tax and Fee Administration  
P.O. Box 942879  
Sacramento, California 94279-0027

Attention: Administrator  
Local Revenue Branch

Communications and notices to be sent to the City shall be addressed to:

Lisa Rossi, Administrative Services Director

501 Main Street

Half Moon Bay, CA, 94019

**Unless otherwise directed, transmittals of payment of District transactions and use taxes will be sent to the address above.**

**B. Term.** The date of this Agreement is the date on which it is approved by the Department of General Services. The Agreement shall take effect on December 3, 2024. This Agreement shall continue until December 31 next following the expiration date of the City Ordinance and shall thereafter be renewed automatically from year to year until the Department completes all work necessary to the administration of the City Ordinance and has received and disbursed all payments due under that Ordinance.

**C. Notice of Repeal of Ordinance.** City shall give the Department written notice of the repeal of the City Ordinance not less than 110 days prior to the operative date of the repeal.

**ARTICLE VI**  
**ADMINISTRATION OF TAXES IF THE**  
**ORDINANCE IS CHALLENGED AS BEING INVALID**

**A. Impoundment of funds.**

1. When a legal action is begun challenging the validity of the imposition of the tax, the City shall deposit in an interest-bearing escrow account, any proceeds transmitted to it under Article II. C., until a court of competent jurisdiction renders a final and non-appealable judgment that the tax is valid.

2. If the tax is determined to be unconstitutional or otherwise invalid, the City shall transmit to the Department the moneys retained in escrow, including any accumulated interest, within ten days of the judgment of the trial court in the litigation awarding costs and fees becoming final and non-appealable.

**B. Costs of administration.** Should a final judgment be entered in any court of the State of California, holding that City's Ordinance is invalid or void, and requiring a rebate or refund to taxpayers of any taxes collected under the terms of this Agreement, the parties mutually agree that:

1. Department may retain all payments made by City to Department to prepare to administer the City Ordinance.

2. City will pay to Department and allow Department to retain Department's cost of administering the City Ordinance in the amounts set forth in Article IV of this Agreement.

3. City will pay to Department or to the State of California the amount of any taxes plus interest and penalties, if any, that Department or the State of California may be required to rebate or refund to taxpayers.

4. City will pay to Department its costs for rebating or refunding such taxes, interest, or penalties. Department's costs shall include its additional cost for developing procedures for processing

the rebates or refunds, its costs of actually making these refunds, designing and printing forms, and developing instructions for Department's staff for use in making these rebates or refunds and any other costs incurred by Department which are reasonably appropriate or necessary to make those rebates or refunds. These costs shall include Department's direct and indirect costs as specified by Section 11256 of the Government Code.

5. Costs may be accounted for in a manner, which conforms to the internal accounting, and personnel records currently maintained by the Department. The billings for such costs may be presented in summary form. Detailed records will be retained for audit and verification by City.

6. Any dispute as to the amount of costs incurred by Department in refunding taxes shall be referred to the State Director of Finance for resolution and the Director's decision shall be final.

7. Costs incurred by Department in connection with such refunds shall be billed by Department on or before the 25th day of the second month following the month in which the judgment of a court of the State of California holding City's Ordinance invalid or void becomes final. Thereafter Department shall bill City on or before the 25th of each month for all costs incurred by Department for the preceding calendar month. City shall pay to Department the amount of such costs on or before the last day of the succeeding month and shall pay to Department the total amount of taxes, interest, and penalties refunded or paid to taxpayers, together with Department costs incurred in making those refunds.

CITY OF HALF MOON BAY

CALIFORNIA STATE DEPARTMENT OF  
TAX AND FEE ADMINISTRATION

By \_\_\_\_\_  
(Signature)

By \_\_\_\_\_  
Administrator  
Local Revenue Branch

Matthew Chidester  
(Typed Name)

Date: \_\_\_\_\_

City Manager  
(Title)

\_\_\_\_\_  
(Date)

**RESOLUTION NO. C-2024-\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY  
AUTHORIZING EXAMINATION OF SALES AND TRANSACTIONS AND USE TAX RECORDS**

**WHEREAS**, pursuant to Ordinance Number 15-60, the City of Half Moon Bay (City) entered into a contract with the California Department of Tax and Fee Administration (Department) to perform all functions incident to the administration and collection of sales and use taxes; and

**WHEREAS**, pursuant to Ordinance Number 15-60, Revenue and Taxation Code section 7270, the City entered into a contract with the California Department of Tax and Fee Administration (Department) to perform all functions incident to the administration and collection of transactions and use taxes; and

**WHEREAS**, the City Council of the City of Half Moon Bay deems it desirable and necessary for authorized officers, employees and representatives of the City to examine confidential sales or transactions and use tax records of the Department pertaining to sales or transactions and use taxes collected by the Department for the City pursuant to that contract; and

**WHEREAS**, Section 7056 of the California Revenue and Taxation Code sets forth certain requirements and conditions for the disclosure of Department records, and Section 7056.5 of the California Revenue and Taxation Code establishes criminal penalties for the unlawful disclosure of information contained in, or derived from, the sales or transactions and use tax records of the Department.

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

**Section 1.** That the City Manager or Administrative Services Director, or other officer or employee of the City designated in writing by the City Manager or Administrative Services Director to the California Department of Tax and Fee Administration is hereby appointed to represent the City with authority to examine sales or transactions and use tax records of the Department pertaining to sales or transactions and use taxes collected for the City by the Department pursuant to the contract between the City and the Department.

**Section 2.**

The information obtained by examination of Department records shall be used only for purposes related to the collection of City sales or transactions and use taxes by the Department pursuant to that contract, and for purposes related to the following governmental functions of the City:

- (a) Budget Planning
- (b) Economic Development

The information obtained by examination of Department records shall be used only for those governmental functions of the City listed above.

**Section 3.** That Avenu / Muniservices is hereby designated to examine the sales or transactions and use tax records of the Department pertaining to sales or transactions and use taxes collected for the City by the Department. The person or entity designated by this section meets all of the following conditions, which are also included in the contract between the City and the Avenu / Muniservices:

- a) has an existing contract with the City to examine those sales or transactions and use tax records;
- b) is required by that contract to disclose information contained in, or derived from, those sales or transactions and use tax records only to the officer or employee authorized under Section 1 of this resolution to examine the information.
- c) is prohibited by that contract from performing consulting services for a retailer during the term of that contract;
- d) is prohibited by that contract from retaining the information contained in, or derived from those sales or transactions and use tax records, after that contract has expired.

**BE IT FURTHER RESOLVED** that the information obtained by examination of Department records shall be used only for purposes related to the collection of City sales or transactions and use taxes by the Department pursuant to the contract between the City and the Department and for those purposes relating to the governmental functions of the City listed in section 2 of this resolution.

**Section 4.** That Avenu / Muniservices is hereby designated to examine the sales or transactions and use tax records of the Department pertaining to any petition or appeal for the reallocation/redistribtuion of sales or transactions and use taxes that was filed by Avenu / Muniservices on behalf of the City pursuant to the contract between the Avenu / Muniservices and City. The person or entity designated by this section meets all of the following conditions, which are also included in the contract between the City and the Avenu / Muniservices:

- a) has an existing contract with the City to examine those sales or transactions and use tax records;
- b) is required by that contract to disclose information contained in, or derived from, those sales or transactions and use tax records only to the officer or employee authorized under Section 1 of this resolution to examine the information.
- c) is prohibited by that contract from performing consulting services for a retailer during the term of that contract;

d) is prohibited by that contract from retaining the information contained in, or derived from those sales or transactions and use tax records, after that contract has expired.

**Section 5.** That this resolution supercedes all prior resolutions of the City Council of the City of Half Moon Bay adopted pursuant to subdivision (b) of Revenue and Taxation Code section 7056.

Introduced, approved and adopted this 3<sup>rd</sup> day of December, 2024.

\*\*\*\*\*

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 3<sup>rd</sup> day of December, 2024 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

\_\_\_\_\_  
Joaquin Jimenez, Mayor

**BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY**

**AGENDA REPORT**

For meeting of: **December 3, 2024**

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**TO:** Honorable Mayor and City Council

**FROM:** Catherine Engberg, City Attorney

**TITLE: SECOND AMENDMENT TO EMPLOYMENT CONTRACT FOR CITY MANAGER**

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**RECOMMENDATION:**

By motion, approve Amendment No. 2 to the August 20, 2022 City Manager Employment Agreement with Matthew Chidester to increase the annual base salary from \$272,950 to \$281,138.50 effective July 1, 2024, and provide for future cost of living increases consistent with what is received by other City executive staff or with State CPI, whichever is lower.

**FISCAL IMPACT:**

The proposed Amendment No. 2 raises the City Manager's compensation by 3% (\$8,188.50) from \$272,950 to \$281,138.50 a year effective July 1, 2024. In addition, the proposed Amendment No. 2 would result in an increase of City Manager's compensation for future fiscal years by the same increase received by other City executive staff members or the State's CPI, whichever is lower. Future increases will vary based on cost of increases for other staff and CPI.

**STRATEGIC ELEMENT:**

This recommendation supports all elements of the City Council's strategic plan.

**DISCUSSION:**

The City Council completed its annual performance evaluation of the City Manager on Tuesday, November 26, which the Council found to be positive. The evaluation was conducted with support from an independent facilitator. It included a comprehensive 360-degree evaluation, as well as an assessment using the International City Managers Association Practices for Effective Local Government Leadership (attached).

At the conclusion of the evaluation the City Council directed the independent facilitator to negotiate with the City Manager a contract amendment (Amendment No. 2 to the City Manager Employment Agreement) related to the following:

- An extension of the City Manager's contract term currently set to expire eight months from now in August 2025;
- An increase in the Manager's compensation by 3% (\$8,188.50), from \$272,950 to \$281,138.50 a year effective July 1, 2024. In addition, the proposed Amendment No. 2

would result in an increase of City Manager’s compensation for future fiscal years by the same increase received by other City executive staff members or the State’s CPI, whichever is lower, consistent with Government Code section 3511.2; and

- Modifications to the contract language regarding the use of an independent facilitator for performance evaluations of the City Manager.

While Council indicated that it would consider a longer extension, the City Manager requested a nine (9) month extension (to May 19, 2026), which will allow the new Council time to conduct the standard annual evaluation process prior to any further amendments. The City Manager agrees with the other terms. Amendment No. 2 is still being finalized to reflect these negotiated terms, and will be added to the agenda packet once final.

On December 5, 2023, the City Council approved Amendment No. 1 to the August 20, 2022 City Manager Employment Agreement. This Amendment No. 2 follows the same process and schedule. State law requires that any City Manager contract amendments be considered at a regularly scheduled Council meeting. Dec. 3, 2024 is the last regularly scheduled Council meeting of the year given (the December 17, 2024 meeting has been cancelled).

**ATTACHMENTS:**

1. ICMA Practices for Excellent Local Government Leadership
2. August 20, 2022 City Manager Employment Agreement
3. December 5, 2023 Amendment No. 1 to City Manager Employment Agreement
4. Amendment No. 2 to the City Manager Employment Agreement (to be added)

# Practices for Effective Local Government Leadership



## 1. PERSONAL AND PROFESSIONAL INTEGRITY

Being fair, honest, and ethical in all personal and professional relationships and activities.

## 2. COMMUNITY ENGAGEMENT

Ensuring and managing community involvement in local government to support good decision making.

## 3. EQUITY AND INCLUSION

Creating an environment of involvement, respect, and connection of diverse ideas, backgrounds, and talent throughout the organization and the community.

## 4. STAFF EFFECTIVENESS

Taking responsibility for the development, performance, and success of employees throughout the organization.

## 5. PERSONAL RESILIENCY AND DEVELOPMENT

Demonstrating a commitment to a balanced life through ongoing self-renewal and development in order to increase personal capacity.

## 6. STRATEGIC LEADERSHIP

Defining and communicating a vision and leveraging all resources and tools to achieve it.

## 7. STRATEGIC PLANNING

Developing a plan of action that brings the community together, provides clarity of purpose and priorities, and guides the organization's actions in achieving its goals and objectives.

## 8. POLICY FACILITATION AND IMPLEMENTATION

Engaging with elected officials and other community stakeholders to create and execute policies that achieve common goals and objectives.

## 9. COMMUNITY AND RESIDENT SERVICE

Discerning community needs and providing responsive, equitable services.

## 10. SERVICE DELIVERY

Understanding the basic principles of service delivery, using strategic decision making and continuous improvement to serve the organization and community, and influencing the components and relationships between operational areas.

## 11. TECHNOLOGICAL LITERACY

Demonstrating an understanding of information technology and ensuring that it is incorporated appropriately in service delivery, information sharing, and public access.

## 12. FINANCIAL MANAGEMENT AND BUDGETING

Implementing long-term financial analysis and planning that integrates strategic planning and reflects a community's values and priorities; preparing and administering the budget.

## 13. HUMAN RESOURCES MANAGEMENT AND WORKFORCE ENGAGEMENT

Ensuring that the policies and procedures of the organization are applied consistently and fairly and motivating and engaging the workforce to its highest potential.

## 14. COMMUNICATION AND INFORMATION SHARING

Effectively facilitating the flow of ideas, information, and understanding.

CITY MANAGER EMPLOYMENT  
AGREEMENT  
between the  
City of Half Moon Bay  
and  
Matthew Chidester

**I. Parties and Date**

This Agreement is entered into as of August 20, 2022 (the "Effective Date") by and between the City of Half Moon Bay, California, a municipal corporation (the "City"), and Matthew B. Chidester, an individual (the "City Manager"). The City and the City Manager are sometimes individually referred to as a "Party" and collectively as "Parties."

- A. The City requires the services of a City Manager; and
- B. Matthew B. Chidester has the necessary education, experience, skills and expertise to serve as the City's City Manager; and
- C. The City Council of the City (the "City Council") desires to employ the Matthew B. Chidester to serve as the City Manager of City; and
- D. The Parties desire to execute this Agreement pursuant to the authority of and subject to the provisions of the Half Moon Bay Municipal Code; and
- E. In consideration of these Recitals and the performance by the Parties of the promises, covenants, and conditions herein contained, the Parties agree as provided in this Agreement.

**II. Employment and Term**

The City hereby employs Matthew B. Chidester as its City Manager, and Matthew B. Chidester hereby accepts such employment. The initial term of this Agreement shall be for a period of thirty-six (36) months commencing on August 20, 2022, and continuing until August 19, 2025 unless terminated earlier in accordance with Section VI. The Parties may agree to extend this Agreement by amending this Agreement in writing. Nothing in this Agreement shall prevent, limit or otherwise interfere with (a) City Manager's at-will status; (b) the right of City to terminate the services of City Manager as provided herein; and (c) the right of City Manager to resign from his position as provided herein.

**III. Commitments and Understandings**

A. The City Manager's Commitments

1) Duties & Authority

- (a) The City Manager shall be the chief executive officer of the City

and be responsible to the City Council for the proper administration of all affairs of the City.

(b) The City Manager shall perform all of the duties of the City Manager as set forth in Chapter 2.16 of the Half Moon Bay Municipal Code (the "Municipal Code"), the California Government Code, City policies and procedures approved by the City Council, and such other duties as may be directed by the City Council from time to time.

(c) The City Council may also designate the City Manager as the chief executive of other City-related legal entities. Such other legal entities could include a redevelopment agency, financing authorities, and joint powers authorities.

(d) To accomplish this, and to the extent consistent with the Half Moon Bay Municipal Code and applicable state law, the City Manager shall have the power and shall be required to:

(i) Attend all meetings of the City Council, unless excused by the Mayor, and take part in the discussion of all matters before the City Council.

(ii) Review all agenda documents before preparing the agenda for any regular or special meetings of the City Council.

(iii) Direct the work of all City departments, except those that are directly appointed by or report directly to the City Council.

(iv) Recommend to the City Council from time to time, adoption of such measures as the City Manager may deem necessary or expedient for the health, safety, or welfare of the community or for the improvement of administrative services, including recommending to the City Council long-range plans to improve City operations and prepare for future City growth and development.

(vii) Provide management training and develop leadership qualities among department heads and staff as necessary to build a City management team that can plan for and meet future challenges.

(viii) Prepare and submit the annual budget.

(ix) Represent the City to press and other information media as required.

(x) Meet with individual citizens and groups to discuss complaints and explain City policy and actions.

(viii) Exercise control of City government in emergencies as

authorized by the Municipal Code and California law, including, but not limited to, being designated as the City's Director of Emergency Services for the purposes of disaster management pursuant to the California Emergency Services Act, Government Code section 8630.

2) Hours of Work

(a) The City Manager is an exempt employee but is expected to engage in those hours of work that are necessary to fulfill the obligations of the City Manager's position. The City Manager does not have set hours of work as the City Manager is expected to be available at all times. This position is exempt from FSLA overtime pay requirements; therefore, City Manager shall not be entitled to additional compensation for any work performed in excess of the City's regular workweek.

(b) It is recognized that the City Manager must devote a great deal of time to the business of the City outside of the City's customary office hours, and to that end the City Manager's schedule of work each day and week shall vary in accordance with the work required to be performed. The City Manager shall spend sufficient hours on site to perform the City Manager's duties; however, the City Council has discretion over the City Manager's work schedule and work location.

(c) During the Term of this Agreement, the City Manager shall not engage in any outside employment without the express prior consent of the City Council.

3) Disability or inability to perform

In the event the City Manager becomes permanently mentally or physically disabled to the extent that he cannot perform the full range of the essential functions of his position as determined by his treating physician or is otherwise unable to perform the full range of the essential functions of his position because of sickness, accident, injury, mental incapacity or other health reasons with reasonable accommodation and it reasonably appears such incapacity will last for more than six months, the City Council may terminate the City Manager.

B. City Commitments

1) The City shall pay for or provide the City Manager reimbursement for all reasonable, actual and necessary business expenses. The City shall provide the City Manager a City credit card to charge appropriate and lawful business expenses, subject to all City-adopted expense reimbursement policies and requirements.

- 2) Subject to the limitations contained in the City's annual general fund operating budget for such expenditures, the City agrees to pay the following:
  - (a) Professional dues and subscriptions on behalf of the City Manager which are necessary for the City Manager's continuation and full participation in national, regional, state, or local associations and organizations necessary and desirable for the good of the City, and for the City Manager's continued professional participation and advancement. This includes the International City Management Association ("ICMA") and the California City Management Foundation ("CCMF");
  - (b) Travel and subsistence expenses of the City Manager to pursue official and other functions for the City, and meetings and occasions to continue the professional development of the City Manager, including, but not limited to, national, regional, state, and local conferences, and governmental groups and committees upon which the City Manager serves as a member; and
  - (c) Travel and subsistence expenses of the City Manager for short courses, institutes and seminars that are necessary for the good of the City or for the professional development of the City Manager.
- 3) The City recognizes the desirability of representation in and before local civic and other organizations, and the City Manager is authorized to become a member of civic clubs or organizations, for which the City shall pay membership dues to the extent that such expenditures are included in the annual operating budget.

C. Mutual Commitments

1) Performance Evaluation

- (a) Annual performance evaluations are an important way for the City Council and City Manager to ensure effective communications about expectations and performance.
- (b) The City Council recognizes that for the City Manager to respond to its needs and to grow in the performance of the City Manager's job, the City Manager needs to know how the City Council Members evaluate the City Manager's performance.
- (c) To assure that the City Manager gets this feedback, the City Council shall conduct an evaluation of the City Manager's performance at least once each year. During the first year of this Agreement's term, the City Council and the City Manager shall endeavor to discuss the City Manager's performance at least once per quarter, with the first performance evaluation

occurring not later than three (3) months following the Effective Date at the initiation of the City Manager. In subsequent years, the City Council and the City Manager agree that performance evaluations, for the purpose of mid-course corrections, may occur quarterly or several times during each calendar year at the request of the City Council. The Parties may use an outside facilitator paid by City funds to assist them in conducting this evaluation, at the option of the City Council.

(d) No later than March of each year the City Manager and the City Council will create goals or other outcome measures that will provide the basis for determining the next year's performance objectives.

(e) The annual review and evaluation shall be in accordance with specific criteria established by the City Council with the assistance of the City Manager. Such criteria may be added to or deleted as the City Council may from time to time determine. The City Manager shall timely cause to be placed on the Council's agenda each year a "closed session" for the purpose of the annual review and evaluation.

(f) The City Council shall define such goals and performance objectives as it determines are necessary for the proper operation of the City for the attainment of the City Council's policy objectives, and the City Council shall further establish a relative priority among those goals and performance objectives.

#### **IV. Compensation**

The City agrees to provide the following compensation to the City Manager:

##### **A. Compensation & Required Employer Costs**

##### **1) Base Salary**

(a) The annual base salary for the position of City Manager shall initially be \$265,000.00. The City Council shall annually consider an increase in base salary to be effective at the beginning of the upcoming fiscal year as part of the annual performance evaluation process described under Section III(D)(1).

(b) The City Manager shall be paid at the same intervals and in the same manner as regular City employees.

(c) The City shall not at any time during the term of this Agreement reduce the base salary, compensation or other financial benefits of the City Manager, unless as part of a general City management salary reduction, and then in no greater percentage than the average reduction of all City department heads. The City Manager shall participate in the same manner as other City department heads in

any general salary reductions including in the ones in effect at the date of the execution of this Agreement.

2) Required Employer Costs

- (a) Federal Insurance Contributions Act (FICA) (if applicable).
  - i. Old Age Survivor and Disability Income (OASDI).
  - ii. Medicare.
- (b) Unemployment Compensation.
- (c) Public Employees Retirement System (PERS).

The City contracts with the California Public Employees' Retirement System for retirement benefits. The City will pay the same percentage of the City's share and the City Manager's (Member's) share for participation in the Public Employees' Retirement System as is paid for other management employees. As of the date hereof, the City pays the full City share and other management employees pay the corresponding employee share. The terms of the contract between City and CalPERS in accordance with applicable law shall govern the eligibility for and level of benefits to which City Manager is entitled.

- (d) The cost of any fidelity or other bonds required by law for the City Manager.
- (e) The cost to defend and indemnify the City Manager as provided in Section VII(C), below.
- (f) Workers' Compensation to the same extent provided for other City employees.

B. Basic Benefits

1) Leaves

- (a) The City Manager shall accrue leaves as follows:
  - i. Holiday Leave: The City Manager shall be entitled to the following holidays with pay:

New Year's Day  
One day prior to, or following New Year's Day\*  
Martin Luther King, Jr. Day  
President's Day

Cesar Chavez Day  
Memorial Day  
Independence Day  
Labor Day  
Veteran's Day  
Thanksgiving Day  
Day after Thanksgiving  
Christmas Day  
One day prior to, or following Christmas Day\*  
One Floating Holiday

\*These exact dates shall be determined on an annual basis consistent with Citywide policy.

In addition to the above enumerated holidays, the City Manager will also be subject to the "City Hall Closure" as detailed in the Unrepresented Executive Employees Compensation and Benefits Plan effective through June 30, 2026.

- ii. Vacation Leave: The City Manager shall accrue vacation leave at the rate of 14 hours per month through the term of this contract. The City Manager may accumulate up to, but not more than, two (2) years of vacation credit at his current accrual level. Should the City Manager reach the maximum accrual level he will not accrue vacation until he utilizes his already accrued vacation leave.
- iii. Administrative Leave: In addition to vacation leave, the City Manager shall accrue eight (8) hours of administrative leave per month. The City Manager may accumulate up to, but not more than, two (2) years of administrative leave credit at his current accrual level. Should the City Manager reach the maximum accrual level he will not accrue administrative leave until he utilizes his already accrued administrative leave.
- iv. Sick Leave:
  - i. Accruals: The City Manager shall accrue eight (8) hours of sick leave with pay for each month of service. Sick leave may be applied to:
    1. Absence necessitated by an employee's personal illness.
    2. Medical and dental appointments.

All conditions and restrictions that govern employee use of sick leave shall also apply to the use by an employee

to attend to an illness of his/her child, mother, father, mother-in-law, father-in-law, spouse, domestic partner; domestic partner's mother, father, or child; and any dependent living in the same household as the employee.

- ii. Sick Leave incentive: Two (2) days' vacation leave will be awarded contingent upon non-usage of accumulated sick leave (i.e. employee authorized one additional vacation day per six (6) months provided sick leave usage does not exceed two (2) days for that same period).

v. Additional Leaves

The City Manager shall be eligible for the same bereavement, jury duty, court leave, military leave and industrial disability leave benefits provided to non-public safety City Department Directors.

vi. Leave Payoffs:

- i. Vacation/Administrative Leave Payoff: The City Manager may receive an annual payment in exchange for earned vacation or administrative leave up to one hundred four (104) hours in any given calendar year payable during the month of November. At the time of the request for the exchange, the City Manager must retain a minimum of sixty (60) total hours of vacation and/or administrative leave on their leave banks.

ii. Sick Leave Payoff: Upon separation from the City:

1. Should the City Manager have a minimum of five (5) years of total service with the City, but less than ten (10) years of service, shall receive reimbursement for twenty-five percent (25%) of their accrued sick leave with a cap of Twenty Five Hundred Dollars (\$2,500.00);
2. Should the City Manager have a minimum of ten (10) years of total service with the City, but less than twenty (20) years of service with the City, he shall receive reimbursement equal to twenty-five percent (25%) of accrued sick leave with no cap;
3. Should the City Manager have a minimum of twenty (20) years of total service with the City shall receive reimbursement equal to forty

percent (40%) of accrued sick leave with no cap.

2) Automobile

The City Manager shall be provided a monthly automobile allowance of \$500 in exchange for making a vehicle available for the City Manager's own use and for City-related business and/or functions during, before and after normal work hours. By the City Manager making the City Manager's personal automobile available for use, the City Manager is not precluded from using City vehicles for City business during, before, and after the normal workday on occasion, when appropriate.

3) Relocation Expenses

The City Manager shall be provided a one-time allowance of ten thousand dollars (\$10,000.00) to assist with relocation of his primary residence to a primary residence located in the corporate limits of the County of San Mateo. The City Manager shall complete this relocation not later than twenty four (24) calendar months following the Effective Date. This relocation timeframe may be extended by mutual agreement of the parties. This allowance shall be paid in a lump sum to the City Manager within thirty (30) calendar days of the Effective Date. Should the City Manager fail to relocate consistent with the terms of this Section, the City may request that the City Manager refund the relocation allowance provided hereunder. The City Manager shall be responsible for all tax liabilities associated with this allowance.

4) Reimbursement for Use of Technology

Should the City Manager use his or her personal cell phone, tablet, computer or other technology in the course of City business, the City will provide a technology stipend of One Hundred Dollars (\$100) per month.

5) Benefits that Accrue to Other Employees

The City Manager shall be entitled to all non-economic benefits, rights, and privileges accorded to non-public safety City Department Directors except as otherwise provided in this Agreement. If there is any conflict between this Agreement and any resolution fixing compensation and benefits for non-public safety City Department Directors or other unclassified employees, this Agreement shall control.

6) Housing Assistance Loan

The City agrees to make available to the City Manager a one-time loan of up to three hundred and twenty thousand dollars (\$320,000) ("City Loan"). The City Loan may be used solely for a down payment for the purchase of

a primary residence for City Manager within San Mateo County (“Residence”). To be eligible for the City Loan, the City Manager must close on the purchase of a Residence no later than August 31, 2024 and must have hired an Assistant City Manager or otherwise relinquished in writing his rights under Section VI(F) to the Assistant City Manager position. The City Loan shall be evidenced by a Promissory Note made by the City Manager payable to the City and secured by a Deed of Trust on the Residence recorded in the Official Records of San Mateo County. Any such City Loan will include the following terms:

- (i) Fifteen (15) year term commencing three (3) years after the date of the Promissory Note, with an interest rate that is the lesser of (a) 2.5%, or (b) the five (5) year average rate of return on the state’s Local Agency Investment Fund (“LAIF”) plus 1%; the interest rate shall be set at the time the Promissory Note is made and fixed over the term.
- (ii) Unless otherwise provided under (v) below, loan payments will begin three years from the date of the Promissory Note. Interest will not accrue during this three-year “grace period” so long as City Manager continues employment with the City under this contract, as may be amended from time to time. Following the expiration of the three-year grace period, assuming contract renewal, City Manager shall be required to pay all principal and interest for the loan amount which shall be amortized and payable in equal semi-monthly installments over the fifteen year term through an automatic payroll deduction.
- (iii) The City Loan may be prepaid earlier without penalty.
- (iv) City Manager shall be responsible to pay all applicable taxes, insurance and homeowners fees associated with the Residence, and be responsible at his expense to maintain the Residence in good and habitable conditions at all times.
- (v) Notwithstanding (ii) above, the Promissory Note shall be due and payable in full within eighteen (18) months of the City Manager’s separation if the City Manager is terminated without cause, or within twelve (12) months if the City Manager voluntarily resigns, retires, or is terminated for cause, or following expiration and nonrenewal of this Agreement. If the City determines in its reasonable discretion that the Residence is no longer City Manager’s

primary residence, the Promissory Note shall be due and payable in full within one hundred twenty (120) days.

- (vi) The lien of City's Deed of Trust may be junior, subordinate, and subject only to (a) a mortgage, deed of trust, or other instrument primarily given to secure a loan or other obligation and constituting a lien on all or any portion of the Residence; (b) liens for general ad valorem taxes and assessments; and (c) encumbrances, such as easements, rights of way, and covenants, conditions, and restrictions, all of a non-monetary nature, which exist of record as of the closing on the purchase of the Residence. City Manager shall give the City written notice within ten (10) days after a mortgage secured by the Residence is recorded in the Official Records of San Mateo County.

The Parties agree to cooperate in the preparation and execution of all notes, deeds of trust, agreements, and other documents reasonably necessary to conform the terms of the City Loan to the provisions of this subsection in a form mutually agreed to by the Parties.

## V. Security

### A. Pensions

#### 1) Federal Insurance Contributions Act (FICA)

If applicable.

#### 2) Deferred Compensation

##### (a) Section 457 Plan or Section 401 (a) Plan

The City shall contribute ten thousand dollars (\$10,000) annually to the City Manager's Section 457 deferred compensation plan. That contribution shall be made in equal installments each pay period. The City Manager may elect to contribute additional funds to any qualified Section 457 Plan or Section 401 (a) Plan that the City has approved.

#### 3) Medical, Vision and Dental Insurance

The City Manager shall be eligible for the same medical, dental and vision insurance benefits available to other City employees.

The City will pay the minimum employer contribution required under the

Public Employees Medical and Hospital Care Act (PEMHCA) for each eligible active employee towards the purchase of medical insurance.

In addition, the City will maintain a Cafeteria Plan, pursuant to Section 125 of the Internal Revenue Code, for the purpose of providing employees with access to various health and welfare benefits and shall contribute up to a maximum of one thousand nine hundred dollars (\$1,900) per month (the "Cafeteria Plan Allowance").

The City shall provide dental and vision insurance up to the family level coverage for the City Manager.

Any and all additional sums, over and above the amounts stated above that are required to purchase the employee selected Health and Welfare benefit, shall be paid by the City Manager through payroll deduction. Cafeteria Plan Allowance in excess of actual premiums is to be paid to the City Manager.

In the event the City makes a pre-tax flexible spending account program available to City employees, the City Manager will have the ability to participate in such program (without contribution by the City).

4) Other Insurance

The City shall provide Life Insurance and Accidental Death and Dismemberment coverage for the City Manager in the amount equal to one (1) times his then-applicable annual base salary.

The City shall provide long-term disability coverage of sixty seven percent (67%) of monthly earnings to a maximum monthly benefit of Six Thousand Dollars (\$6,000) after a sixty (60) day elimination period.

**VI. Separation**

A. Resignation/Retirement

The City Manager may resign at any time and agrees to give the City at least 30 days' advance written notice of the effective date of the City Manager's resignation, unless the Parties otherwise agree in writing. If the City Manager retires from full time public service with the City, the City Manager may provide six months' advance notice. The City Manager's actual retirement date will be mutually established. In the event City Manager terminates his employment under this Agreement, the provisions of this Agreement and all compensation and benefits owed City Manager under it, shall cease upon the effective date of such termination as determined by City, unless otherwise expressly provided in this Agreement.

B. Termination & Removal

1) The City Manager is an at-will employee serving at the pleasure of the City

Council as provided in Government Code Section 36506.

- 2) The City Council may remove the City Manager at any time, with or without cause, by a majority vote of its members. Notice of termination shall be provided to the City Manager in writing. "Involuntary termination" as used in this Section shall also include a request that the City Manager resign by the City Council as approved by a majority vote of the City Council or a reduction in salary or other financial benefits of the City Manager by more than ten percent (10%), except as occasioned by a reduction in the salary of other City management staff pursuant to section IV(A)(1)(c). Involuntary termination does not include City Manager's death, incapacity due to injury or illness (physical or mental), dismissal for just cause as defined in Section E below, nor City Manager's resignation for any reason other than stated in this Section.
- 3) The City Manager shall not be removed during the 60-day period preceding or following any City election for membership on the City Council, or during the 90-day period following any change in membership of the City Council, except upon unanimous vote of the City Council.

C. Severance Pay

- 1) In the event the City Manager is involuntarily terminated by the City Council during such time that the City Manager is willing and able to perform the City Manager's duties under this Agreement, then in that event the City agrees to pay the City Manager a lump sum cash payment equal to six months' base salary then in effect as provided in Section IV(A)(1) above or the number of months left on the unexpired term of the Agreement (whichever is less). Any severance payment shall exclude all other benefits, such as retirement, health, vision, and dental benefits. In addition, vacation and sick leave accrual shall immediately cease upon the date of City's notification to City Manager that his employment will be terminated. The severance pay shall be computed from the effective date of City Manager's termination. The intent of these provisions is to comply with Government Code section 53260. Should the Parties agree to renew this contract for a Subsequent Term, the Parties specifically agree that they may renegotiate the terms of this subsection, as they may with other contract terms.
- 2) In addition, the City shall extend to the City Manager the right to continue health insurance as may be required by and pursuant to the terms and conditions of the Consolidated Omnibus Budget Reconciliation Act Of 1986 (COBRA). The City agrees to pay the City Manager's COBRA coverage for six months or until the City Manager either secures full-time employment or obtains other health insurance, or the number of months left on the unexpired term of the Agreement, whichever of these three events first occurs. The City Manager shall notify the City within five (5) days of securing new full-time employment or insurance.

- 3) In exchange for the consideration provided in paragraphs C (1) & (2), the City Manager shall execute release of all claims in a form mutually acceptable to the Parties.
- 4) All payments required under Sections VI(C)(1) and (2) are subject to and shall be interpreted to comply with the limitations set forth in Government Code Section 53260 regarding maximum severance pay.
- 5) Notwithstanding any other provision of this Agreement to the contrary, pursuant to California Government Code Section 53243.2, if this Agreement is terminated, any cash settlement related to the involuntary termination that the City Manager may receive from the City shall be fully reimbursed to the City if the City Manager is convicted of a crime involving an abuse of his office or position. The City Council may withhold payment of severance pay pending final disposition of any criminal charges. "Abuse of office or position" has the same definition as contained in Government Code Section 53243.4.

D. Separation for Cause

- 1) Notwithstanding the provisions of Section VI(C), the City Manager may be terminated for cause. As used in this section, "cause" shall mean one or more the following:
  - (a) Conviction of a felony or a misdemeanor involving moral turpitude or dishonest acts for personal gain;
  - (b) Fraudulent or dishonest acts within the scope of his employment;
  - (c) Willful misconduct or malfeasance;
  - (d) Willful breach or habitual neglect of duties.
  - (e) Gross negligence in the exercise of his duties.
- 2) In the event of termination for cause, the City may terminate this agreement immediately and City Manager shall be given written notice setting forth the reasons for such termination. Said termination shall take effect immediately or as specified by City in the Notice of Termination. In such event, City Manager shall be entitled to only the compensation accrued up to the date of termination, payments required by Section VI(E), below, and such other termination benefits and payments as may be required by law. The City Manager shall not be entitled to any severance benefits provided by Section VI(C).

Notwithstanding the use of the term "cause" herein, nothing herein contained shall be deemed to create or establish a property right or a right to continuing employment in the position of

employment of City Manager or affect City's right to terminate the employment of City Manager with or without cause in accordance with this Agreement.

E. Payment for Unused Leave Balance

- 1) On separation from City employment, the City Manager shall be paid for all unused accrued vacation and administrative leave allowances provided in Section IV(B)(1)(a)(ii) and (iii) above, and/or the City Manager may apply the leave time to service credit for retirement purposes if permitted by PERS. Accumulated vacation and administrative leave balances shall be paid at the City Manager's monthly salary rate at the effective date of separation
- 2) In the event the City Manager dies while employed by the City under this Agreement, the City Manager's beneficiaries or those entitled to the City Manager's estate, shall be entitled to the City Manager's earned salary, and any in-lieu payments for accrued benefits, including compensation for the value of all accrued leave balances.

F. Return to Prior Job Classification

The City Manager may elect to return to the position of Assistant City Manager within twelve (12) months of the Effective Date so long as (1) the City has not appointed a new Assistant City Manager or begun its recruitment for one and (2) the City Manager was not terminated for cause. If the City Manager elects to return to the position of Assistant City Manager, he shall be entitled to all of the compensation and benefits afforded to the Assistant City Manager, except as may otherwise be limited by this Agreement or which may be duplicative through operation of this Agreement. If the City Manager elects to return to the position of Assistant City Manager, he shall not be entitled to any severance pay as otherwise would be provided under Section VI(C) or the compensation and benefits as City Manager under this Agreement other than that due and owing to him as of his final day of work as City Manager. Nothing in this Agreement is intended to alter the at-will employment nature of the Assistant City Manager position, should the City Manager elect to return to the position of Assistant City Manager.

**VII. Miscellaneous Provisions**

A. Amendments

This Agreement may be amended at any time by mutual agreement of the City and the City Manager. Any amendments are to be negotiated, put in writing, and adopted by the City Council.

B. Conflict of Interest

- 1) The City Manager shall not engage in any business or transaction or shall have a financial or other personal interest or association, direct or indirect, which is in conflict with the proper discharge of official duties or would tend to impair independence of judgment or action in the performance of official duties. Personal as distinguished from financial interest includes an interest arising from blood or marriage relationships or close business, personal, or political associations. This section shall not serve to prohibit independent acts or other forms of enterprise during those hours not covered by active City employment, providing such acts do not constitute a conflict of interest as defined herein.
- 2) The City Manager shall also be subject to the conflict of interest provisions of the California Government Code and any conflict of interest code applicable to the City Manager's City employment
- 3) The City Manager is responsible for submitting to the City Clerk the appropriate Conflict of Interest Statements at the time of appointment, annually thereafter, and at the time of separation from the position.

C. Indemnification

Except as otherwise provided by law, and provided that City Manager complies with the provisions of Sections 825 and 825.6 of the California Government Code, as now existing or hereafter amended, City shall defend, hold harmless, and indemnify City Manager against any tort, professional liability claim or demand or other legal action, whether groundless or otherwise, arising out of an alleged act or omission occurring in the performance of City Manager's duties in accordance with the provisions of Sections 825 and 825.6, as now existing or hereafter amended. City may conduct such defense reserving the rights of City not to pay the judgment, compromise, or settlement until it is established that the injury arose out of an act or omission occurring within the scope of City Manager's employment as an employee of City. City is required to pay the judgment, compromise, or settlement only if it is established that the injury arose out of an act or omission occurring in the scope of City Manager's employment as an employee of City. Nothing in this Agreement authorizes or obligates City to pay that part of any claim or judgment that is for punitive or exemplary damages. City may compromise and settle any such claim or suit and pay the amount of any settlement or judgment rendered therefrom only to the extent authorized in Sections 825 through 825.6, as now existing or hereafter amended. City may compromise and settle any such claim or suit and pay the amount of any settlement or judgment rendered therefrom only to the extent authorized in Sections 825 through 825.6, as now existing or hereafter amended. City is not required to indemnify City Manager for any illegal acts committed by City Manager but may agree to do so, in its discretion.

If the City Manager is convicted of a crime involving an abuse of his office or position, as defined in Government Code Section 53234.4, then the City Manager shall fully reimburse the City for any paid leave salary paid by the City to the City

Manager pending any investigation, funds provided to the City Manager for his legal criminal defense, and/or any severance pay or cash settlement paid to the City Manager related to his termination by the City. Said reimbursements are required if such payments are made, even if the payments were made by the City in the absence for any contractual requirement to do so

D. Severability

If any clause, sentence, part, section, or portion of this Agreement is found by a court of competent jurisdiction to be illegal or unenforceable, such clause, sentence, part, section, or portion so found shall be regarded as though it were not part of this Agreement and the remaining parts of this Agreement shall be fully binding and enforceable by the Parties hereto.

E. Laws Affecting Title

In addition to those laws affecting a City Manager, the City Manager shall have the same powers, rights and responsibilities as a Chief Executive Officer, City Administrative Officer, Administrator, and/or City Administrator as those terms are used in local, state or federal laws.

F. Jurisdiction and Venue

This Contract shall be construed in accordance with the laws of the State of California, and the Parties agree that venue shall be in San Mateo County, California.

G. Entire Agreement

This Contract represents the entire agreement of the Parties, and no representations have been made or relied upon except as set forth herein. This Contract may be amended or modified only by a written, fully executed agreement of the Parties.

H. Waiver

Waiver by either Party of any default, breach or condition precedent shall not be construed as a waiver of any other default, breach or condition precedent or any other right hereunder.

I. Ambiguity

The Parties acknowledge that this is a negotiated Agreement, that they have had the opportunity to have this Agreement reviewed by their respective legal counsel, and that the terms and conditions of this Agreement are not to be construed against any Party on the basis of such Party's draftsmanship thereof.

J. Headings

The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

K. Notice

Any notice, amendments, or additions to this Agreement, including change of address of either party during the term of this Agreement, which the City Manager or the City shall be required, or may desire, to make shall be in writing and shall be sent by prepaid first class mail or hand-delivered to the respective Parties as follows:

1) If to the City:

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

With a copy to:

Catherine Engberg, City Attorney  
City of Half Moon Bay  
Shute Mihaly & Weinberger LLP  
396 Hayes Street  
San Francisco, CA 94102  
(Or such other address as the City Attorney may have on file at the time of the notice.)

2) If to the City Manager:

Matthew B. Chidester  
City of Half Moon Bay  
501 Main Street  
Half Moon Bay, CA 94019

Or to City Manager's home address on file with the City's Human Resources Department.

**VIII. Execution**

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written. This Agreement may be executed in counterparts, and each counterpart shall be deemed a duplicate original. A copy of a signature shall be deemed equivalent to an original signature. Electronic, fax and email signatures are equally binding as originals.

“City”

“City Manager”

City of Half Moon Bay  
A Municipal Corporation

By:   
Mayor

  
Matthew B. Chidester

ATTEST:

By:   
City Clerk

APPROVED AS TO FORM

By:   
City Attorney

1547700.2

AMENDMENT NO. 1 TO  
CITY MANAGER EMPLOYMENT AGREEMENT  
between the  
City of Half Moon Bay  
and  
Matthew Chidester

THIS AMENDMENT NO. 1 to the August 20, 2022 City Manager Employment Agreement is made and entered into as of November 7, 2023 by and between the City of Half Moon Bay, a municipal corporation, (“City”) and Matthew Chidester (“City Manager”).

A. The City employs the City Manager pursuant to the terms of the August 20, 2022 City Manager Employment Agreement between the parties (“Agreement”).

B. The City Council, through its labor negotiator, has negotiated with the City Manager to amend the Agreement.

C. The parties now desire to amend the Agreement as described in this Amendment No. 1.

NOW, THEREFORE, in consideration of the covenants contained herein and in the Agreement amended hereby:

1. Section IV.A.1(a) Base Salary is amended as follows:

(a) The annual base salary for the position of City Manager shall be \$272,950, as of July 1, 2023. The City Council shall annually consider an increase in base salary to be effective at the beginning of the upcoming fiscal year as part of the annual performance evaluation process described under Section III(D)(1).

2. Section IV.B.1(a)(iii) Administrative Leave is amended to add a new subsection (i) as follows:

i. Supplemental Administrative Leave: An additional, one-time allocation of 117 hours of administrative leave shall be added to the City Manager’s leave bank (“Supplemental Leave”), which must be used by August 19, 2025. Any portion of the Supplemental Leave that has not been used by August 19, 2025 will be automatically removed from the City Manager’s leave bank.

This Amendment No. 1, together with the provisions of the Agreement that are unaffected by this Amendment No. 1, constitute the entire agreement between the parties.

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first above written.

“City”

“City Manager”

City of Half Moon Bay  
A Municipal Corporation

By: Deborah Penrose  
Mayor

  
Matthew Chidester

ATTEST:

By: Jessica Blair  
City Clerk

APPROVED AS TO FORM

By: Catherine Engberg  
City Attorney

AMENDMENT NO. 1 TO  
CITY MANAGER EMPLOYMENT AGREEMENT  
between the  
City of Half Moon Bay  
and  
Matthew Chidester

THIS AMENDMENT NO. 1 to the August 20, 2022 City Manager Employment Agreement is made and entered into as of November 7, 2023 by and between the City of Half Moon Bay, a municipal corporation, (“City”) and Matthew Chidester (“City Manager”).

A. The City employs the City Manager pursuant to the terms of the August 20, 2022 City Manager Employment Agreement between the parties (“Agreement”).

B. The City Council, through its labor negotiator, has negotiated with the City Manager to amend the Agreement.

C. The parties now desire to amend the Agreement as described in this Amendment No. 1.

NOW, THEREFORE, in consideration of the covenants contained herein and in the Agreement amended hereby:

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“City”

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City of Half Moon Bay  
A Municipal Corporation

By: Deborah Penrose  
Mayor

  
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ATTEST:

By: Jessica Blair  
City Clerk

APPROVED AS TO FORM

By: Catherine Engberg  
City Attorney