

CITY OF HALF MOON BAY, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Fiscal year ended June 30, 2023

Prepared by
Finance Department



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CITY OF HALF MOON BAY, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2023

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INTRODUCTORY SECTION



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CITY OF HALF MOON BAY

507-B Purissima Street
Half Moon Bay, CA 94019

December 5, 2023

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, 2023. The intent of this report is to provide a full and transparent understanding of the City's financial activities. The report is prepared in compliance with California Government Sections 25250 and 25253, in accordance with Generally Accepted Accounting Principles (GAAP) set by the Governmental Accounting Standards Board (GASB), and continuing disclosure requirements of the Securities and Exchange Commission (SEC) related to the City's debt.

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

State statutes require an annual audit by independent certified public accountants. The City's financial statements have been audited by Maze & Associates, a firm of licensed certified public accountants in Pleasant Hill, California. The independent auditor has issued an unmodified (or "clean") opinion on the City's financial statements for the year ended June 30, 2023.

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

PROFILE OF THE CITY

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

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

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

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

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

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

FINANCIAL OPERATIONS

BUDGET PROCESS

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

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

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

The City's Reserve Policy per Resolution C-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:

- Submitted the draft Cycle 6 (2023-2031) Housing Element to the State Department of Housing and Community Development, following extensive public review and comment.
- Entered into a predevelopment funding agreement with Mercy Housing to develop 40 very affordable housing units on City-owned property at 555 Kelly Avenue and initiated work on a potential 40-to-50-unit affordable housing project at 880 Stone Pine Road in collaboration with San Mateo County.
- Obtained Coastal Commission approval and certification of the City's Short-Term Rental Ordinance.
- Made significant progress on implementation of several of the Coastside Recovery Initiative's recommendations, including securing \$400,000 in philanthropic funding for a farmworker cooperative and digital equity programming, \$2.5 million in funding for a new Opportunity Center of the Coastside that will serve job seekers, small businesses, and entrepreneurs, and launched a nonprofit cohort which provided technical assistance to City grant recipients in support of a more coordinated and integrated approach to safety net services.
- Completed the draft Climate Action Plan, which included several public outreach events to engage with underrepresented groups and circulated the draft to the general public for input prior to formal adoption.
- Completed the pilot phase of the Crisis Assistance Response & Evaluation Services (CARES) mental health response program; applied for and awarded a \$150,000 grant as well as applied for an additional \$360,000 in grant assistance for the coming fiscal year.
- Initiated construction of the Carter Park Improvement Project, including securing of temporary access and permanent maintenance/operation access to the park and revision of designs to be more flood resilient.
- Conducted the November 2022 General Municipal Election for three district seats including public outreach campaigns around the new 503B district map, how to run for city council, how to vote, and hosted the first Elections Night Out event since the pandemic began.
- Initiated work on a cost allocation study and user fee analysis to ensure the city receives fair cost recovery on services provided to the public and other agencies.

- Continued work on a major upgrade and modernization of the City Corporation Yard facility at 880 Stone Pine Road.
- Conducted the first N.E.T. Citizens Academy since the pandemic began, graduating 18 new cohort members.
- Responded to the catastrophic winter storms that impacted the entire Coastside community, including 24/7 staffing of the Emergency Operations Center, coordinating multi-agency communications to ensure accurate and timely information to the public, and converting the community center into a temporary evacuation point for displaced residents.
- Responded to the tragic mass shootings including coordinating press requests, visits and press conferences with state and federal elected officials, coordinating vigil and memorial services, and a community remembrance dinner for the victims, partnered with the County and other agencies to address code violations at the two farms involved in the shooting and to establish a program for inspecting other farms to ensure farmworker safety, collaborated in intensive case management including coordination of housing for 20 displaced families, and established the Coastside Victims Fund for survivors of the incident.
- Hosted a historic mobile visit from the Consulate of Mexico resulting in 220 residents receiving critical services.

2. Major Capital Projects in Progress:

- Carter Park Improvements Project
- Smith Field Master Plan
- Frenchman’s Creek Park Improvements
- Main Street Safety Improvements
- Corporate Yard Improvements

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 2022-23 through 2026-27 Five-Year Capital Improvement Program (CIP) provides in depth project-by-project information and how it aligns with the City’s Strategic Plan.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is best understood when it is considered from the perspective of the environment in which the City operates. During Fiscal Year 2022-23, the City experienced a shortfall in economically sensitive revenues such as Transient Occupancy Tax and Sales & Use Tax. Although the City ended the year in a surplus despite underperforming revenues, economic uncertainty remains as expenditures for existing services have greatly increased. The City is anticipating a structural deficit in future fiscal years and is actively taking measures to evaluate options to increase revenues and decrease expenditures in future years.

Local Economy

Employment in Half Moon Bay is concentrated in three major sectors: professional services; farm and agriculture; and retail/food services. The 2022 average unemployment rate for California was 4.2%, San Mateo County was 2.4%, and Half Moon Bay was 2.1%. 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 near 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 2022-23 is \$3.7 billion, which is a 6.5% increase over 2021-22. Although housing prices continue to remain strong, the economy appears to be stagnating.

Two of the most pressing concerns of the City include the over reliance on Transient Occupancy Tax (TOT) revenues and rising costs of existing services. During the fiscal year ending June 30, 2023, TOT revenues made up 40% of all General Fund revenues. In addition to being the City's largest revenue source, these revenues are also the most vulnerable in an economic downturn as seen when these revenues experienced a year-over-year decrease of 6%.

Additionally, during the budget process for fiscal year 2023-24, the City experienced a sudden rise in the cost for existing services. Budgeted operating expenditures increased by \$2.5 million or 12% primarily due to public safety. Due to this the City is anticipating a structural deficit in future fiscal years and is currently working on mitigation measures.

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 long-term financial plan of the City continues to include cost containment strategies and a comprehensive cost recovery program, both designed to ensure the long-term financial health of the City. Due to rising obligations, The City is anticipating a revision on cost containment strategies and the implementation with other strategies to address a potential structural deficit in future years.

To combat against rising costs and using reserves in future years, in November 2020 voters passed Measure U effectively raising the Transient Occupancy Tax rate to 14% effective July 1, 2021, and 15% effective July 1, 2022. The City anticipated this measure to generate more revenues to maintain existing City services after the sunset of American Rescue Plan Act (ARPA) funds. While TOT revenues are currently down year-over-year, this measure will generate more revenue in the long-term.

With the City's long-term financial outlook showing deficits, the City is reviewing all pathways to return to a balance budget. Strategies include a comprehensive cost and fee study, scaling back expenditures, revenue enhancements and identifying one-time funds. The deficit is structural in nature and the City is in search of structural solutions to return to a positive financial outlook.

Additionally in FY 2019-20, the City Council created a new Economic Uncertainty Reserve, to smooth the effects of dramatic downturn 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 to be a total of 50% of annual operating expenditures. As of June 30, 2023, 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, 2022. 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; 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 Lopez

Lisa Lopez 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, 2022

Christopher P. Morill

Executive Director/CEO

Half Moon Bay City Limits



PACIFICA

Unincorporated
San Mateo County

Unincorporated
San Mateo County

City of
Half Moon Bay

Unincorporated
San Mateo County



 Map not to Scale



City of Half Moon Bay City Council



Mayor
Deborah Penrose



Vice Mayor
Joaquin Jimenez



Council Member
Robert Brownstone



Council Member
Debbie Ruddock



Council Member
Harvey Rarback

City of Half Moon Bay 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



Community Development
Director Jill Ekas

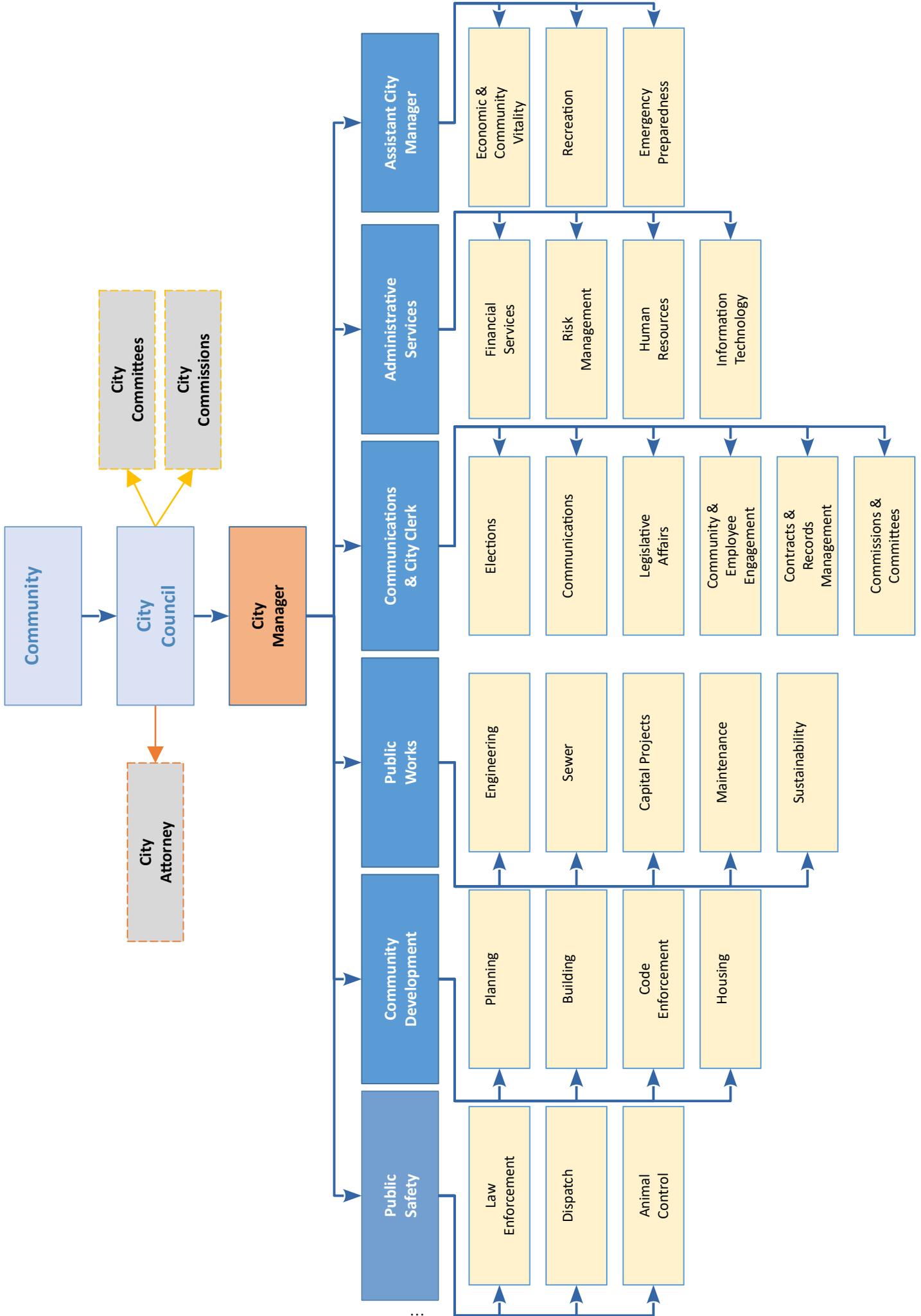


Captain Rebecca Albin
San Mateo County Sheriff



Administrative Services
Director Lisa Lopez Rossi

City of Half Moon Bay Organizational Chart





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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, 2023, 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, 2023, 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), in which the investment in SAM represents 45% and 46% respectively, of the assets and net position of the City's business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for 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 October 16, 2023 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.

Maze & Associates

Pleasant Hill, California
October 16, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS



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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, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have provided in our letter of transmittal and the City's basic financial statements.

Financial Highlights

- The City's government-wide assets exceed its liabilities at June 30, 2023, by \$157.9 million, which is a 5.3% or \$7.8 million increase from the prior year. Of this amount, \$46.5 million may be used to meet the City's ongoing obligations to citizens and creditors, which is a 6% increase over the prior year's unrestricted net position of \$43.9 million.
- The City's cash and investments on June 30, 2023, totaled \$50 million, of which \$45 million is classified as government activities and \$5 million as Business-type activity. The City's cash and investments increased by \$2.1 million, or 4.4% compared to the prior year.
- At June 30, 2023, the City had outstanding long-term obligations of \$21.9 million, of which \$21.4 million is classified as governmental activities and \$541 thousand as business activities. Obligations have increased by \$6.4 million or 41% 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 \$13.8 million on the FY 2022-23 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 \$6.1 million from the \$7.6 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, 2022.
- City-wide revenues were \$33.7 million, of which \$27 million was generated by governmental activities and \$6.7 million by Business-type activities. Revenues increased by 11% from the prior year primarily due to an increase in charges for services, operating grants, and investment income.
- City-wide expenditures were \$25.8 million, of which \$19.8 million was incurred by governmental activities and \$6 million by Business-type activities. Expenditures increased by 2% from the prior year mostly due to increases in community and economic development expenditures.
- The City's General Fund balance as of June 30, 2023, was \$16.2 million, an increase of roughly \$642 thousand as compared to the prior year's amount of \$15.6 million. This increase is due to revenues exceeding expenditures and transfers.
- For the fiscal year ended June 30, 2023, Governmental Funds revenues exceeded expenditures and net transfers by \$2.4 million, primarily attributed to increased operating grants and expenditures falling under budget. The governmental funds' combined ending fund balance as of June 30, 2023, is \$68.5 million, a 4% increase from the prior year.

CITY OF HALF MOON BAY, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

This management discussion and analysis section is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains a transmittal letter, other required supplementary information, 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 liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the City's financial condition.

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

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

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

Fund Financial Statements

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

CITY OF HALF MOON BAY, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds

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

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

The City of Half Moon Bay maintains 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, and the Judgment Obligation Bond Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the Combining Balance Sheet and Individual Fund Statements of Revenues, Expenditures and Changes in Fund Balances sections of the report.

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

The basic governmental fund financial statements can be found on pages 26-32 of this report. The budgetary comparison schedule for the General Fund can be found on page 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, 2023 and 2022:

CITY OF HALF MOON BAY
Comparative Statement
Statement of Net Position
Year Ended on June 30, 2023

	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	50,091,872	46,736,879	15,252,242	15,586,270	65,344,114	62,323,149
Land held for resale	26,823,920	26,823,920	-	-	26,823,920	26,823,920
Capital Assets	78,346,957	74,694,444	6,981,850	6,948,434	85,328,807	81,642,878
Total assets	155,262,749	148,255,243	22,234,092	22,534,704	177,496,841	170,789,947
Related to OPEB	60,710	83,400	4,634	-	65,344	83,400
Related to pension	5,593,021	2,531,578	232,715	120,224	5,825,736	2,651,802
Total deferred outflows of resources	5,653,731	2,614,978	237,349	120,224	5,891,080	2,735,202
Long-term liabilities outstanding	19,654,785	13,683,818	541,207	283,237	20,195,992	13,967,055
Other liabilities	3,837,847	3,097,292	134,964	63,680	3,972,811	3,160,972
Total liabilities	23,492,632	16,781,110	676,171	346,917	24,168,803	17,128,027
Related to OPEB	113,746	127,266	9,009	9,969	122,755	137,235
Related to pension	1,043,360	5,874,487	74,781	292,668	1,118,141	6,167,155
Total deferred inflows of resources	1,157,106	6,001,753	83,790	302,637	1,240,896	6,304,390
Net Position:						
Net investment in capital assets	71,854,949	68,275,626	6,981,850	6,948,434	78,836,799	75,224,060
Restricted	22,502,708	21,340,221	10,092,582	9,554,843	32,595,290	30,895,064
Unrestricted	41,909,085	38,471,511	4,637,048	5,502,097	46,546,133	43,973,608
Total Net Position	136,266,742	128,087,358	21,711,480	22,005,374	157,978,222	150,092,732

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 \$157.9 million on June 30, 2023, with invested capital assets of \$78.8 million, \$32.6 million restricted and an unrestricted net position of \$46.5 million. Portions of the unrestricted net position may by law or contract be used only for specified purposes and may not necessarily be used for any general governmental purpose.

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

The net investment in capital assets reflecting the investment in capital assets (e.g. land, buildings, facilities, vehicles, equipment, and infrastructure) is \$78.8 million and represents 50% percent of the City's net position. This portion has increased by \$3.6 million or 4.8%. 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 \$32.6 million, or 21% percent, of the City's total net position. The restricted net position increased by \$1.7 million or 6% percent in fiscal year 2022-23. 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 \$46.5 million, or 29% percent of the City's total net position, increased by \$2.5 million or 6% 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, 2023, as compared to June 30, 2022:

CITY OF HALF MOON BAY
Comparative Statement
Statement of Activities
Year Ended on June 30, 2023

	Governmental Activities		Business-type Activities		Total		Variance
	2023	2022	2023	2022	2023	2022	
Program revenues:							
Charges for services	2,882,242	2,809,193	5,994,167	5,005,399	8,876,409	7,814,592	14%
Operating grants and contributions	3,628,574	2,544,520	-	-	3,628,574	2,544,520	43%
Capital grants and contributions	1,677,758	1,647,350	-	-	1,677,758	1,647,350	2%
Subtotal	8,188,574	7,001,063	5,994,167	5,005,399	14,182,741	12,006,462	18%
General revenues:							
Property taxes	4,129,317	4,592,317	-	-	4,129,317	4,592,317	-10%
Sales and use taxes	3,315,341	3,358,759	-	-	3,315,341	3,358,759	-1%
Transient occupancy taxes	8,852,640	9,442,518	-	-	8,852,640	9,442,518	-6%
Other taxes	1,276,299	1,341,327	-	-	1,276,299	1,341,327	-5%
Other general revenues	1,289,743	(398,433)	667,604	21,492	1,957,347	(376,941)	619%
Subtotal	18,863,340	18,336,488	667,604	21,492	19,530,944	18,357,980	6%
Total revenues	27,051,914	25,337,551	6,661,771	5,026,891	33,713,685	30,364,442	11%
Expenses							
General government	6,018,989	6,008,499	-	-	6,018,989	6,008,499	0%
Public safety	5,275,682	5,017,087	-	-	5,275,682	5,017,087	5%
Public works	4,129,117	2,765,717	-	-	4,129,117	2,765,717	49%
Recreation Services	597,127	2,823,410	-	-	597,127	2,823,410	-79%
Planning	2,965,787	2,779,608	-	-	2,965,787	2,779,608	7%
Community and Economic Development	843,267	-	-	-	843,267	-	0%
Sewer Utility	-	-	5,998,227	6,042,199	5,998,227	6,042,199	-1%
Total expenses	19,829,968	19,394,321	5,998,227	6,042,199	25,828,195	25,436,520	2%
Increase (Decrease) in net position before transfers	7,221,946	5,943,230	663,544	(1,015,308)	7,885,490	4,927,922	60%
Transfers	957,438	1,018,047	(957,438)	(1,018,047)	-	-	0%
Increase (Decrease) in net position	8,179,384	6,961,277	(293,894)	(2,033,355)	7,885,490	4,927,922	60%
Net position - As of July 1	128,087,358	121,126,081	22,005,374	24,038,729	150,092,732	145,164,810	3%
Prior Period Adjustment		-	-	-	-	-	
Net position - As of July 1, as restated	128,087,358	121,126,081	22,005,374	24,038,729	150,092,732	145,164,810	3%
Net position - As of June 30	136,266,742	128,087,358	21,711,480	22,005,374	157,978,222	150,092,732	5%

Governmental Activities

The City's Governmental net position increased by \$8.1 million or 6% in fiscal year 2023, primarily due to revenues exceeding expenditures.

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

Revenues Highlights:

- Total general revenues increased by \$1.7 million or 7% from the prior year, primarily due to increases in operating grants, contributions, and investment income.
 - Program revenues increased by \$1.2 million or 17%. This increase is primarily from increases in operating grants and contributions. These receipts are generally project specific and/or one-time funds. During the fiscal year, the City was awarded two operating grants totaling \$1.1 million. These funds are designated for specific services that support economic and community vitality.
 - Transient Occupancy Tax (TOT), the City's largest source of general revenue, decreased by \$589 thousand or 6% from the prior year. From January to June 2023, the City received less of these revenues than years prior with an average decrease of 13%. This is primarily due to a decrease in tourism to the coast.
 - Sales Tax, the second largest source of general revenue, decreased by \$43 thousand or 1% from the prior year. This decrease is due to a slowdown of economic activity on the coast.
 - Property Tax, the third largest source of general revenue, decreased by \$463 thousand or 10% from the prior year. This decrease is primarily due to a large one-time receipt of vehicle in-lieu (VLF) taxes that occurred in the prior year.
 - Other General Revenues include investment income and other miscellaneous revenues. The amount from government activities increased by \$1.6 million or 424% from the prior year. This is primarily due to \$865 thousand in interest and unrealized gains on investments.

Expenses for Government Activities increased by \$435 thousand from the prior year, mostly due to increases in community vitality and economic development.

Business-type Activities

The City's sole Business-type activity is the sewer fund. The City's total Business-type net position decreased by \$293 thousand, less of a loss compared to the prior year's decrease of \$2 million. This is primarily due to the following factors:

- Charges for Services revenues increased by \$988 thousand or 20% 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.
- Other revenues increased by \$646 thousand. This is primarily due to interest and unrealized gains on investments. Additionally, the City is a member of the SAM joint power authority and exercises significant influence over SAM's operations; therefore, the share of the City's investment in SAM's net position is reflected in the City's financial statements. In 2022-23 the City recognized a gain on this investment of \$537 thousand.
- Expenses from Business-type Activities decreased by \$43 thousand as compared to fiscal year 2021-22. This is primarily due to decreases in sewer treatment and utility. Although expenses have decreased, expenses still exceeded total revenues.

**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, 2023

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
Revenues	\$ 26,942,159	\$ 25,457,670	6%
Expenditures	(23,706,716)	(19,374,704)	22%
Transfers (net)	(747,982)	(951,154)	-21%
Net Change in Fund Balances	<u>2,487,461</u>	<u>5,131,812</u>	<u>-52%</u>
Fund balances at beginning of year	66,037,469	60,905,657	8%
Fund balances at end of year	<u>68,524,930</u>	<u>66,037,469</u>	<u>4%</u>
Non-spendable	26,823,920	26,823,920	
Restricted	22,258,032	21,340,221	4%
Committed	9,841,012	8,999,117	9%
Assigned	3,215,073	2,288,175	41%
Unassigned	6,386,892	6,586,036	-3%
Total fund balances	<u><u>68,524,929</u></u>	<u><u>66,037,469</u></u>	<u><u>4%</u></u>

As of June 30, 2023, the City’s governmental funds reported combined fund balances of \$68 million, an increase of \$2.4 million in comparison with June 30, 2022. This is primarily attributed to revenues exceeding expenditures. The governmental funds expenditures were \$23.7 million in fiscal year 2022-23, a \$4.3 million increase from the prior year which is primarily due to increased spending for capital projects.

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 (39.1% 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 \$22.2 million (32.5% 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 \$9.8 million (14.4% 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 \$3.2 million (4.7% 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 \$6.3 million (9.3% 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, 2023, the total General Fund balance was \$16.2 million, which includes an unassigned portion of 6.3 million. The General Fund fund balances increased by \$642 thousand for the fiscal year ended June 30, 2023.

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

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

CITY OF HALF MOON BAY
Comparative Statement
General Fund Statement of Revenues, Expenditures and Fund Balance
Year Ended on June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
Revenues			
Taxes	17,500,650	18,670,447	-6%
License and permits	452,763	365,491	24%
Fines and forfeitures	32,232	70,383	-54%
Charges for services	1,419,473	1,544,174	-8%
Impact Fees	-	-	
Rents and Leases	63,728	-	
Investment Income	353,945	(197,019)	-280%
Intergovernmental revenues	1,552,805	1,574,015	-1%
Miscellaneous	970,404	1,085,110	-11%
Total	<u>22,346,000</u>	<u>23,112,601</u>	<u>-3%</u>
Expenditures			
General government	2,272,314	1,949,450	17%
General administration	1,977,351	1,584,239	25%
Public safety	4,914,582	4,527,692	9%
Public works	2,176,714	1,780,363	22%
Recreation Services	524,211	1,040,867	-50%
Planning	2,873,331	2,628,557	9%
Community and Economic Development	843,267	-	
Capital Outlay	-	-	
Debt Service	675,302	1,260,001	-46%
Total	<u>16,257,072</u>	<u>14,771,169</u>	<u>10%</u>
Net Transfers	(5,446,177)	(3,896,979)	40%
Net Change in Fund Balances	<u>642,751</u>	<u>4,444,453</u>	<u>26%</u>
Fund Balances at beginning of year	15,585,153	11,140,700	40%
Fund Balances at end of year	<u><u>16,227,904</u></u>	<u><u>\$ 15,585,153</u></u>	<u><u>4%</u></u>

General Fund Revenues

General Fund revenues for the year ended June 30, 2023, decreased by \$766 thousand or 3%, over the prior year. The preceding chart summarizes revenues into major categories for comparative purposes across two fiscal years.

Total tax revenues decreased by \$1.1 million or 6% from the prior year primarily from a decrease in transient occupancy taxes. Net transfers increased by \$1.5 million primarily due to an increase in capital projects being funded directly.

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

General Fund Expenditures

General Fund expenditures for the 2022-23 fiscal year increased by \$1.4 million or 10%. This increase is primarily due to general increases in existing city functions and the creation of a new division focused on economic development.

**CITY OF HALF MOON BAY
Budget to Actual Statement
General Fund Statement of Revenues, Expenditures and Fund Balance
Year Ended on June 30, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 22,551,667	\$ 22,346,000	\$ (205,667)
Expenditures	(17,727,090)	(16,257,072)	1,470,018
Transfers (net)	(5,446,177)	(5,446,177)	(0)
Net Change in Fund Balance	<u>(621,600)</u>	<u>642,751</u>	<u>1,264,351</u>
Fund balances at beginning of year	15,585,153	15,585,153	-
Fund balances at end of year	<u><u>14,963,553</u></u>	<u><u>16,227,904</u></u>	<u><u>1,264,351</u></u>

General Fund Budgetary Highlights

The final budget for the General Fund planned for a net decrease of fund balance by \$621 thousand, however the ending fund balance increased by \$642 thousand. This is primarily due to the City finishing the fiscal year under budget by \$1.4 million. The City experienced decreased operational spending than initially anticipated. These excess funds have been appropriated in the following budget for fiscal year 2023-24.

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

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, 2023

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
Major Governmental Funds:			
General Fund	16,227,904	15,585,153	4%
Streets and Road	6,427,224	6,257,602	3%
Lot Acquisition / Retirement	1,348,210	1,848,079	-27%
Judgement Obligation Bonds	6,268	6,132	2%
Library Capital	426,155	416,574	2%
Land Asset	26,823,920	26,823,920	0%
Capital Project Fund	2,788,918	1,871,601	49%
Non-Major Governmental Funds	14,476,330	13,228,408	9%
Total Fund Balances	<u>\$ 68,524,929</u>	<u>\$ 66,037,469</u>	<u>4%</u>

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, 2023, the Street and Road Funds had a fund balance of \$6.4 million, a \$169 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, 2023, the fund had a fund balance of \$1.3 million, a \$499 thousand decrease from the prior year.

Judgment Obligation Bond (JOB) Fund

The JOB funds account for debt service on the judgment obligation bonds. As of June 30, 2023, the fund balance was \$6 thousand, which is a small increase from the prior year. This is due to an unrealized gain on investments.

Library Fund

The Library Capital Projects fund is used to account for the design, development, and construction of the new library and the maintenance thereafter. This fund increased by \$9 thousand, primarily through interest income. As of June 30, 2023, the fund balance was \$426 thousand.

Capital Project Funds

Capital Projects Funds include the Public Facilities Fund that accounts for expenditures related to public facilities improvements and the Storm Drain Improvements Fund that accounts for all proceeds from storm drainage improvement fees assessed against new and remodeled construction and used for drainage

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

improvements. As of June 30, 2023, the fund balance was \$2.7 million, a \$917 thousand increase from the prior year, primarily due to transfer-ins from the General Fund to fund future capital expenditures.

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, 2023 is \$26.8 million, which consists of transfers of land assets for Glencree and Beechwood properties from the General Fund and the Judgment Obligation Bond Funds. The Glencree property was donated to the City. The Beechwood property was acquired by the City as part of the settlement of the Yamagiwa litigation in 2007. With the receipt of the insurance settlement payments, the Beechwood properties are no longer required for the Judgment Obligation Bonds. There was no activity in this fund in fiscal year 2022-23.

Non-Major Funds

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

Special Revenue funds include:

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

As of June 30, 2023, the Non-Major Funds had a fund balance of \$14.4 million, a \$1.2 million increase over the prior year. This increase is primarily due to receipt of restricted operating grants totaling \$1.1 million. The purpose of these funds is for community vitality and economic development.

Proprietary Fund Financial Statement Analysis

As of June 30, 2023, the City's Proprietary Fund net position was \$27 million (\$7.3 million invested in capital assets; \$10.1 million restricted for investment in Sewer Authority; \$9.6 million in unrestricted net position). Additional information on this investment can be found in Note 6 of the financial statements. Unrestricted net position of \$4.9 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, 2023, was \$85.3 million, an increase of \$3.6 million as compared to June 30, 2022.

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

Capital assets include land, buildings, equipment, vehicles and infrastructure. The following table presents summarized information on capital assets net of depreciation for fiscal years 2023 and 2022:

CITY OF HALF MOON BAY
Comparative Statement
Capital Assets (net of depreciation)
Year Ended on June 30, 2023

	Governmental Activities		Business Type Activities		Total		Variance
	2023	2022	2023	2022	2023	2022	
Land	\$ 4,756,385	\$ 5,022,855	\$ -	\$ -	\$ 4,756,385	\$ 5,022,855	-5%
Rights of Way	6,990,396	6,723,926	-	-	6,990,396	6,723,926	4%
Construction in progress	9,669,548	5,556,654	-	43,832	9,669,548	5,600,486	73%
Buildings and improvements	29,731,961	30,682,040	6,942,251	6,869,331	36,674,212	37,551,371	-2%
Machinery and equipment	405,419	434,248	39,599	35,271	445,018	469,519	-5%
Infrastructure	26,793,248	26,274,721	-	-	26,793,248	26,274,721	2%
Total	\$ 78,346,957	\$ 74,694,444	\$ 6,981,850	\$ 6,948,434	\$ 85,328,807	\$ 81,642,878	5%

Construction in progress increased by \$4 million primarily due to the improvements to the Corporation Yard, Carter Park Improvements, 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, 2023, the City's long-term obligations totaled \$21.9 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, 2023

	Governmental Activities		Business-type Activities		Total		Variance
	2023	2022	2023	2022	2023	2022	
Library Loan	3,436,112	4,008,798	-	-	3,436,112	4,008,798	-14%
880 Stone Pine Loan	3,055,896	2,410,020	-	-	3,055,896	2,410,020	27%
Claims liability	1,064,830	919,647	-	-	1,064,830	919,647	16%
Employee compensated absences	550,966	535,967	-	-	550,966	535,967	3%
Net Pension Liability	13,296,353	7,376,028	541,207	283,237	13,837,560	7,659,265	81%
Total	\$ 21,404,157	\$ 15,250,460	\$ 541,207	\$ 283,237	\$ 21,945,364	\$ 15,533,697	41%

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. In fiscal year 2022-23 the City made its 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. During fiscal year 2020-21, the City entered into a \$3.2 million financing agreement for purchase of the

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

property and land. The City plans to upgrade and restore the Corporation yard to store vehicles, equipment and supplies. In fiscal year 2022-23, the City made its scheduled payment of \$102 thousand.

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, 2023, the City's share of the pension liability was measured to be \$13.8 million. This is an increase of \$6.1 million or 81%. 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 \$141 million. At June 30, 2023, 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 that is expected to have a significant effect on financial position or results of operations at the time of this report.

During the budget process for Fiscal Year 2023-24, staff projected an estimated structural deficit of \$4 million going into Fiscal Year 2024-25. The deficit is primarily due to stagnating Transient Occupancy Tax revenues and increased costs in City services, including but not limited to existing public safety services. In response, staff has initiated a cost allocation and fee study, is exploring revenue enhancement opportunities, and reviewing all operating expenditures, capital projects and programs, and staff vacancies to identify opportunities to realize short- and long-term savings.

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

Requests for Information

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

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

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

CITY OF HALF MOON BAY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (Note 2)	\$44,999,387	\$5,085,432	\$50,084,819
Accounts receivable, net	4,250,189	19,135	4,269,324
Interest receivable	325,314	43,301	368,615
Prepays	272,306		272,306
Land held for resale (Note 1i)	26,823,920		26,823,920
Investment in Sewer Authority Mid-Coastside (Note 6)		10,092,582	10,092,582
Net OPEB Asset (Note 9)	244,676	11,792	256,468
Capital assets, not depreciated (Note 4)	21,416,329		21,416,329
Capital assets, depreciated, net (Note 4)	56,930,628	6,981,850	63,912,478
Total assets	155,262,749	22,234,092	177,496,841
Deferred outflows of resources			
Related to OPEB (Note 9)	60,710	4,634	65,344
Related to pensions (Note 8)	5,593,021	232,715	5,825,736
Total deferred outflows of resources	5,653,731	237,349	5,891,080
Liabilities			
Accounts payable	49,247	134,964	184,211
Accrued liabilities	1,417,925		1,417,925
Deposits payable	546,303		546,303
Unearned revenue	75,000		75,000
Claims liability, due within one year (Note 10)	1,064,830		1,064,830
Compensated absences (Note 1j):			
Due within one year	33,930		33,930
Due in more than one year	517,036		517,036
Long-term debt (Note 5):			
Due within one year	650,612		650,612
Due in more than one year	5,841,396		5,841,396
Net pension liability, due in more than one year (Note 8)	13,296,353	541,207	13,837,560
Total liabilities	23,492,632	676,171	24,168,803
Deferred inflows of resources			
Related to OPEB (Note 9)	113,746	9,009	122,755
Related to pensions (Note 8)	1,043,360	74,781	1,118,141
Total deferred inflows of resources	1,157,106	83,790	1,240,896
Net position (Note 7)			
Net investment in capital assets	71,854,949	6,981,850	78,836,799
Restricted for:			
Investment in Sewer Authority		10,092,582	10,092,582
Other post-employment benefits	244,676		244,676
Capital Projects	10,503,106		10,503,106
Debt Service	6,268		6,268
Housing and Economic Development	3,101,369		3,101,369
Special Revenues	2,220,065		2,220,065
Streets and Roads	6,427,224		6,427,224
Total restricted net position	22,502,708	10,092,582	32,595,290
Unrestricted	41,909,085	4,637,048	46,546,133
Total net position	\$136,266,742	\$21,711,480	\$157,978,222

See accompanying notes to financial statements

CITY OF HALF MOON BAY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

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	
Governmental Activities:						
General government	\$6,018,989	\$687,941	\$2,702,805		(\$2,628,243)	(\$2,628,243)
Public safety	5,275,682	79,661	165,271		(5,030,750)	(5,030,750)
Public works	4,129,117	442,582	760,498	\$1,677,758	(1,248,279)	(1,248,279)
Recreation	597,127	1,113,689			516,562	516,562
Planning	2,965,787	558,369			(2,407,418)	(2,407,418)
Community and economic development	843,267				(843,267)	(843,267)
Total governmental activities	19,829,968	2,882,242	3,628,574	1,677,758	(11,641,394)	(11,641,394)
Business-type Activities:						
Sewer	5,998,227	5,994,167			(\$4,060)	(4,060)
Total	\$25,828,195	\$8,876,409	\$3,628,574	\$1,677,758	(11,641,394)	(11,645,454)
General revenues:						
Taxes:						
Property					4,129,317	4,129,317
Sales and Use					3,315,341	3,315,341
Transient occupancy					8,852,640	8,852,640
Franchise					945,755	945,755
Business License Tax					330,544	330,544
Investment income					865,654	129,865
Miscellaneous					424,089	424,089
Gain on investment in Sewer Authority Mid-Coastside (Note 6)						537,739
Transfers (Note 3)					957,438	(957,438)
Total general revenues and transfers					19,820,778	(289,834)
Change in Net Position					8,179,384	(293,894)
Net Position at beginning of year					128,087,358	22,005,374
Net Position at end of year					\$136,266,742	\$21,711,480

See accompanying notes to financial statements



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CITY OF HALF MOON BAY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023

	General Fund	Special Revenue Funds		Judgment Obligation Bonds
		Streets and Road	Lot Acquisition and Retirement	
Assets				
Cash and investments (Note 2)	\$14,377,688	\$6,567,402	\$1,423,282	\$6,223
Receivables:				
Accounts, net	2,947,714	187,469		
Interest	103,204	46,795	10,752	45
Land held for resale (Note 1i)				
Due from other funds (Note 3a)				
Prepays				
Total assets	\$17,428,606	\$6,801,666	\$1,434,034	\$6,268
Liabilities and Fund Balances				
Liabilities:				
Accounts payable				
Accrued liabilities	\$654,399	\$299,442	\$85,824	
Deposits payable	546,303			
Due to others funds (Note 3a)				
Unearned revenue		75,000		
Total Liabilities	1,200,702	374,442	85,824	
Fund balances (Note 7):				
Nonspendable				
Restricted		6,427,224	1,348,210	\$6,268
Committed	9,841,012			
Assigned				
Unassigned	6,386,892			
Total fund balances	16,227,904	6,427,224	1,348,210	6,268
Total liabilities and fund balances	\$17,428,606	\$6,801,666	\$1,434,034	\$6,268

See accompanying notes to financial statements

Capital Projects Funds			Non-major Governmental Funds	Total
Library	Land Asset	Capital Projects Fund		
\$422,984		\$2,602,469	\$13,547,086	\$38,947,134
3,171		19,371	1,113,794	4,248,977
	\$26,823,920		98,846	282,184
				26,823,920
		272,306		272,306
<u>\$426,155</u>	<u>\$26,823,920</u>	<u>\$2,894,146</u>	<u>\$14,759,726</u>	<u>\$70,574,521</u>
		\$10,364		\$10,364
		94,864	\$283,396	1,417,925
				546,303
				75,000
		105,228	283,396	2,049,592
	\$26,823,920	272,306	14,476,330	27,096,226
				22,258,032
				9,841,012
\$426,155		2,516,612		2,942,767
				6,386,892
<u>426,155</u>	<u>26,823,920</u>	<u>2,788,918</u>	<u>14,476,330</u>	<u>68,524,929</u>
<u>\$426,155</u>	<u>\$26,823,920</u>	<u>\$2,894,146</u>	<u>\$14,759,726</u>	<u>\$70,574,521</u>

CITY OF HALF MOON BAY
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2023

Fund balances of governmental funds	\$68,524,929
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	21,416,329
Capital assets, depreciated, net	56,542,360
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	5,652,755
Deferred inflows of resources	(1,156,152)
Long-term asset and liabilities that have not been included in governmental fund activity	
Long-Term Notes Payable	(6,492,008)
Compensated absences	(550,966)
Net pension liability	(13,296,353)
Net OPEB asset	241,627
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.	
	5,384,221
Net position of governmental activities	\$136,266,742

See accompanying notes to financial statements



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CITY OF HALF MOON BAY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Special Revenue Funds		Judgment Obligation Bonds Debt Service Fund
		Streets and Road	Lot Acquisition and Retirement	
REVENUES				
Taxes	\$17,500,650			
License and Permits	452,763	\$609,303		
Fines and forfeitures	32,232			
Charges for services	1,419,473			
Impact fees/recreation fees				
Rents and leases	63,728			
Investment income	353,945	144,104	\$36,645	\$136
Intergovernmental revenues	1,552,805	743,017		
Miscellaneous	970,404			
Total Revenues	22,346,000	1,496,424	36,645	136
EXPENDITURES				
Current:				
General government	2,272,314	569	505,389	
General administration	1,977,351			
Public Safety	4,914,582			
Public works	2,176,714	199,458		
Recreation services	524,211			
Planning	2,873,331			
Community and economic development	843,267			
Capital outlay		691,148	31,125	
Debt service:				
Principal	620,197			
Interest & fees	55,105			
Total Expenditures	16,257,072	891,175	536,514	
Excess (deficiency) of revenues over (under) expenditures	6,088,928	605,249	(499,869)	136
Other financing sources (uses):				
Transfers in (Note 3)	524,180	40,000		
Transfers (out) (Note 3)	(5,970,357)	(475,627)		
Proceeds from the issuance of debt				
Total other financing sources (uses)	(5,446,177)	(435,627)		
Net change in fund balances	642,751	169,622	(499,869)	136
Fund balances at beginning of year	15,585,153	6,257,602	1,848,079	6,132
Fund balances at end of year	\$16,227,904	\$6,427,224	\$1,348,210	\$6,268

See accompanying notes to financial statements

Capital Projects Funds			Non-Major Governmental Funds	Total
Library	Land Asset	Capital Projects Fund		
				\$17,500,650
				1,062,066
				32,232
			\$12,831	1,432,304
			296,256	296,256
				63,728
\$9,581		\$42,330	283,041	869,782
			2,418,915	4,714,737
				970,404
<u>9,581</u>		<u>42,330</u>	<u>3,011,043</u>	<u>26,942,159</u>
			221,300	2,999,572
				1,977,351
			6,413	4,920,995
			73,660	2,449,832
				524,211
				2,873,331
				843,267
		895,813	4,824,769	6,442,855
				620,197
				55,105
		<u>895,813</u>	<u>5,126,142</u>	<u>23,706,716</u>
<u>9,581</u>		<u>(853,483)</u>	<u>(2,115,099)</u>	<u>3,235,443</u>
		1,770,800	2,912,546	5,247,526
			(242,912)	(6,688,896)
			693,387	693,387
		<u>1,770,800</u>	<u>3,363,021</u>	<u>(747,983)</u>
9,581		917,317	1,247,922	2,487,460
416,574	\$26,823,920	1,871,601	13,228,408	66,037,469
<u>\$426,155</u>	<u>\$26,823,920</u>	<u>\$2,788,918</u>	<u>\$14,476,330</u>	<u>\$68,524,929</u>

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, 2023

Changes in fund balances of governmental funds	\$2,487,460
Amounts reported for governmental activities in the statement of activities are different because:	
<p>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.</p>	
Capital asset additions	5,734,937
Depreciation expense	(2,036,444)
<p>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.</p>	
Financing lease proceeds	(693,387)
Repayment of principals	620,197
<p>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).</p>	
OPEB expenses	7,346
Compensated absences	(14,999)
Pension expense	1,972,245
<p>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.</p>	
	102,029
Changes in net position of governmental activities	\$8,179,384

See accompanying notes to financial statements

CITY OF HALF MOON BAY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2023

	Sewer Enterprise Fund	Internal Service Funds
Assets:		
Current Assets:		
Cash and investments (Note 2)	\$5,085,432	\$6,052,253
Accounts receivable	19,135	1,212
Interest receivable	43,301	43,130
Total Current Assets	5,147,868	6,096,595
Noncurrent Assets:		
Investment in Sewer Authority Mid-Coastside (Note 6)	10,092,582	
Net OPEB Asset (Note 9)	11,792	3,049
Non-depreciable capital assets (Note 4)		
Depreciable capital assets, net of accumulated depreciation (Note 4)	6,981,850	388,268
Total non-current assets	17,086,224	391,317
Total Assets	22,234,092	6,487,912
Deferred Outflows of Resources		
Related to OPEB (Note 9)	4,634	976
Related to pensions (Note 8)	232,715	
Total deferred outflows of resources	237,349	976
Liabilities:		
Current Liabilities:		
Accounts payable	134,964	38,883
Claims liability (Note 10)		1,064,830
Total current liabilities	134,964	1,103,713
Noncurrent liabilities:		
Net pension liability (Note 8)	541,207	
Total Liabilities	676,171	1,103,713
Deferred Inflows of Resources		
Related to OPEB (Note 9)	9,009	954
Related to pensions (Note 8)	74,781	
Total deferred inflows of resources	83,790	954
Net Position:		
Net investment in capital assets	6,981,850	388,268
Restricted for investment in Sewer Authority	10,092,582	
Unrestricted	4,637,048	4,995,953
Total Net Position	\$21,711,480	\$5,384,221

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, 2023

	Sewer Enterprise Fund	Internal Service Funds
	<u> </u>	<u> </u>
Operating revenues:		
Charges for services	\$5,994,167	
Impact fees		\$22,415
Total operating revenues	<u>5,994,167</u>	<u>22,415</u>
Operating expenses:		
Salaries and wages	352,995	727,873
Contract services	5,498,956	42,163
Supplies	1,570	413,484
Repairs and maintenance	8,275	(807)
Insurance		508,617
Pensions		660,198
Depreciation	136,431	77,121
Other charges		300
Total operating expenses	<u>5,998,227</u>	<u>2,428,949</u>
Total operation income	<u>(4,060)</u>	<u>(2,406,534)</u>
Non-operating revenues:		
Gain on investment in Sewer Authority Mid-Coastside (Note 6)	537,739	
Investment income	129,865	109,755
Total non-operating revenues	<u>667,604</u>	<u>109,755</u>
Income before transfers	<u>663,544</u>	<u>(2,296,779)</u>
Transfers:		
Transfers in (Note 3)		2,398,808
Transfers (out) (Note 3)	(957,438)	
Total transfers	<u>(957,438)</u>	<u>2,398,808</u>
Change in net position	(293,894)	102,029
Net position at beginning of year	<u>22,005,374</u>	<u>5,282,192</u>
Net position at end of year	<u><u>\$21,711,480</u></u>	<u><u>\$5,384,221</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, 2023

	Sewer Enterprise Fund	Internal Service Funds
Cash flows from operating activities:		
Cash received from department users	\$5,952,049	\$21,203
Cash payments to suppliers for goods and services	(5,437,517)	(1,649,285)
Cash payments to employee services	(432,175)	(582,777)
Net cash provided by operating activities	82,357	(2,210,859)
Cash flows from non-capital and related financing activities:		
Cash collected from other funds		2,398,808
Cash paid to other funds	(957,438)	
Net cash (used for) non capital and related financing activities	(957,438)	2,398,808
Cash flows form capital and related financing activities:		
Acquisition of capital assets	(169,847)	(31,141)
Net cash provided by (used for) capital and related financing activities	(169,847)	(31,141)
Cash flows from investing activities:		
Interest received on investments	129,865	109,755
Net cash provided by investing activities	129,865	109,755
Net increase in cash and cash equivalents	(915,063)	266,563
Cash and cash equivalents at beginning of year	6,000,495	5,785,690
Cash and cash equivalents at end of year	\$5,085,432	\$6,052,253
 Reconciliation of operating income (loss) to net cash provided by (used for)		
Provided by (used for) operating activities:		
Operating income (loss)	(\$4,060)	(\$2,406,534)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	136,431	77,121
Change in assets and liabilities:		
Interest receivable, net	(27,524)	(29,372)
Accounts receivable	(14,594)	(1,212)
Accounts payable	71,284	4,042
Deferred outflows of resources	(117,125)	
Deferred inflows of resources	(218,847)	(87)
Claims liability		145,183
Net OPEB asset	(1,178)	
Net pension liability	257,970	
Net cash provided by operating activities	\$82,357	(\$2,210,859)
Non-cash transactions:		
Gain on investment in Sewer Authority Mid-Coastside	\$537,739	

See accompanying notes to financial statements



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CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

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, 2023.

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, 2023

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

The *Library Capital Projects Fund* (Fund 153) is used to account for the construction and facilities maintenance of the library.

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).

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*.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

1. Significant Accounting Policies, continued

c) Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

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

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

1. Significant Accounting Policies, continued

d) Cash and Investments

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

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

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

e) Cash and Investments with Fiscal Agents

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

f) Fair Value Measurements

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

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

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

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

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

**CITY OF HALF MOON BAY, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2023**

1. Significant Accounting Policies, continued

g) Interfund Receivables and Payables

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

h) Capital Assets

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

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

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

i) Land Held for Resale

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

Land held for resale of \$26,823,920 at June 30, 2023 is stated at the lower of historical cost or net realizable value.

j) Compensated Absences

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

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

1. Significant Accounting Policies, continued

j) Compensated Absences, continued

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

The changes in compensated absences for the year ended June 30, 2023 is as follows:

Beginning Balance	\$535,968
Additions	532,974
Payments	<u>(517,976)</u>
Ending Balance	<u>\$550,966</u>
Current Portion	\$33,930
Non-current Portion	\$517,036

k) Long-term Obligations

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

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

l) Claims and Judgments

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

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

1. Significant Accounting Policies, continued

m) Property Taxes

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

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

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

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

n) Estimates

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

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

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

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.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

1. Significant Accounting Policies, continued

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 2022.

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.

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 2023.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

1. Significant Accounting Policies, continued

r) New GASB Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2023.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

GASB 96 – Subscription-Based Information Technology Arrangements (SBITAs)

In June 2020, the GASB issued Statement No. 96, SBITAs. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, and all reporting periods thereafter. The City has no leases subject to GASB #96 for the fiscal year 2023.

2. Cash, Cash Equivalents, and Investments

Cash and investments as of June 30, 2022 consist of the following:

Cash on hand	\$321
Deposits with financial institutions	3,357,113
Investments	<u>46,727,385</u>
Total City cash and investments	<u><u>\$50,084,819</u></u>

a) Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a policy for custodial credit risk on deposits. As of June 30, 2023, the carrying amount of the City's deposits was \$3,357,113 and the bank balance was \$4,301,037. 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.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

2. Cash, Cash Equivalents, and Investments, continued

b) Investments Authorized by the City's Investment Policy

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 Years	None	None	None
U.S. Agency Securities	5 Years	None	None	None
Bankers' Acceptances	180 Days	None	20%	5%
Commercial Paper	180 Days	A2/A	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
San Mateo County Investment Pool	None	None	None	None
Time Deposits	2 years	None	10%	None
Medium-Term Notes	5 Years	Aa2/AA	10%	10%
Money Market Mutual Funds	None	Aaa/AAA	20%	5%

c) Investments Authorized by Debt Agreements

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

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

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

2. Cash, Cash Equivalents, and Investments, continued

d) Fair Value Hierarchy

The City adopted GASB Statement No. 72, Fair Value Measurement and Applications, which required governmental entities to measure investments at fair value in fiscal year 2023. 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.

	Total
Investments exempt from Fair Value Hierarchy:	
San Mateo County Investment Pool	\$38,947,180
California Local Agency Investment Fund	<u>7,780,205</u>
Total Investments	<u>46,727,385</u>
Cash in Bank and on hand	<u>3,357,434</u>
Total Cash and Investments	<u><u>\$50,084,819</u></u>

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.

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>	
	<u>12 Months Or Less</u>	<u>Total</u>
<i>Available for Operations</i>		
California Local Agency Investment Fund	\$7,780,205	\$7,780,205
San Mateo County Investment Pool	<u>38,947,180</u>	<u>38,947,180</u>
Total Investments	<u><u>\$46,727,385</u></u>	46,727,385
<i>Demand Deposits and Cash on Hand</i>		
		<u>3,357,434</u>
		<u><u>\$50,084,819</u></u>

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.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

2. Cash, Cash Equivalents, and Investments, continued

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
<i>Held by City</i>			
California Local Agency Investment Fund		\$7,780,205	\$7,780,205
San Mateo County Investment Pool	\$38,947,180		38,947,180
Cash in banks and on hand		3,357,434	3,357,434
	<u>\$38,947,180</u>	<u>\$11,137,639</u>	<u>\$50,084,819</u>
Total Cash & Investments	<u>\$38,947,180</u>	<u>\$11,137,639</u>	<u>\$50,084,819</u>

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, 2023, these investments matured in an average of 1.65 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, 2023, these investments matured in an average of 260 days.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

3. Interfund Transactions

a) Transfers

Transfers between funds during the fiscal year ended June 30, 2023, were as follows:

Transfer To	Transfer From	Amount
General Fund	Sewer Enterprise Fund	\$524,180 (e)
Streets and Road Special Revenue Fund	General Fund	40,000 (d)
Capital Projects Capital Project Fund	General Fund	1,530,800 (d)
	Non-Major Governmental Funds	240,000 (d)
Non-Major Governmental Funds	General Fund	2,444,620 (d)
	Streets and Roads Special Revenue Fund	467,926 (d)
Internal Service Funds	General Fund	1,954,937 (e)
	Streets and Roads Special Revenue Fund	7,701 (e)
	Non-Major Governmental Funds	2,912 (e)
	Sewer Enterprise Fund	433,258 (e)
		<u>\$7,646,334</u>

Interfund transfers were principally used for the following purposes:

- (a) Sewer Management expenditures
- (b) Streets and Roads expenditures
- (c) Debt Service expenditures
- (d) Capital Program expenditures
- (e) Program Expenditures

4. Capital Assets

a) Capital Assets Activity

A Summary of changes in capital assets for the year ended June 30, 2023, is as follows:

	Balance June 30, 2022	Additions	Transfers	Balance June 30, 2023
Governmental activities:				
Capital assets not being depreciated:				
Land	\$5,022,855		(\$266,470)	\$4,756,385
Rights of way	6,723,926		266,470	6,990,396
Construction in progress	5,556,654	\$5,717,786	(\$1,604,892)	9,669,548
Total capital assets not being depreciated	<u>17,303,435</u>	<u>5,717,786</u>	<u>(1,604,892)</u>	<u>21,416,329</u>
Capital assets being depreciated:				
Buildings & improvements	38,456,364			38,456,364
Machinery & equipment	1,413,586	48,292		1,461,878
Infrastructure	43,814,284		1,604,892	45,419,176
Total capital assets being depreciated	<u>83,684,234</u>	<u>48,292</u>	<u>1,604,892</u>	<u>85,337,418</u>
Less accumulated depreciation for:				
Buildings & improvements	7,774,324	950,079		8,724,403
Machinery & equipment	979,338	77,121		1,056,459
Infrastructure	17,539,563	1,086,365		18,625,928
Total accumulated depreciation	<u>26,293,225</u>	<u>2,113,565</u>		<u>28,406,790</u>
Net depreciable assets	<u>57,391,009</u>	<u>(2,065,273)</u>	<u>1,604,892</u>	<u>56,930,628</u>
Governmental activity capital assets, net	<u>\$74,694,444</u>	<u>\$3,652,513</u>		<u>\$78,346,957</u>

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

4. Capital Assets, continued

a) Capital Assets Activity, continued

	Balance June 30, 2022	Additions	Transfers	Balance June 30, 2023
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$43,832		(\$43,832)	
Total capital assets not being depreciated	43,832		(43,832)	
Capital assets being depreciated:				
Buildings & improvements	8,886,090	\$169,847	43,832	\$9,099,769
Machinery & equipment	763,646			763,646
Total capital assets being depreciated	9,649,736	169,847	43,832	9,863,415
Less accumulated depreciation for:				
Buildings & improvements	2,016,759	132,103		2,148,862
Machinery & equipment	728,375	4,328		732,703
Total accumulated depreciation	2,745,134	136,431		2,881,565
Net depreciable assets	6,904,602	33,416	43,832	6,981,850
Business-type activity capital assets, net	\$6,948,434	\$33,416		\$6,981,850

b) Depreciation

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$104,417
Recreation	829,784
Public safety	15,878
Public works	1,086,365
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	77,121
Total Governmental Activities	\$2,113,565
Business-Type Activities:	
Sewer Fund	\$136,431

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

5. Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2023:

	Original Issue Amount	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Current Portion
<i>Governmental Activity Debt</i>						
Direct borrowings:						
San Mateo County Advance	\$5,726,855	\$4,008,798		\$572,686	\$3,436,112	\$572,686
Lease:						
iBank Financing Lease A & B	3,200,000	2,410,020	\$693,387	47,511	3,055,896	77,926
Total Governmental Activity		\$6,418,818	\$693,387	\$620,197	\$6,492,008	\$650,612

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 would be made no later than April 15, 2030. As of June 30, 2023, the City had drawn down \$5,726,855. Repayments began in fiscal year 2020.

b) Financing Lease – 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 lease 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. As of June 30, 2023, the City had drawn down a total of \$3,103,407.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

5. Long-Term Debt, continued

c) Debt Service

As of June 30, 2023, annual debt service to maturity for the private placements is as follows:

Year ending June 30	Governmental Activities		
	Principal	Direct Borrowings Interest	Total
2024	\$650,612	\$1,014,384	\$1,664,996
2025	652,561	1,012,412	1,664,973
2026	654,558	1,010,390	1,664,948
2027	656,605	985,473	1,642,078
2028	658,703	936,370	1,595,073
2028-2032	1,036,115	3,849,030	4,885,145
2033-2037	1,114,988	2,117,689	3,232,677
2038-2042	370,733	297,070	667,803
2043-2047	419,450	61,443	480,893
2048-2052	277,683	10,527	288,210
Total	\$6,492,008	\$11,294,788	\$17,786,796

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, 2022, the City recorded its investment in SAM in the amount of \$10,092,582 at June 30, 2023.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

7. Net Position/Fund Balances

a) Fund Balances

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

b) Stabilization Arrangement

City Council adopted a resolution (No. C-44-11) to establish a contingency reserve in the amount of 30% of the following fiscal year's budgeted operating expenditures. Changes to the reserve amount require City Council approval. Appropriations from the General Fund reserve commitment can only be made for the following specific circumstances:

- 1) Budgeted revenue taken by another government entity;
- 2) Drop in projected/actual revenue of more than 3% of the General Fund adopted revenue budget;
- 3) One-time costs exceeding \$250,000 used to secure long-term cost savings;
- 4) In the event of actual or threatened existence of conditions of disaster or of extreme peril to the safety of persons and property within this City caused by such conditions as air pollution, fire, flood, storm, epidemic, riot, earthquake, nuclear disaster, tornado, tsunami, or terrorism.

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, 2022, fund balances for government funds are made up of the following:

- *Non-spendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, long-term notes receivable and land.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

7. Net Position/Fund Balances, continued

c) Classifications, continued

- *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, 2023**

7. Net Position/Fund Balances, continued

d) Policies, continued

Fund balances for all the major and non-major governmental funds as of June 30, 2023, were distributed as follows:

	General Fund	Streets and Roads	Judgment Obligation Bonds	Library	Land Asset	Lot Acquisition and Retirement	Capital Projects	Non-major Governmental Funds	Total
Nonspendable:									
Land held for resale					\$26,823,920		\$272,306		\$27,096,226
Total nonspendable					26,823,920		272,306		27,096,226
Restricted:									
Streets & roads		\$6,427,224							6,427,224
Community development						\$1,348,210			1,348,210
Economic/Community Grants							\$936,748		936,748
Park development improvements							2,589,695		2,589,695
Debt service			\$6,268						6,268
Police grants								871,855	871,855
Storm drain maintenance improvements								1,478,355	1,478,355
Traffic mitigation								4,365,486	4,365,486
Affordable housing								2,164,621	2,164,621
Public facilities								2,069,570	2,069,570
Total restricted		6,427,224	6,268			1,348,210		14,476,330	22,258,032
Committed:									
Contingency reserve	\$9,841,012								9,841,012
Total committed	9,841,012								9,841,012
Assigned:									
San Mateo County Library				\$426,155					426,155
Capital projects							\$2,516,612		2,516,612
Total assigned				426,155			2,516,612		2,942,767
Unassigned:	6,386,892								6,386,892
Total Fund Balances	\$16,227,904	\$6,427,224	\$6,268	\$426,155	\$26,823,920	\$1,348,210	\$2,788,918	\$14,476,330	\$68,524,929

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, 2023**

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, 2023:

	Governmental Activities	Business-Type Activities	Total
Capital Asset, net of accumulated depreciation:	\$78,346,957	\$6,981,850	\$85,328,807
Less: Capital debt:	(6,492,008)		(6,492,008)
	\$71,854,949	\$6,981,850	\$78,836,799

8. Pension Plan

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

a) General Information about the Pension Plans

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

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

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, 2023, 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%	7.25%
Required employer contribution rates	11.60%	7.73%
	<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%	

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability and side fund was \$491,897 in fiscal year 2023.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

8. Pension Plans, continued

b) General Information about the Pension Plans

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

For the year ended June 30, 2023, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$905,657	\$660,198

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

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

As of June 30, 2023, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$6,769,868
Safety	7,067,692
Total Net Pension Liability	\$13,837,560

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, 2021, 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, 2020 rolled forward to June 30, 2021 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.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

8. Pension Plans, continued

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

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
Proportion - June 30, 2022	0.18148%	0.12006%
Proportion - June 30, 2023	0.14468%	0.10285%
Change - Increase (Decrease)	(0.03680%)	(0.01720%)

For the year ended June 30, 2023, the City recognized pension expense of \$2,302,612 for Miscellaneous Plan and \$376,309 for Safety Plan, with a total pension expense of \$2,678,921. At June 30, 2023, 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	\$905,657		\$660,198		\$1,565,855	
Changes in assumptions	693,714		712,637		1,406,351	
Differences between actual and expected experience	135,952	(\$91,055)	292,506	(\$76,750)	428,458	(\$167,805)
Net change in Proportion DIDO and Net Pension Liability	36,357	(246,212)	32,568	(94,588)	68,925	(340,800)
Net difference in actual contribution and proportion contributions	1,240,060	(118,783)	1,116,087	(490,753)	2,356,147	(609,536)
Net differences between projected and actual earnings on plan investments						
Total	\$3,011,740	(\$456,050)	\$2,813,996	(\$662,091)	\$5,825,736	(\$1,118,141)

\$1,565,855 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
2024	\$404,631	\$323,307	\$727,938
2025	321,182	300,712	621,894
2026	165,757	186,861	352,618
2027	758,463	680,827	1,439,290
Total	\$1,650,033	\$1,491,707	\$3,141,740

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

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, 2022, the total pension liability was determined by rolling forward the June 30, 2021 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, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Pensions Plan Investment Expenses, includes Inflation
Mortality	Derived using CalPERS Membership Data for all Funds (1)
Post Retirement Benefit Increase	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 table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2020. For more details on this table, please refer to the November 2021 experience study report available on the CalPERS' website under Forms and Publications.

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, 2023

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 as well as the expected pension fund cash flows. Using historical returns and forecasted information for all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Asset Class(a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity-cap-weighted	30.0%	4.54%	4.54%
Global Equity-Non-cap-weighted	12.0%	3.84%	3.84%
Private Equity	13.0%	7.28%	7.28%
Treasury	5.0%	0.27%	0.27%
Mortgage-backed security	5.0%	0.50%	0.50%
Investment grade Corporates	10.0%	1.56%	1.56%
High Yield	5.0%	2.27%	2.27%
Emerging Market debt	5.0%	2.48%	2.48%
Private debt	5.0%	3.57%	3.57%
Real Assets	15.0%	3.21%	3.21%
Leverage	-5.0%	-0.59%	-0.59%
Total	<u>100%</u>		

(a) In the System's Annual Comprehensive Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

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:

	Miscellaneous	Safety	Total
1% Decrease	5.90%	5.90%	
Net Pension Liability	\$10,166,103	\$10,143,192	\$20,309,295
Current Discount Rate	6.90%	6.90%	6.90%
Net Pension Liability	\$6,769,868	\$7,067,692	\$13,837,560
1% Increase	7.90%	7.90%	7.90%
Net Pension Liability	\$3,975,609	\$4,553,577	\$8,529,186

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

9. Other Post Employment Healthcare Benefits

a) Post-Employment Benefits Plan

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

City's Funding Policy: The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements. The City has previously setup an irrevocable retiree benefit trust with the Public Agency Retirement Services (PARS). The City continued with the same funding policy payment to a full ARC contribution. The long-term portion of governmental activities of 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, 2023**

9. Other Post Employment Healthcare Benefits, continued

b) Employees covered by benefit terms

Plan membership varies based on different employee bargaining groups. As of June 30, 2023, membership in the plan consisted of the following:

	Number of members
Active employees	42
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	11
Inactive employees entitled to but not yet receiving benefit payments	27
Total	80

c) Net OPEB Liability(Asset)

The components of the net OPEB liability of the City at June 30, 2023, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2022:	\$469,198	\$707,885	(\$238,687)
Changes Recognized for the Measurement Period:			
Service Cost	35,261	-	35,261
Interest	26,723	-	26,723
Expected investment income			-
Contributions:			
Employer - City's contribution	-	37,336	(37,336)
Employer - Implicit subsidy	-	-	-
Net investment income	-	44,412	(44,412)
Benefit payments	(37,150)	(37,150)	-
Actual vs. expected experience			-
Changes of assumptions			-
Administrative expenses*	-	(1,983)	1,983
Net Changes during Fiscal Year 2023	24,834	42,615	(17,781)
Balance at Fiscal Year Ending 6/30/2023:	\$494,032	\$750,500	(\$256,468)

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

9. Other Post Employment Healthcare Benefits, continued

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

In accordance with GASB 74, regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the following table presents the net OPEB liability of the Plan as of June 30, 2023, calculated using the discount rate of 5.50%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage point higher than the current rate:

Net OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
(4.50%)	(5.50%)	(6.50%)
(\$193,462)	(\$256,468)	(\$308,661)

Net OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
(\$326,343)	(\$256,468)	(\$167,811)

e) Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2021
Measurement Date	June 30, 2023
Contribution Policy	City contributes full ADC
Actuarial Cost Method	Entry Age Normal. Level percentage of payroll
Actuarial Assumptions:	
Discount Rate	5.50%
Long Term Expected Rate	5.50%
Rate of Return on Assets	6.00%
Inflation	2.50%
Payroll Growth	2.75%
Mortality Rate	CalPERS 2000-2019 Experience Study
Healthcare participation for future retirees	50% covered; 30% if waived coverage
PEMHCA Minimum Increases	4.00% annually

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

9. Other Post Employment Healthcare Benefits, continued

f) OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2023, the City recognized OPEB expense of \$23,131. At June 30, 2023, 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
Net difference between projected and actual earnings on OPEB plan investments	\$3,391	\$99,263
Changes in assumptions	20,429	23,492
Differences between actual and expected experience	41,524	
Total	\$65,344	\$122,755

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

Year Ended June 30	Annual Amortization
2024	(\$1,172)
2025	(3,437)
2026	15,446
2027	(11,705)
2028	(10,598)
Thereafter	(45,945)
Total	(\$57,411)

Plan Administration

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

	Fiscal Year ended June 30, 2023
Plan Type	Single 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, 2023**

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 2023.

Investment Policy

PARS offers different investment portfolios as part of the investment vehicle. The City invests in “Capital Appreciation” portfolio; the primary goal of the Capital Appreciation objective is growth of principal. The major portions of the assets are invested in the equity securities and market fluctuations are expected. The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selections and monitoring helps to drive return potential while reducing portfolio risk.

The following is the City adopted asset allocation policy as of June 30, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	50.00%	4.56%
Fixed Income	45.00%	0.78%
Cash	5.00%	-0.50%
Total	<u>100.00%</u>	

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.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

10. LEASES, continued

Lessor

The City is a lessor for noncancellable leases of buildings and facilities. The City recognizes 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.

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.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

10. LEASES, continued

- 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.

As of June 30, 2023, the City has no leases over the threshold subject to GASB 87 as a lessee.

b) Leases Receivable (City as Lessor)

As of June 30, 2023, the City has no leases over the threshold subject to GASB 87 as a lessor.

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 \$5,000,000. The City has a deductible or uninsured liability of up to \$50,000 per claim. Once the City's deductible is met The Plan becomes responsible for payment of all claims up to the limit. The Cities Group covers workers compensation claims up to \$2,500,000 in primary payment (\$1,000,000 for miscellaneous employees and \$1,500,000 for safety employees) and has coverage above that limit to a maximum of \$10,000,000 per incident in excess. The City has no deductible for these claims. The City also belongs to the California Sanitation Risk Management Authority, which insures the City up to \$500,000 per property against sewer backup damages. The City is liable for only one claim per property and is not liable for any future damages, as the property owner is then required to install a back flow valve on their line, with the exception of properties in certain low lying areas.

The City provides for the uninsured portion of claims and judgments in the General Fund and Risk Management Internal Service Fund. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable.

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.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

11. Risk Management, continued

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, 2023, the City paid premiums of \$36,581 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, 2023, the City paid premiums of \$72,301. Financial statements may be obtained from Plan JPA at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

The City's liability for uninsured claims was estimated by management based on prior year claims experience as follows:

	June 30, 2023	June 30, 2022
Beginning balance of claims payable	\$919,647	\$947,234
Increase in estimated liability	445,208	370,710
Claims paid	(300,025)	(398,297)
Ending balance of claims payable	\$1,064,830	\$919,647

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

12. Subsequent Events

In October 2023, the City refinance iBank Loan, in the amount of \$3.2 million with the County of San Mateo. The proceeds will be used to pay off the iBank loan to remove financing restrictions and continue affordable housing efforts at the location.

The Loan bears an interest rate of 3.13%. Interest and Principal on the Loan is payable semi-annually December 30 and April 30 through 2033.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

COST-SHARING EMPLOYER DEFINED PENSION PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

This schedule reports the proportion (percentage) of the collective net pension liability, the proportionate share (amount) of the collective net pension liability, the employer's covered employee payroll, the proportionate share (amount of the collective net pension liability as a percentage of the employer's covered employee payroll and the pension plan's fiduciary net position as a percentage of the total pension liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS PLAN

This schedule presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

REQUIRED SUPPLEMENTARY INFORMATION

Miscellaneous Plan
 Cost-Sharing Multiple-Employer Defined Pension Plan
 Last 10 Years*
**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY AND RELATED RATIOS AS OF
 THE MEASUREMENT DATE**

Measurement date:	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</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%
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
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
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%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.22%	83.28%	77.87%	76.18%	77.02%	75.07%	278.58%	84.94%	72.83%

* Fiscal year 2015 was the 1st year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

Safety Plan
 Cost-Sharing Multiple-Employer Defined Pension Plan
 Last 10 Years*
**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY AND RELATED RATIOS AS OF
 THE MEASUREMENT DATE**

Measurement date:	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/22</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%
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
Covered Payroll	N/A	N/A							
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	N/A	N/A							
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	80.10%	76.97%	71.33%	69.65%	69.70%	73.37%	223.00%	80.55%	68.27%

* Fiscal year 2015 was the 1st year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

Miscellaneous Plan
 Cost-Sharing Multiple Employer Defined Pension Plan
 As of fiscal year ending June 30, 2022
 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>
Actuarially determined contribution	\$168,511	\$344,215	\$435,299	\$525,289	\$649,405	\$728,503	\$819,301	\$905,657
Contributions in relation to the actuarially determined contributions	<u>(168,511)</u>	<u>(344,215)</u>	<u>(435,299)</u>	<u>(525,289)</u>	<u>(649,405)</u>	<u>(728,503)</u>	<u>(819,301)</u>	<u>(905,657)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 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
 Contributions as a percentage of covered payroll	 8.4%	 14.2%	 13.7%	 15.4%	 16.5%	 18.3%	 19.0%	 19.4%
Notes to Schedule								
Valuation date:	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Methods and assumptions used to determine contribution rates:								
Actuarial cost method	Entry age							
Amortization method	Level dollar amount							
Remaining amortization period	20 years							
Asset valuation method	5-year smoothed fair value							
Inflation	2.50%							
Salary increases	(1)							
Investment rate of return	7.15% (2)							
Mortality	Derived using CalPERS Membership Data for all funds							
Post Retirement Benefit Increase	Contract COLA up to 2.50%							

- (1) Depending on age, service and type of employment
 (2) Net of pension plan investment expenses, including inflation

* Fiscal year 2015 was the 1st year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

Safety Plan
 Cost-Sharing Multiple Employer Defined Pension Plan
 As of fiscal year ending June 30, 2022
 Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

Fiscal year ended June 30:	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$414,500	\$249,322	\$445,240	\$551,942	\$555,649	\$594,797	\$612,617	\$660,198
Contributions in relation to the actuarially determined contributions	(414,500)	(249,322)	(445,240)	(551,942)	(555,649)	(594,797)	(612,617)	(660,198)
Contribution deficiency (excess)	<u>\$0</u>							
Covered payroll	N/A							
Contributions as a percentage of covered payroll	N/A							

Notes to Schedule

Valuation date:	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Asset valuation method	5-year smoothed fair value
Inflation	2.30%
Salary increases	(1)
Investment rate of return	7.15% (2)
Mortality	Derived using CalPERS Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter.

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

* Fiscal year 2015 was the 1st year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS A Single Employer OPEB Plan Last 10 fiscal years*

Measurement Date	6/30/2017	6/30/18	6/30/2019	6/30/20	6/30/21	6/30/22	6/30/23
Total OPEB Liability (1)							
Service Cost	\$25,533	\$27,065	\$27,877	\$28,713	\$30,749	\$31,671	\$35,261
Interest	24,624	26,373	28,268	30,256	32,113	32,877	26,723
Differences between expected and actual experience	-	-	-	-	-	-	-
Benefit payments	(22,522)	(22,553)	(22,788)	(24,885)	(29,523)	(33,272)	(37,150)
Actual vs. expected experience	-	-	-	5,947	-	(122,083)	-
Changes of assumptions	-	-	-	(8,808)	30,158	(22,718)	-
Net change in total OPEB liability	<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>
Total OPEB liability - beginning	<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>
Total OPEB liability - ending (a)	<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>
OPEB fiduciary net position							
Net investment income	\$48,425	\$32,087	\$41,937	\$29,170	\$136,486	(\$91,716)	\$44,412
Contributions:							
Employer - City's contribution	22,522	39,261	22,928	26,083	(5,366)	33,410	37,336
Employer - Implicit subsidy	-	-	-	-	-	-	-
Administrative expense	(2,071)	(1,552)	(1,745)	(2,911)	(2,934)	(2,117)	(1,983)
Actual vs. expected experience	-	-	-	-	-	-	-
Benefit payments	(22,522)	(22,553)	(22,788)	(24,885)	(29,523)	(33,272)	(37,150)
Net change in plan fiduciary net position	<u>46,354</u>	<u>47,243</u>	<u>40,332</u>	<u>27,457</u>	<u>98,663</u>	<u>(93,695)</u>	<u>42,615</u>
Plan fiduciary net position - beginning	<u>541,531</u>	<u>587,885</u>	<u>635,128</u>	<u>675,460</u>	<u>702,917</u>	<u>801,580</u>	<u>707,885</u>
Plan fiduciary net position - ending (b)	<u>\$587,885</u>	<u>\$635,128</u>	<u>\$675,460</u>	<u>\$702,917</u>	<u>\$801,580</u>	<u>\$707,885</u>	<u>\$750,500</u>
Net OPEB liability - ending (a)-(b)	(\$164,124)	(\$180,482)	(\$187,457)	(\$183,691)	(\$218,857)	(\$238,687)	(\$256,468)
Plan fiduciary net position as a percentage of the total OPEB liability	138.73%	139.70%	138.41%	135.38%	137.56%	150.87%	151.91%
Covered-employee payroll (A)	N/A **	\$3,009,829	\$4,157,271	\$4,976,211	\$4,806,006	\$5,072,966	\$6,658,959
Total OPEB liability as a percentage of covered-employee payroll	N/A **	-6.00%	-4.51%	-3.69%	-4.55%	-4.71%	-3.85%

* 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 A Single Employer OPEB Plan Last 10 fiscal years*

Fiscal Year Ended June 30,	2017	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution (ADC)	\$16,708	\$17,251	\$15,539	\$16,054	\$15,992	\$16,392	\$3,915
Less: Contributions in Relation to the ADC	(22,522)	(39,261)	(22,928)	(26,083)	(5,366)	(37,336)	(37,336)
Contribution deficiency (excess)	(\$5,814)	(\$22,010)	(\$7,389)	(\$10,029)	\$10,626	(\$20,944)	(\$33,421)
Covered-employee payroll	N/A **	\$3,009,829	\$ 4,157,271	\$ 4,976,211	\$4,806,006	\$5,072,966	\$6,658,959
Contributions as a percentage of Covered-employee payroll	N/A **	1.30%	0.55%	0.52%	0.11%	0.74%	0.56%

Notes to Schedule:

* Fiscal year 2018 was the first year of implementation.

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal, level percentage of payroll
Amortization Period	10 year fixed period for 2022/23
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Actuarial Assumptions:	
Discount Rate	5.50%
Inflation	2.75%
Medical Trend	Non-Medicare - 6.50% for 2021, decreasing to an ultimate rate of 3.75% in 2076 Medicare - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076
PEMHCA Minimum	4.00% annual increases
Mortality	CalPERS 2000-2019 experience study
Mortality Improvement	Mortality projected fully generational with Society of Actuaries Scale MP-2021

* 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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$16,462,505	\$18,320,989	\$17,500,650	(\$820,339)
Licenses and permits	209,739	220,789	452,763	231,974
Fines and forfeitures	76,428	27,936	32,232	4,296
Charges for services	1,337,937	1,256,364	1,419,473	163,109
Investment income	88,071	127,428	353,945	226,517
Rents and leases	77,000	77,000	63,728	(13,272)
Intergovernmental revenues	1,551,805	1,551,805	1,552,805	1,000
Miscellaneous	969,356	969,356	970,404	1,048
Total revenues	20,772,841	22,551,667	22,346,000	(205,667)
Expenditures:				
Current Operations:				
General Government	2,394,486	2,547,086	2,272,314	274,772
General administration	1,949,021	1,949,021	1,977,351	(28,330)
Public Safety	5,086,551	5,086,551	4,914,582	171,969
Public Works	2,103,137	2,182,137	2,176,714	5,423
Recreation services	606,721	606,721	524,211	82,510
Planning	3,443,278	3,443,278	2,873,331	569,947
Community and economic development	1,207,886	1,207,886	843,267	364,619
Debt service:				
Principal	620,197	620,197	620,197	
Interest and fiscal charges		84,213	55,105	29,108
Total expenditures	17,411,277	17,727,090	16,257,072	1,470,018
Excess of revenues over expenditures	3,361,564	4,824,577	6,088,928	1,264,351
Other financing sources (uses):				
Transfers in	524,180	524,180	524,180	
Transfers out	(5,970,357)	(5,970,357)	(5,970,357)	
Total Other Financing Sources (Uses)	(5,446,177)	(5,446,177)	(5,446,177)	
Net change in fund balance	(\$2,084,613)	(\$621,600)	642,751	\$1,264,351
Fund balance at beginning of year			15,585,153	
Fund balance at end of year			\$16,227,904	

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, 2023

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes				
Licenses and permits	\$576,200	\$569,317	\$609,303	\$39,986
Investment income	29,100	61,111	144,104	82,993
Intergovernmental revenue	617,200	577,183	743,017	165,834
Miscellaneous				
Total revenues	<u>1,222,500</u>	<u>1,207,611</u>	<u>1,496,424</u>	<u>288,813</u>
Expenditures:				
Current:				
General government			569	(569)
Public works	245,972	245,972	199,458	46,514
Capital Outlay	<u>1,098,200</u>	<u>1,133,200</u>	<u>691,148</u>	<u>442,052</u>
Total expenditures	<u>1,344,172</u>	<u>1,379,172</u>	<u>891,175</u>	<u>487,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(121,672)</u>	<u>(171,561)</u>	<u>605,249</u>	<u>776,810</u>
Other financing sources (uses):				
Transfer in	40,000	40,000	40,000	
Transfer out	<u>(497,000)</u>	<u>(475,627)</u>	<u>(475,627)</u>	
Total other financing sources (uses)	<u>(457,000)</u>	<u>(435,627)</u>	<u>(435,627)</u>	
Net change in fund balance	<u>(\$578,672)</u>	<u>(\$607,188)</u>	169,622	<u>\$776,810</u>
Fund balance at beginning of year			<u>6,257,602</u>	
Fund balance at end of year			<u><u>\$6,427,224</u></u>	

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, 2023

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$18,800	\$36,645	\$17,845
Total revenues	18,800	36,645	17,845
Expenditures:			
Current:			
General government	430,000	505,389	(75,389)
Capital Projects		31,125	(31,125)
Total expenditures	430,000	536,514	(106,514)
Excess (deficiency) of revenues over (under) expenditures	(411,200)	(499,869)	(88,669)
Net change in fund balance	(\$411,200)	(499,869)	(\$88,669)
Fund balance at beginning of year		1,848,079	
Fund balance at end of year		\$1,348,210	

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.

SUPPLEMENTARY INFORMATION

CITY OF HALF MOON BAY
 JUDGMENT OBLIGATION BONDS DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income		\$136	\$136
Total revenues		136	136
Net change in fund balance		136	\$136
Fund balance at beginning of year		6,132	
Fund balance at end of year		\$6,268	

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, 2023

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$3,500	\$9,581	\$6,081
Intergovernmental revenues			
Total Revenues	<u>3,500</u>	<u>9,581</u>	<u>6,081</u>
Other financing sources:			
Transfers (out)			
Total expenditures			
Excess of revenues over expenditures	<u>3,500</u>	<u>9,581</u>	<u>6,081</u>
Net change in fund balance	<u><u>\$3,500</u></u>	<u>9,581</u>	<u><u>\$6,081</u></u>
Fund balance at beginning of year		<u>416,574</u>	
Fund balance at end of year		<u><u>\$426,155</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$14,396	\$14,396	\$42,330	\$27,934
Intergovernmental revenues				
Total revenues	<u>14,396</u>	<u>14,396</u>	<u>42,330</u>	<u>27,934</u>
Expenditures:				
Current Operations:				
Capital Outlay	<u>738,686</u>	<u>3,056,900</u>	<u>895,813</u>	<u>2,161,087</u>
Total expenditures	<u>738,686</u>	<u>3,056,900</u>	<u>895,813</u>	<u>2,161,087</u>
Excess of revenues over expenditures	<u>(724,290)</u>	<u>(3,042,504)</u>	<u>(853,483)</u>	<u>2,189,021</u>
Other financing sources (uses):				
Transfers in		<u>1,770,800</u>	<u>1,770,800</u>	
Total Other Financing Sources (Uses)		<u>1,770,800</u>	<u>1,770,800</u>	
Net change in fund balance	<u>(\$724,290)</u>	<u>(\$1,271,704)</u>	917,317	<u>\$2,189,021</u>
Fund balance at beginning of year			<u>1,871,601</u>	
Fund balance at end of year			<u>\$2,788,918</u>	

CITY OF HALF MOON BAY, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2023

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 *Affordable Housing 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 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 *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 *ARPA 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.

CITY OF HALF MOON BAY, CALIFORNIA

NON-MAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED JUNE 30, 2023

Capital Projects Funds

Capital Projects Funds are utilized to account for resources used for the acquisition and construction of capital facilities and infrastructure by the City, with the exception of those assets financed by proprietary funds.

The *Public Facilities Fund* (Fund 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.



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CITY OF HALF MOON BAY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023

SPECIAL REVENUE FUNDS

	<u>Police Grants</u>	<u>Storm Drain Operating</u>	<u>Traffic Mitigation</u>	<u>Affordable Housing</u>	<u>Parks Development</u>
Assets					
Cash and investments	\$865,612	\$348,950	\$4,326,521	\$2,149,058	\$1,574,119
Accounts receivable			7,899		1,105,040
Interest receivable	6,243	2,527	31,066	15,563	15,642
Total assets	<u>\$871,855</u>	<u>\$351,477</u>	<u>\$4,365,486</u>	<u>\$2,164,621</u>	<u>\$2,694,801</u>
Liabilities:					
Accrued expenses					\$60,493
Accrued liabilities					44,613
Total liabilities					<u>105,106</u>
Fund Balances:					
Restricted	<u>\$871,855</u>	<u>\$351,477</u>	<u>\$4,365,486</u>	<u>\$2,164,621</u>	<u>2,589,695</u>
Total fund balances	<u>871,855</u>	<u>351,477</u>	<u>4,365,486</u>	<u>2,164,621</u>	<u>2,589,695</u>
Total liabilities and fund balances	<u>\$871,855</u>	<u>\$351,477</u>	<u>\$4,365,486</u>	<u>\$2,164,621</u>	<u>\$2,694,801</u>

<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL PROJECTS FUNDS</u>		
<u>CZI Grant</u>	<u>ARPA</u>	<u>Public Facilities</u>	<u>Storm Drain Improvements</u>	<u>Total</u>
\$283,136	\$650,198	\$2,177,844	\$1,171,648	\$13,547,086
			855	1,113,794
<u>2,266</u>	<u>1,148</u>	<u>15,785</u>	<u>8,606</u>	<u>98,846</u>
<u>\$285,402</u>	<u>\$651,346</u>	<u>\$2,193,629</u>	<u>\$1,181,109</u>	<u>\$14,759,726</u>
		\$115,594	\$54,231	\$230,318
		8,465		53,078
		124,059	54,231	283,396
<u>\$285,402</u>	<u>\$651,346</u>	<u>2,069,570</u>	<u>1,126,878</u>	<u>14,476,330</u>
<u>285,402</u>	<u>651,346</u>	<u>2,069,570</u>	<u>1,126,878</u>	<u>14,476,330</u>
<u>\$285,402</u>	<u>\$651,346</u>	<u>\$2,193,629</u>	<u>\$1,181,109</u>	<u>\$14,759,726</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, 2023

	SPECIAL REVENUE FUNDS				
	Police Grants	Storm Drain Operating	Traffic Mitigation	Affordable Housing	Parks Development
Revenues:					
Charges for services					
Impact fees/recreation fees			\$133,043		\$163,213
Investment income	\$17,964	\$7,638	93,265	\$47,035	54,224
Intergovernmental revenues	165,271				1,103,644
	183,235	7,638	226,308	47,035	1,321,081
Total Revenues					
Expenditures:					
Current:					
General Government					
Public Safety	6,413				
Public Works			31,233		
Recreation Services					
Capital outlay					2,046,725
	6,413		31,233		2,046,725
Total Expenditures					
Excess (deficiency) of revenues over (under) expenditures	176,822	7,638	195,075	47,035	(725,644)
Other financing sources:					
Transfers in					250,000
Transfer (out)					(240,000)
Proceeds from long-term debt					
					10,000
Total Other Financing Sources					
Net change in fund balances	176,822	7,638	195,075	47,035	(715,644)
Fund balances at beginning of year	695,033	343,839	4,170,411	2,117,586	3,305,339
Fund balances at end of year	\$871,855	\$351,477	\$4,365,486	\$2,164,621	\$2,589,695

SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS		
CZI Grant	ARPA	Public Facilities	Storm Drain Improvements	Total
			\$12,831	\$12,831
\$6,702	\$1,346	\$31,862	23,005	296,256
500,000	650,000			283,041
				2,418,915
<u>506,702</u>	<u>651,346</u>	<u>31,862</u>	<u>35,836</u>	<u>3,011,043</u>
221,300				221,300
			42,427	6,413
				73,660
		<u>2,554,303</u>	<u>223,741</u>	<u>4,824,769</u>
<u>221,300</u>		<u>2,554,303</u>	<u>266,168</u>	<u>5,126,142</u>
<u>285,402</u>	<u>651,346</u>	<u>(2,522,441)</u>	<u>(230,332)</u>	<u>(2,115,099)</u>
		2,287,546	375,000	2,912,546
			(2,912)	(242,912)
		<u>693,387</u>		<u>693,387</u>
		<u>2,980,933</u>	<u>372,088</u>	<u>3,363,021</u>
285,402	651,346	458,492	141,756	1,247,922
		<u>1,611,078</u>	<u>985,122</u>	<u>13,228,408</u>
<u>\$285,402</u>	<u>\$651,346</u>	<u>\$2,069,570</u>	<u>\$1,126,878</u>	<u>\$14,476,330</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Impact fees/recreation fees	\$60,700	\$133,043	\$72,343
Investment income	<u>53,283</u>	<u>93,265</u>	<u>39,982</u>
Total revenues	<u>113,983</u>	<u>226,308</u>	<u>112,325</u>
Expenditures:			
Current:			
Public works	<u>35,888</u>	<u>31,233</u>	<u>4,655</u>
Total expenditures	<u>35,888</u>	<u>31,233</u>	<u>4,655</u>
Excess (deficiency) of revenues over (under) expenditures	<u>78,095</u>	<u>195,075</u>	<u>116,980</u>
Net change in fund balance	<u><u>\$78,095</u></u>	<u>195,075</u>	<u><u>\$116,980</u></u>
Fund balance at beginning of year		<u>4,170,411</u>	
Fund balance at end of year		<u><u>\$4,365,486</u></u>	

CITY OF HALF MOON BAY
POLICE GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$4,300	\$17,964	\$13,664
Intergovernmental	<u>173,729</u>	<u>165,271</u>	<u>(8,458)</u>
Total Revenues	<u>178,029</u>	<u>183,235</u>	<u>5,206</u>
Expenditures:			
Current:			
Public Safety	<u>200,000</u>	<u>6,413</u>	<u>193,587</u>
Total expenditures	<u>200,000</u>	<u>6,413</u>	<u>193,587</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,971)</u>	<u>176,822</u>	<u>198,793</u>
Net change in fund balance	<u><u>(\$21,971)</u></u>	<u>176,822</u>	<u><u>\$198,793</u></u>
Fund Balance at beginning of year		<u>695,033</u>	
Fund balance at end of year		<u><u>\$871,855</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, 2023

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$2,500	\$7,638	\$5,138
Total revenues	2,500	7,638	5,138
Net change in fund balance	\$2,500	7,638	\$5,138
Fund balance at beginning of year		343,839	
Fund balance at end of year		\$351,477	

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, 2023

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Impact fees/recreation fees	\$100,000	\$163,213	\$63,213
Investment income	39,524	54,224	14,700
Intergovernmental revenues	4,750,000	1,103,644	(3,646,356)
Total Revenues	4,889,524	1,321,081	(3,568,443)
Expenditures:			
Current:			
Capital outlay	7,393,900	2,046,725	5,347,175
Total expenditures	7,393,900	2,046,725	5,347,175
Excess of revenues over expenditures	(2,504,376)	(725,644)	1,778,732
Other financing sources:			
Transfers in	250,000	250,000	
Transfers out	(240,000)	(240,000)	
Total other financing sources	10,000	10,000	
Net change in fund balance	(\$2,494,376)	(715,644)	\$1,778,732
Fund balance at beginning of year		3,305,339	
Fund balance at end of year		\$2,589,695	

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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Recreation fees/impact fees			
Investment income	<u>\$27,184</u>	<u>\$47,035</u>	<u>\$19,851</u>
Total revenues	<u>27,184</u>	<u>47,035</u>	<u>19,851</u>
Expenditures:			
Current:			
Planning	<u>1,000,000</u>	<u></u>	<u>1,000,000</u>
Total expenditures	<u>1,000,000</u>	<u></u>	<u>1,000,000</u>
Excess of revenues over expenditures	<u>27,184</u>	<u>47,035</u>	<u>1,019,851</u>
Net change in fund balance	<u><u>\$27,184</u></u>	<u>47,035</u>	<u><u>\$1,019,851</u></u>
Fund balance at beginning of year		<u>2,117,586</u>	
Fund balance at end of year		<u><u>\$2,164,621</u></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, 2023

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income		\$6,702	\$6,702
Intergovernmental revenues	\$500,000	500,000	
Total Revenues	500,000	506,702	6,702
Expenditures:			
Current:			
General Government	500,000	221,300	278,700
Total expenditures	500,000	221,300	278,700
Excess of revenues over expenditures		285,402	285,402
Net change in fund balance		285,402	\$285,402
Fund balance at beginning of year			
Fund balance at end of year		\$285,402	

CITY OF HALF MOON BAY
 ARPA SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income		\$1,346	\$1,346
Intergovernmental revenues		650,000	650,000
Total Revenues		651,346	651,346
Net change in fund balance		651,346	\$651,346
Fund balance at beginning of year			
Fund balance at end of year		\$651,346	

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, 2023

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Investment income	\$9,700	\$31,862	\$22,162
Total revenues	<u>9,700</u>	<u>31,862</u>	<u>22,162</u>
Expenditures:			
Capital Outlay	3,619,781	2,554,303	1,065,478
Total expenditures	<u>3,619,781</u>	<u>2,554,303</u>	<u>1,065,478</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,610,081)</u>	<u>(2,522,441)</u>	<u>1,087,640</u>
Other financing sources (uses):			
Transfers in	2,287,546	2,287,546	
Proceeds from long-term debt	<u>700,000</u>	<u>693,387</u>	<u>(6,613)</u>
Total Other Financing Sources (uses)	<u>2,987,546</u>	<u>2,980,933</u>	<u>(6,613)</u>
Net change in fund balance	<u><u>(\$622,535)</u></u>	458,492	<u><u>\$1,081,027</u></u>
Fund balance at beginning of year		<u>1,611,078</u>	
Fund balance at end of year		<u><u>\$2,069,570</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Charges for services	\$10,000	\$12,831	\$2,831
Investment income	7,500	23,005	15,505
Total Revenues	<u>17,500</u>	<u>35,836</u>	<u>18,336</u>
Expenditures:			
Public works	40,846	42,427	(1,581)
Capital outlay	1,172,300	223,741	948,559
Total expenditures	<u>1,213,146</u>	<u>266,168</u>	<u>946,978</u>
Excess of revenues over expenditures	<u>(1,195,646)</u>	<u>(230,332)</u>	<u>965,314</u>
Other financing sources:			
Transfers in	375,000	375,000	
Transfers out	<u>(2,912)</u>	<u>(2,912)</u>	
Total other financing sources	<u>372,088</u>	<u>372,088</u>	
Net change in fund balance	<u><u>(\$823,558)</u></u>	141,756	<u><u>\$965,314</u></u>
Fund balance at beginning of year		<u>985,122</u>	
Fund balance at end of year		<u><u>\$1,126,878</u></u>	

CITY OF HALF MOON BAY, CALIFORNIA

INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED JUNE 30, 2023

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, 2023

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Assets				
Current Assets:				
Cash and investments	\$951,587	\$3,652,277	\$1,448,389	\$6,052,253
Accounts receivable	1,212			1,212
Interest receivable	6,123	26,585	10,422	43,130
Total Current Assets	958,922	3,678,862	1,458,811	6,096,595
Non-current assets:				
Net OPEB asset		3,049		3,049
Capital assets, net of Accumulated depreciation	388,268			388,268
Total Assets	1,347,190	3,681,911	1,458,811	6,487,912
Deferred outflow of resources Related to OPEB				
		976		976
Total deferred outflows of resources		976		976
Liabilities				
Current Liabilities:				
Accounts payable	31,497	7,386		38,883
Claims liability		1,064,830		1,064,830
Total Liabilities	31,497	1,072,216		1,103,713
Deferred inflow of resources Related to OPEB				
		954		954
Total deferred inflows of resources		954		954
Net Position				
Net position:				
Invested in capital assets	388,268			388,268
Unrestricted	927,425	2,609,717	1,458,811	4,995,953
Total net position	\$1,315,693	\$2,609,717	\$1,458,811	\$5,384,221

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, 2023

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Operating revenues:				
Impact fees	\$22,415			\$22,415
Total operating revenues	22,415			22,415
Operating expenses:				
Salaries and wages	98,720	\$137,257	\$491,896	727,873
Contract services	20,388	21,775		42,163
Services and supplies	413,450	34		413,484
Repairs and maintenance	(807)			(807)
Insurance expense		508,617		508,617
Pension			660,198	660,198
Depreciation	77,121			77,121
Other charges		300		300
Total operating expenses	608,872	667,983	1,152,094	2,428,949
Operating income (loss)	(586,457)	(667,983)	(1,152,094)	(2,406,534)
Non-operating revenues (expenses):				
Investment income	17,391	73,764	18,600	109,755
Total non-operating revenues	17,391	73,764	18,600	109,755
Transfers in	589,549	657,164	1,152,095	2,398,808
Change in net position	20,483	62,945	18,601	102,029
Net position at beginning of year	1,295,210	2,546,772	1,440,210	5,282,192
Net position at end of year	\$1,315,693	\$2,609,717	\$1,458,811	\$5,384,221

CITY OF HALF MOON BAY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Cash flows from operating activities:				
Cash received from department users	\$21,203			\$21,203
Cash payments to suppliers of goods and services	(431,159)	(\$551,136)	(\$666,990)	(1,649,285)
Cash payments to employees for services	(98,720)	7,839	(491,896)	(582,777)
Net cash provided by (used for) operating activities	<u>(508,676)</u>	<u>(543,297)</u>	<u>(1,158,886)</u>	<u>(2,210,859)</u>
Cash flows from non-capital financing activities:				
Transfer in	589,549	657,164	1,152,095	2,398,808
Net cash provided by (used for) non-capital financing activities	<u>589,549</u>	<u>657,164</u>	<u>1,152,095</u>	<u>2,398,808</u>
Cash flows form capital and related financing activities:				
Acquisition of capital assets	(31,141)			(31,141)
Net cash provided by (used for) capital and related financing activities	<u>(31,141)</u>			<u>(31,141)</u>
Cash flows from investing activities:				
Interest received on investments	17,391	73,764	18,600	109,755
Net cash provided by investing activities	<u>17,391</u>	<u>73,764</u>	<u>18,600</u>	<u>109,755</u>
Net increase (decreased) in cash and cash equivalents	67,123	187,631	11,809	266,563
Cash and cash equivalents at beginning of year	884,464	3,464,646	1,436,580	5,785,690
Cash and cash equivalents at end of year	<u>\$951,587</u>	<u>\$3,652,277</u>	<u>\$1,448,389</u>	<u>\$6,052,253</u>
Reconciliation of operating income to net cash flows provided by operating activities:				
Operating income (loss)	(\$586,457)	(\$667,983)	(\$1,152,094)	(\$2,406,534)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	77,121			77,121
(Increase) in accounts receivable	(1,212)			(1,212)
(Increase) in interest receivable	(4,881)	(17,699)	(6,792)	(29,372)
Increase (Decreased) in accounts payable	6,753	(2,711)		4,042
Increase (Decreased) in employees benefits		(87)		(87)
Increase (Decreased) in claims liability		145,183		145,183
Net cash provided by (used for) operating activities	<u>(\$508,676)</u>	<u>(\$543,297)</u>	<u>(\$1,158,886)</u>	<u>(\$2,210,859)</u>

STATISTICAL SECTION



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CITY OF HALF MOON BAY, CALIFORNIA

STATISTICAL SECTION

FISCAL YEAR ENDED JUNE 30, 2023

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.



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CITY OF HALF MOON BAY
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
Invested in capital assets, net of related debt	\$ 36,067,826	\$ 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
Restricted	38,078,982	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
Unrestricted	7,998,768	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
Total governmental activities net position	\$ 82,145,576	\$ 82,133,722	\$ 94,663,614	\$ 96,729,641	\$ 106,024,253	\$ 114,014,046	\$ 114,714,084	\$ 121,126,081	\$ 128,087,358	\$ 136,266,742
Business-type activities:										
Invested in capital assets, net of related debt	\$ 4,024,768	\$ 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
Restricted					5,946,230	6,385,095	8,692,609	9,377,687	9,554,843	10,092,582
Unrestricted	18,347,207	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
Total business-type activities net position	\$ 22,371,975	\$ 23,034,034	\$ 24,507,211	\$ 25,717,760	\$ 24,566,783	\$ 24,635,419	\$ 25,217,648	\$ 24,038,729	\$ 22,005,374	\$ 21,711,480
Primary government:										
Invested in capital assets, net of related debt	\$ 40,092,594	\$ 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
Restricted	38,078,982	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
Unrestricted	26,345,975	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
Total primary government net position ⁽¹⁾	\$ 104,517,551	\$ 105,167,756	\$ 119,170,825	\$ 122,447,401	\$ 130,591,036	\$ 138,649,465	\$ 139,931,732	\$ 145,164,810	\$ 150,092,732	\$ 157,978,222

⁽¹⁾ The \$7.0 million increase in primary government net position in FY 2013-14 is primarily attributable to higher tax revenues and timing of sewer-related capital spending.

The \$12.5 million increase in primary government net position in FY 2015-16 is primarily attributable to higher tax revenues and a contribution of \$6.0 million from the County of San Mateo for the library construction capital project that is scheduled to commence during fiscal year 2016-17.

The \$3.5 million increase in primary government net position in FY 2016-17 is primarily attributable to investment in infrastructure and capital projects.

The \$8.4 million increase in primary government net position in FY 2017-18 is primarily attributable to investment in capital projects.

The \$8.0 million increase in primary government net position in FY 2018-19 is primarily attributable to higher tax and general revenues

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 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

CITY OF HALF MOON BAY

Changes in Net Position

Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses:										
Governmental activities:										
General government	\$ 4,845,145	\$ 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
Public safety	3,209,351	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
Public works	2,316,147	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
Recreation services	221,703	282,251	337,331	348,604	926,730	1,167,467	1,808,657	1,942,872	2,823,410	597,127
Planning	1,213,621	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
Community and Economic Development	1,155,865	1,053,237	937,704	937,704	937,704	937,704	468,852	-	-	843,267
Interest and fiscal charges	12,961,832	11,113,733	13,072,919	16,152,149	17,178,271	17,094,178	18,930,024	17,443,308	19,394,321	19,829,968
Total governmental activities expenses	2,881,315	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
Business-type activities:										
Sewer	2,881,315	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
Total business-type activities expenses	2,881,315	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
Total primary government expenses	15,843,147	15,191,736	16,015,932	19,118,762	21,935,327	21,656,691	24,880,407	23,113,522	25,436,520	25,828,195
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 211,108	\$ 105,737	\$ 98,171	\$ 20,738	\$ 29,879	\$ 97,755	\$ 94,986	\$ 17,962	\$ 646,363	\$ 687,941
Public safety	117,737	107,738	118,204	95,883	961,407	64,011	159,631	138,299	105,983	79,661
Public works	632,607	423,449	407,342	452,260	672,979	392,876	332,903	383,211	360,649	442,582
Recreation services	534,225	550,144	588,890	624,771	841,581	630,725	494,433	987,511	1,176,088	1,113,689
Planning	558,424	457,237	560,073	505,373	213,701	293,316	165,686	314,178	520,110	558,369
Operating grants and contributions	1,512,220	1,903,151	390,970	1,166,559	932,873	1,390,373	786,552	4,123,613	2,544,520	3,628,574
Capital grants and contributions	775,559	596,856	7,915,220	607,526	6,940,211	5,090,594	627,168	3,145,690	1,647,350	1,677,758
Total governmental activities program revenues	4,341,880	4,144,312	10,078,870	3,473,110	10,592,631	7,959,650	2,661,359	9,110,464	7,001,063	8,188,574
Business-type activities:										
Charges for services:										
Sewer	\$ 5,502,406	\$ 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
Capital grants and contributions	4,074	45,628	-	-	-	-	-	-	-	-
Total business-type activities program revenues	5,506,480	5,151,130	4,715,919	4,524,358	4,261,126	4,533,846	4,540,020	4,477,159	5,005,399	5,994,167
Total primary government program revenues	9,848,360	9,295,442	14,794,789	7,997,468	14,853,757	12,493,496	7,201,379	13,587,623	12,006,462	14,182,741
Net revenues (expenses):										
Governmental activities	\$ (8,619,952)	\$ (6,969,421)	\$ (2,994,049)	\$ (12,679,039)	\$ (6,585,640)	\$ (9,134,528)	\$ (16,268,665)	\$ (8,332,844)	\$ (12,393,258)	\$ (11,641,394)
Business-type activities	2,625,165	1,073,127	1,772,906	1,557,745	(495,930)	(28,667)	(1,410,363)	(1,193,055)	(1,036,800)	(4,060)
Total net revenues (expenses) ⁽²⁾	(5,994,787)	(5,896,294)	(1,221,143)	(11,121,294)	(7,081,570)	(9,163,195)	(17,679,028)	(9,525,899)	(13,430,058)	(11,645,454)

CITY OF HALF MOON BAY

Changes in Net Position

**Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 2,613,407	\$ 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
Sales and use taxes	3,556,753	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
Transient occupancy taxes	4,974,614	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
Other taxes	814,840	832,390	808,224	919,666	1,038,546	1,242,286	1,346,187	1,304,943	1,341,327	1,276,299
Investment income	291,224	798,406	811,191	583,497	703,351	1,188,804	2,257,971	(96,482)	(702,830)	865,654
Other general revenues	929,562	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
Total governmental activities	13,180,400	14,577,036	15,523,941	14,745,066	15,779,728	17,124,321	16,968,705	14,744,841	19,354,535	19,820,778
Business-type activities:										
Investment income	25,446	63,696	93,088	135,003	195,743	332,868	382,491	(49,678)	(155,664)	129,865
Miscellaneous	(250,000)	(250,000)	(392,817)	(482,199)	(857,213)	(235,565)	1,610,101	63,814	(840,891)	(419,699)
Total business-type activities	(224,554)	(186,304)	(299,729)	(347,196)	(661,470)	97,303	1,992,592	14,136	(996,555)	(289,834)
Total primary government	12,955,846	14,390,732	15,224,212	14,397,870	15,118,258	17,221,624	18,961,297	14,758,977	18,357,980	19,530,944
Changes in net position:										
Governmental activities	\$ 4,560,448	\$ 7,607,615	\$ 12,529,892	\$ 2,066,027	\$ 9,194,088	\$ 7,989,793	\$ 700,040	\$ 6,411,997	\$ 6,961,277	\$ 8,179,384
Business-type activities	2,400,611	886,823	1,473,177	1,210,549	(1,157,400)	68,636	582,229	(1,178,919)	(2,033,355)	(293,894)
Total primary government ⁽¹⁾	\$ 6,961,059	\$ 8,494,438	\$ 14,003,069	\$ 3,276,576	\$ 8,036,688	\$ 8,058,429	\$ 1,282,269	\$ 5,233,078	\$ 4,927,922	\$ 7,885,490

⁽¹⁾ Change in Net Assets in Primary Government:

FY 2012-13 increase in net position of \$19.7 million is primarily due to receipt of insurance recovery associated with the Yamagiwa claim.

FY 2013-14 increase in net position of \$7.0 million is primarily due to higher tax revenues and timing of sewer-related capital spending.

FY 2014-15 increase in net position of \$8.5 million is primarily due to higher tax revenues and timing of sewer-related capital spending.

FY 2015-16 increase in net position of \$14 million is primarily due to higher tax revenues and timing of sewer-related capital spending.

FY 2016-17 increase in net position of \$3.2 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

⁽²⁾ 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)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General fund:										
Nonspendable	\$ 8,917,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	4,255,283	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
Assigned	2,609,294	-	-	-	-	-	-	-	-	-
Unassigned	3,978,376	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
Total general fund ⁽¹⁾	\$ 19,760,453	\$ 9,542,557	\$ 10,739,444	\$ 11,057,160	\$ 9,962,452	\$ 10,956,264	\$ 10,634,152	\$ 11,140,700	\$ 15,585,153	\$ 16,227,904
All other governmental funds:										
Nonspendable	\$ 17,906,420	\$ 26,823,920	\$ -	\$ -	\$ -	\$ 26,823,920	\$ 26,823,920	\$ 26,823,920	\$ 26,823,920	\$ 26,823,920
Restricted	21,169,241	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
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
Unassigned	-	-	-	-	-	2,364,020	-	-	-	-
Total all other governmental funds ⁽²⁾	\$ 39,075,661	\$ 50,111,937	\$ 58,426,370	\$ 55,723,621	\$ 54,829,639	\$ 58,171,257	\$ 46,046,155	\$ 49,764,957	\$ 50,452,316	\$ 52,297,025

⁽¹⁾ 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 unaccepted revenue overperformance in TOT
- FY 2021-22 Unassigned fund balance increased primarily due to unaccepted 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

⁽²⁾ Other Governmental Funds:

- FY 2013-14 Restricted fund balance increase is due to the reclass of the Committed balance in the Judgement Obligation Bond fund.
- FY 2014-15 Nonspendable fund balance increase is due to the land held for resale transfer from the General Fund to the newly created Land Asset Fund.
- FY 2015-16 Restricted fund balance increase is primarily due to a contribution of \$6.0 million from the County of San Mateo for the library construction project.
- FY 2016-17 \$2.7 million decrease is primarily due to progress on the Library Capital project.
- FY 2017-18 \$890,000 decrease is primarily due to progress on the Library Capital project.
- FY 2018-19 \$3.0 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

CITY OF HALF MOON BAY
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues:										
Taxes	\$ 12,060,866	\$ 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
Licenses and permits	537,634	394,931	379,749	444,388	370,269	377,873	521,121	597,590	543,965	1,062,066
Fines and forfeitures	93,737	83,812	102,202	79,132	171,873	189,415	140,238	108,937	70,383	32,232
Charges for services	940,320	765,457	806,642	701,163	1,255,479	1,165,640	1,173,171	1,306,842	1,552,251	1,432,304
Recreation fees/ Impact fees	821,973	625,166	717,469	1,173,275	1,065,005	2,700,943	304,827	2,988,507	188,114	296,256
Investment income	291,227	798,408	772,575	549,489	703,354	1,225,128	1,164,650	(75,704)	(722,249)	869,782
Rents and leases	11,518	-	20,000	10,080	87,536	75,603	-	-	4,008,756	63,728
Intergovernmental revenues	1,925,058	2,260,890	8,058,785	1,069,157	1,910,615	2,074,855	1,506,209	4,232,648	-	4,714,737
Administrative fees	1,633	65	-	-	-	-	-	-	-	-
Miscellaneous	587,731	519,595	400,376	1,089,034	908,337	1,325,476	779,514	1,877,238	1,146,003	970,404
Total revenues	17,271,697	18,447,562	25,187,076	17,701,975	20,110,639	23,583,635	18,770,648	23,259,520	25,457,670	26,942,159
Expenditures										
Current:										
General government	3,316,520	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
Public safety	2,744,812	946,395	1,083,666	3,610,736	3,689,490	3,727,302	4,104,603	4,394,717	4,539,399	4,970,995
Public works	3,233,403	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
Recreation services	1,780,847	1,987,691	1,347,508	176,497	701,405	896,854	976,977	1,109,425	1,876,093	524,211
Planning services	77,155	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
Community and Economic Development	2,254,869	2,745,770	4,437,029	7,766,781	18,996,455	5,027,468	4,088,777	5,955,565	3,038,936	843,267
Capital outlay	290,000	4,655,000	-	-	-	-	11,487,686	-	1,191,724	620,197
Debt service:	1,161,844	1,053,237	937,704	937,704	937,704	937,704	468,852	-	68,277	55,105
Principal retirement ⁽¹⁾										
Interest and fiscal charges										
Total expenditures	14,859,450 ⁽²⁾	17,347,258	14,780,165	19,628,211	32,567,019	18,868,565	29,866,615	19,776,033	19,374,704	23,706,716
Excess (deficiency) of revenues over (under) expenditures	2,412,247	1,100,304	10,406,911	(1,926,236)	(12,456,380)	4,715,070	(11,095,967)	3,483,487	6,082,966	3,235,443
Other financing sources (uses):										
Advanced Proceeds from San Mateo County					5,726,855	-	-	-	-	-
Proceeds from issuance of debt					5,726,855	726,000	7,026,829	2,035,000	421,373	693,387
Capital grants					5,024,534	3,216,998	7,026,829	2,107,524	5,334,717	5,247,526
Transfers in ⁽²⁾	3,368,987	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
Transfers out ⁽²⁾	(3,118,987)	(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)
Total other financing sources (uses)	250,000	(281,924)	(895,591)	(458,797)	10,467,690	(379,640)	(1,351,247)	741,863	(951,154)	(747,983)
Net change in fund balances ⁽³⁾	\$ 2,662,247	\$ 818,380	\$ 9,511,320	\$ (2,385,033)	\$ (1,988,690)	\$ 4,335,430	\$ (12,447,214)	\$ 4,225,350	\$ 5,131,812	\$ 2,487,460
Debt service as a percentage of noncapital expenditures	11.5%	39.1%	9.1%	7.9%	6.9%	6.8%	46.4%	0.0%	7.7%	3.9%

⁽¹⁾ 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

⁽²⁾ The increase in transfers in FY 2014-15 is primarily due to the creation of and transfers to the Land Asset Capital Project Fund (\$26.8 million) and the Library Capital Fund

⁽³⁾ 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

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 \$(0.9 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.

CITY OF HALF MOON BAY
Transient Occupancy Tax (TOT) Rate
Last Ten Fiscal Years

Fiscal Year Ended June 30	TOT Tax Rate
2014	12%
2015	12%
2016	12%
2017	12%
2018	12%
2019	12%
2020	12%
2021	12%
2022	14%
2023	15%

Source: City of Half Moon Bay Finance Department

CITY OF HALF MOON BAY

Transient Occupancy Tax (TOT) by Lodging Type (BASE) ⁽¹⁾

Last Ten Fiscal Years

As of June 30th

LODGING TYPE	June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Hotels/Motels	\$ 4,583,970	\$ 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
B&Bs/ Inns / Cottages	114,610	101,393	99,062	60,671	68,729	66,079	104,715	105,823	441,900	169,545
RV Parks/Camps	243,467	281,880	148,191	150,019	170,855	159,065	164,658	241,705	233,898	224,713
Vacation Rentals	35,392	45,105	44,230	43,790	115,398	218,561	170,178	308,664	456,731	470,110
Totals	\$ 4,977,439	\$ 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

(1) TOT information by individual establishment is confidential and therefore is not available to the public. TOT is the City's largest "own-source" revenue, as defined by GASB Statement No. 44.

Source: City of Half Moon Bay Finance Department

CITY OF HALF MOON BAY

Transient Occupancy Taxpayers by Type of Establishment

Current Year and Ten Years Prior

TOT Taxpayer Type	2022-23		2012-13	
	TOT Collected	Percent of Total TOT Revenues	TOT Collected	Percent of Total TOT Revenues
Hotels/Motels/Lodges	\$7,988,272	90.24%	\$ 4,302,932	95.10%
Bed & Breakfasts and Inns	\$169,545	1.92%	\$ 104,057	2.30%
RV Parks & Campgrounds	\$224,713	2.54%	\$ 96,187	2.13%
Vacation Rentals	\$470,110	5.31%	\$ 21,470	0.47%
	\$ 8,852,640	100.00%	\$ 4,524,646	100.00%

Source: City of Half Moon Bay Finance Department

CITY OF HALF MOON BAY
Ratios of Outstanding Debt by Type ⁽¹⁾

Last Ten Fiscal Years

Fiscal Year Ended	Governmental Activities							Debt Per Capita ⁽³⁾
	Capital Leases	San Mateo County Advance	Judgment Obligation Bonds	Total Governmental Activities ⁽²⁾	Total Primary Government	Percentage of Personal Income ⁽⁴⁾		
June 30 2014	-	-	15,570,000	15,570,000	15,570,000	33.52%	1,344	
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	

⁽¹⁾ Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽²⁾ The City has no outstanding debt from Business-Type Activities.

⁽³⁾ Census data changed in 2010 and Half Moon Bay population decreased, thereby resulting in an increase in debt per capita.

⁽⁴⁾ Population information was obtained from California State Department of Finance; Per Capita income 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)**

Outstanding General Bonded Debt					
Fiscal Year Ended June 30	Lease Revenue Bonds	Judgment Obligation Bonds	Total	Percent of Assessed Value ⁽¹⁾	Debt Per Capita
2014	-	15,570	15,570	0.0007%	1,357
2015	-	10,915	10,915	0.0005%	942
2016	-	10,915	10,915	0.0004%	931
2017	-	10,915	10,915	0.0004%	931
2018	-	10,915	10,915	0.0004%	871
2019	-	10,915	10,915	0.0004%	867
2020	-	-	-	0.0000%	-
2021	-	-	-	0.0000%	-
2022	-	-	-	0.0000%	-
2023	-	-	-	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).

⁽¹⁾ Assessed value has been used because the actual value of taxable property is not readily available in the State of California. Percentages less than 0.0000% are not shown.

CITY OF HALF MOON BAY

Direct and Overlapping Debt

June 30, 2023

2022-23 Assessed Value		\$ 3,771,479,639	
	Percentage Applicable ⁽¹⁾	Total Debt 6/30/2023	City's Share of Debt 06/30/23
Overlapping Tax and Assessment Debt:			
San Mateo Community College District	1.308%	\$ 708,837,622	\$ 9,271,596
Cabrillo Unified School District	46.030%	143,760,000	66,172,728
Midpeninsula Regional Open Space District	0.990%	82,680,000	818,532
Total Overlapping Tax and Assessment Debt		\$ 935,277,622	\$ 76,262,856
 <u>Ratio to Assessed Valuation:</u>			
Total Overlapping Tax and Assessment Debt			2.02%
Direct and Overlapping General Fund Debt:			
San Mateo County General Fund Obligations	1.308%	\$ 589,931,687	\$ 7,716,306
San Mateo County Board of Education Certificates of Participation	1.308%	6,120,000	80,050
Midpeninsula Regional Open Space District General Fund Obligations	0.990%	91,570,600	906,549
San Mateo County Mosquito and Vector Control District General Fund C	1.308%	3,617,831	47,321
Direct: City of Half Moon Bay Loan Agreement	100%	3,436,112	3,436,112
Direct: iBank Financing Lease A & B	100%	3,055,896	3,055,896
Total Direct Debt			\$ 6,492,008
Total Overlapping Debt			85,013,082
Combined Total Debt			\$ 91,505,090 ⁽²⁾

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⁽¹⁾ The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2022-23 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.02%
Total Direct Debt (\$6,492,008)	0.17%
Combined Total Debt	2.43%

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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Assessed valuation	\$ 2,361,010,857	\$ 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
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	590,252,714	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
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	88,537,907	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
Total net debt applicable to limit: General obligation bonds	15,570,000	10,915,000	10,915,000	10,915,000	10,915,000	10,915,000	-	-	-	-
Legal debt margin	\$ 72,967,907	\$ 84,835,911	\$ 91,581,582	\$ 92,426,315	\$ 97,576,022	\$ 106,200,314	\$ 123,897,092	\$ 128,499,017	\$ 132,802,159	\$ 141,430,486
Total debt applicable to the limit as a percentage of debt limit	17.6%	11.4%	10.6%	10.6%	10.1%	9.3%	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

6/30/2023 and Ten Years Prior

Employer	2023		2013	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Ritz Carlton Hotel	150	5.26%	100	2.95%
New Leaf Community Market	105	3.68%	99	2.92%
Sam's Chowder House	98	3.44%	195	5.76%
Safeway Store	65	2.28%	110	3.25%
Rocket Farms Inc.	62	2.18%	136	4.02%
SP Plus	50	1.75%		
San Benito House	49	1.72%		
Pasta Moon Inc	48	1.68%		
McMahon Floral	47	1.65%		
Beach House LLC	45	1.58%	47	1.39%
Half Moon Bay Golf Links			87	2.57%
Hassett Hardware			49	1.45%
Mullins Bar and Grill			49	1.45%
CVS Pharmacy			45	1.33%
Sea Crest School				
Verdura Construction, LLC				
Subtotal Top Ten Employers	719	25.23%	917	27.07%
Total Employment	<u>2,850</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

Function	June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government	15	17	18	19	19	19	21	17	20	20
Public Safety	-	-	-	-	-	-	-	-	-	-
Public Works/Maintenance	5	7	9	10	10	13	16	14	16	16
Community/Recreation Services	0	0	0	2	2	4	5	4	5	6
Planning	2	1	3	5	5	6	7	7	8	8
Total	<u>22</u>	<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>

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

	June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police: ⁽¹⁾										
Arrests - Part I crimes	50	30	44	38	48	54	71	56	78	19
Traffic citations	1,067	436	527	489	921	2,128	2,517	1,664	1,819	636
Parking citations	1,152	1,065	1,598	1,212	3,994	3,465	2,444	1,698	872	553
Parks and Recreation: ⁽²⁾										
Number of recreation classes	155	87	88	75	159	105	123	41	112	407
Number of facility rentals ⁽³⁾	24	42	110	88	324	397	389	200	459	99
Building and Code Enforcement: ⁽⁴⁾										
Number of permits issued (est.)	500	487	413	460	413	473	450	352	456	441
Number of plan checks (est.)	100	110	105	220	166	205	237	185	157	200
Number of inspections (est.)	2,000	2,355	2,820	2,216	2,520	2,442	2,057	1,839	1,654	1,538
Planning: ⁽³⁾										
Planning Commission Meetings	22	20	15	12	20	23	20	23	22	13
Number of permits processed	75	70	111	47	43	102	145	89	94	154

⁽¹⁾ The City started contracting with the San Mateo County Sheriff Office in June 2011. Traffic and parking citation counts for FY 2011-12 are from June 2011 to April 2012.

⁽²⁾ In FY 2011-12, the City contracted out Recreation services to the City of San Carlos. In FY 2014-15, it changed to the Boys & Girls Club. All programs are provided directly to the public by the contractors.

⁽³⁾ In FY 2016-17, the City re-assumed responsibility for the Parks and Recreation program. The facility rentals count for FY 2016-17 is estimated based on rental revenue received.

⁽⁴⁾ Information will continue to be added as made available.

CITY OF HALF MOON BAY
Capital Asset Statistics By Function
Last Ten Fiscal Years

	June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police:										
Sheriff Substation/EOC	1	1	1	1	1	1	1	1	1	1
Public Works:										
Streets (miles)	35	35	35	29	29	29	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	37	38	38	38	38
Library						1	1	1	1	1
Facilities/Buildings	6	6	6	6	6	6	6	6	6	6
Bike Trails (miles)	6	6	7	7	7	7	7	7	7	7
Land (acres)	100	176	176	176	176	176	176	197	199	199
Administration:										
Facilities/Buildings	1	1	1	1	1	1	1	1	1	1

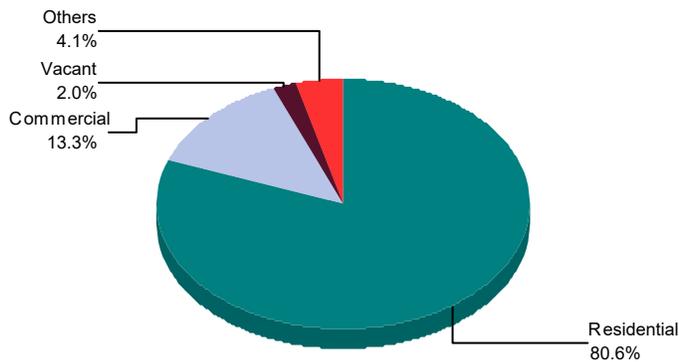
Source: City of Half Moon Bay Finance Department

THE CITY OF HALF MOON BAY 2022/23 USE CATEGORY SUMMARY

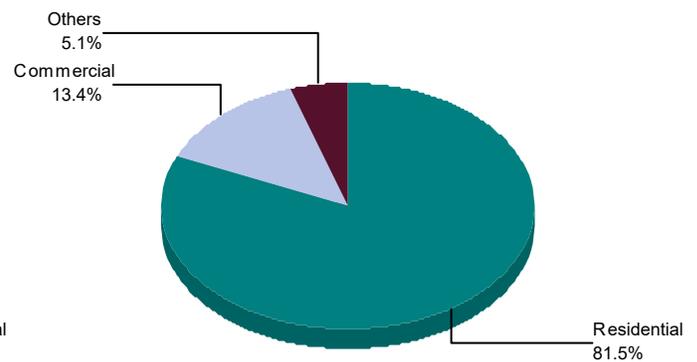
BASIC PROPERTY VALUE TABLE

Category	Parcels	Assessed Value	Net Taxable Value
Residential	3,822	\$3,130,021,010 (80.6%)	\$3,075,165,815 (81.5%)
Commercial	219	\$517,622,622 (13.3%)	\$505,408,881 (13.4%)
Industrial	16	\$10,958,701 (0.3%)	\$10,958,701 (0.3%)
Agricultural	40	\$31,850,361 (0.8%)	\$16,197,166 (0.4%)
Govt. Owned	97	\$76,410 (0.0%)	\$0 (0.0%)
Institutional	20	\$18,643,808 (0.5%)	\$314,217 (0.0%)
Miscellaneous	12	\$14,050,543 (0.4%)	\$14,050,543 (0.4%)
Recreational	24	\$34,188,912 (0.9%)	\$33,842,367 (0.9%)
Vacant	1,773	\$77,722,173 (2.0%)	\$66,260,807 (1.8%)
Unsecured	[228]	\$50,200,370 (1.3%)	\$49,344,505 (1.3%)
TOTALS	6,023	\$3,885,334,910	\$3,771,543,002

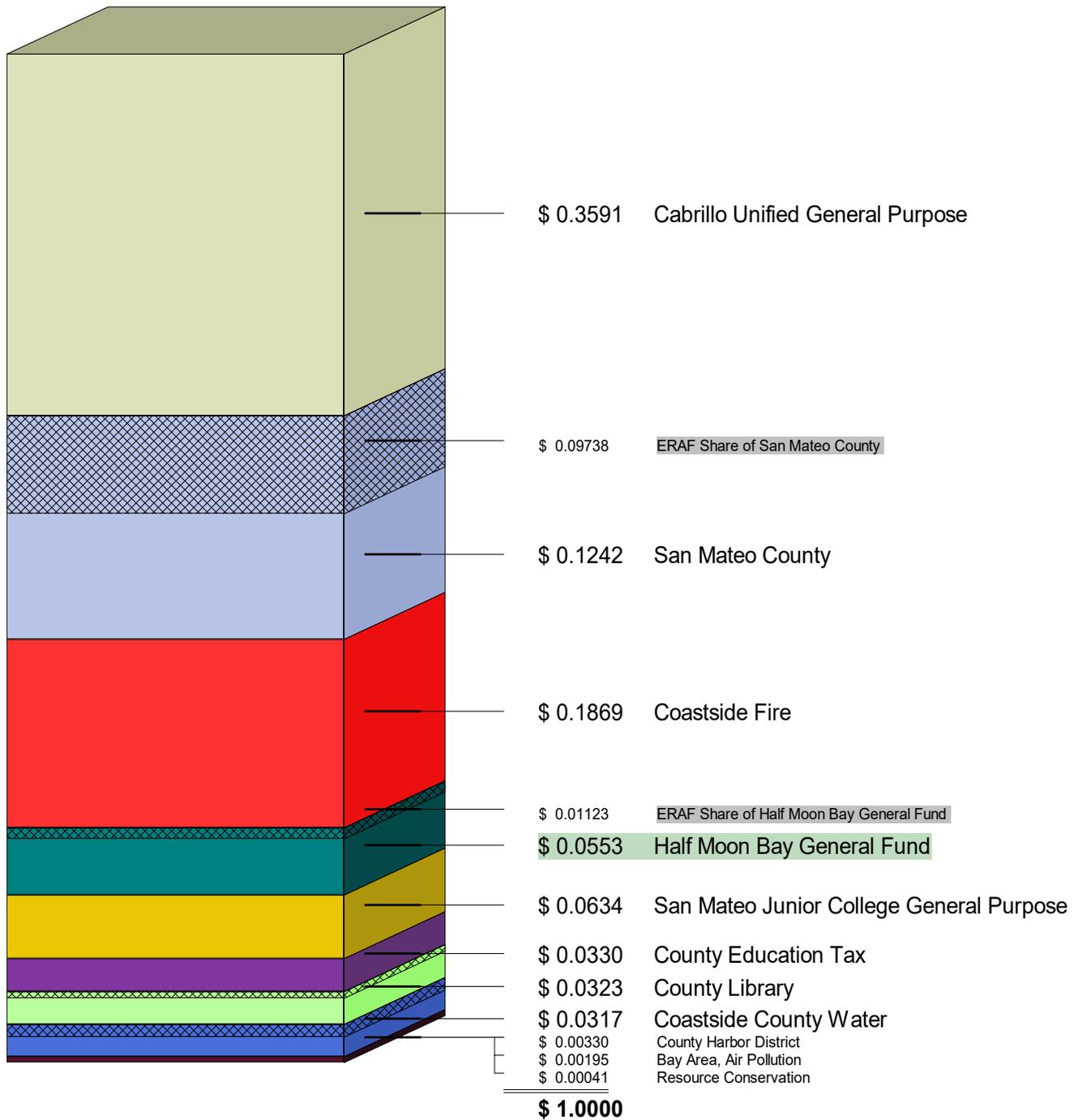
ASSESSED VALUE



NET TAXABLE VALUE



THE CITY OF HALF MOON BAY PROPERTY TAX DOLLAR BREAKDOWN



ATI (Annual Tax Increment) Ratios for Tax Rate Area 017-005, Excluding Redevelopment Factors & Additional Debt Service

Data Source: San Mateo County Assessor 2022/23 Annual Tax Increment Tables

Prepared On 8/21/2023 By MV

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

THE CITY OF HALF MOON BAY

2022/23 ROLL SUMMARY

Taxable Property Values

	Secured	Nonunitary Utilities	Unsecured
Parcels	6,023	0	228
TRAs	8	0	7
Values			
Land	1,818,343,707	0	94,781
Improvements	2,000,078,319	0	4,419,483
Personal Property	14,590,100	0	35,550,004
Fixtures	2,122,414	0	10,094,537
Aircraft	0	0	41,565
Total Value	\$3,835,134,540	\$0	\$50,158,805
Exemptions			
Real Estate	111,850,031	0	305,379
Personal Property	1,053,284	0	399,312
Fixtures	32,728	0	151,174
Aircraft	0	0	0
Homeowners*	15,444,800	0	7,000
Total Exemptions*	\$112,936,043	\$0	\$855,865
Total Net Value	\$3,722,198,497	\$0	\$49,302,940

Combined Values	Total
Total Values	\$3,885,293,345
Total Exemptions	\$113,791,908
Net Total Values	\$3,771,501,437
Net Aircraft Values	\$41,565

* Note: Homeowner Exemptions are not included in Total Exemptions

Totals do not Include Aircraft Values or Exemptions

Data Source: San Mateo County Assessor 2022/23 Combined Tax Rolls
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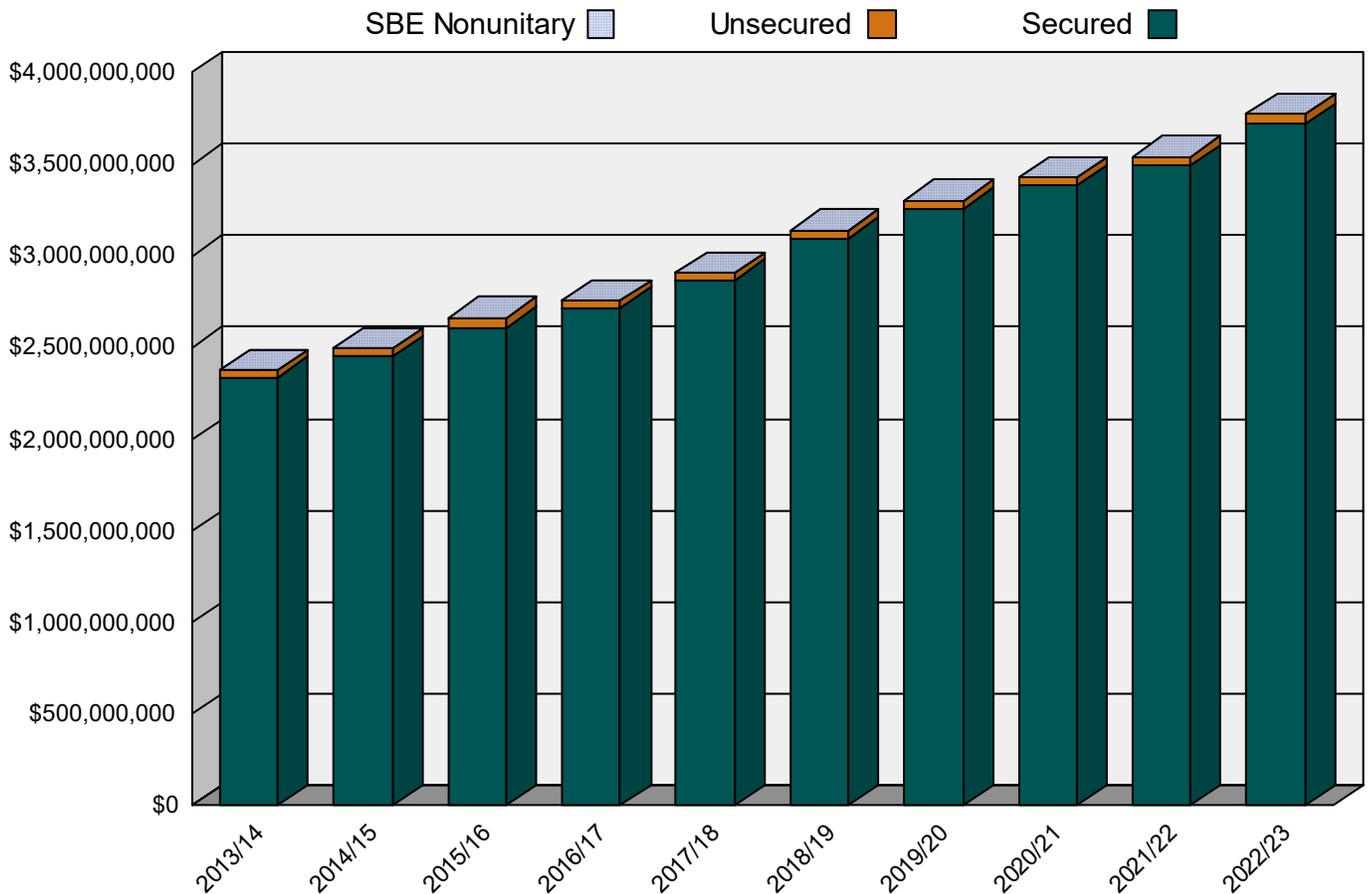
Prepared On 8/21/2023 By MV

THE CITY OF HALF MOON BAY

NET TAXABLE ASSESSED VALUE HISTORY

2013/14 - 2022/23 Taxable Property Values

Lien Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
2013/14	\$2,336,930,963	\$40,818,124	\$0	2,377,749,087	
2014/15	\$2,454,848,902	\$42,658,908	\$0	2,497,507,810	5.04%
2015/16	\$2,609,284,214	\$53,103,728	\$0	2,662,387,942	6.60%
2016/17	\$2,716,280,909	\$39,462,822	\$0	2,755,743,731	3.51%
2017/18	\$2,868,900,977	\$40,418,385	\$0	2,909,319,362	5.57%
2018/19	\$3,095,123,190	\$44,156,277	\$0	3,139,279,467	7.90%
2019/20	\$3,261,227,148	\$40,695,317	\$0	3,301,922,465	5.18%
2020/21	\$3,386,815,056	\$39,825,394	\$0	3,426,640,450	3.78%
2021/22	\$3,495,494,766	\$45,896,134	\$0	3,541,390,900	3.35%
2022/23	\$3,722,198,497	\$49,344,505	\$0	3,771,543,002	6.50%
Average % Change					5.99%



* Net AV changes less than two percent are in purple font. Negative Net AV percent changes are in red.

Data Source: San Mateo County Assessor 0/ - 2022/23 Combined Tax Rolls

Prepared On 8/21/2023 By MV

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THE CITY OF HALF MOON BAY

ASSESSED VALUE OF TAXABLE PROPERTY

2013/14 - 2022/23 Taxable Property Values

Category	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Residential	1,871,838,949	1,986,554,631	2,128,750,156	2,238,878,627	2,365,335,848	2,496,961,916	2,652,141,529	2,769,600,677	2,887,213,237	3,075,165,815
Commercial	344,198,890	346,707,418	356,041,843	363,813,823	372,002,147	457,418,903	467,790,599	476,253,451	476,165,638	505,408,881
Industrial	6,133,649	6,172,772	6,292,015	6,801,114	7,185,938	8,419,613	9,374,259	9,561,139	9,740,069	10,958,701
Agricultural						17,322,251	16,208,520	15,605,023	15,866,702	16,197,166
Dry Farm	3,720,127	3,496,499	3,786,377	4,241,537	4,358,514					
Govt. Owned						0	0	0	0	0
Institutional	293,694	272,021	277,456	281,685	309,882	315,819	298,922	1,689,318	1,938,117	314,217
Irrigated	3,423,600	4,862,761	5,333,856	4,324,786	4,411,271					
Miscellaneous	12,075,286	22,681,808	23,460,537	14,211,644	17,677,501	16,786,985	15,398,633	16,274,069	13,822,133	14,050,543
Recreational	38,699,751	38,874,879	39,568,823	40,290,547	41,062,725	42,118,338	43,356,325	35,379,201	31,885,243	33,842,367
Vacant	50,679,666	45,226,113	45,773,151	43,437,146	56,557,151	55,779,365	56,658,361	62,452,178	58,863,627	66,260,807
Unsecured	40,818,124	42,658,908	53,103,728	39,462,822	40,418,385	44,156,277	40,695,317	39,825,394	45,896,134	49,344,505
Unknown	5,867,351							0		
TOTALS	2,377,749,087	2,497,507,810	2,662,387,942	2,755,743,731	2,909,319,362	3,139,279,467	3,301,922,465	3,426,640,450	3,541,390,900	3,771,543,002
Total Direct Rate	0.05452	0.05818	0.05818	0.05819	0.05819	0.05821	0.05821	0.05821	0.05819	0.05818

Notes:

Exempt values are not included in Total.

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

THE CITY OF HALF MOON BAY 2022/23 TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based On Net Values

Owner	Secured		Unsecured		Combined		Primary Use & Primary Agency
	Parcels	Value % of Net AV	Parcels	Value % of Net AV	Value % of Net AV	% of Net AV	
1) SHC HALF MOON BAY LLC (Pending Appeals On Parcels)	2	\$217,187,641 5.83%	1	\$6,000 0.01%	\$217,193,641	5.76%	Commercial Half Moon Bay General Fund
2) OCEAN COLONY PARTNERS LP	18	\$32,636,456 0.88%			\$32,636,456	0.87%	Recreational Half Moon Bay General Fund
3) HMB MUSICH LLC	3	\$31,093,857 0.84%			\$31,093,857	0.82%	Commercial Half Moon Bay General Fund
4) HALF MOON BAY LODGE LLC	1	\$23,058,000 0.62%			\$23,058,000	0.61%	Commercial Half Moon Bay General Fund
5) KEET NERHAN	29	\$21,202,128 0.57%	1	\$35,542 0.07%	\$21,237,670	0.56%	Commercial Half Moon Bay General Fund
6) ROCKET FARMS INC			1	\$17,191,086 34.84%	\$17,191,086	0.46%	Unsecured Half Moon Bay General Fund
7) PROFESSIONAL PENINSULA PROPERTIES LLC	8	\$12,761,803 0.34%			\$12,761,803	0.34%	Commercial Half Moon Bay General Fund
8) LONGS DRUG STORE INC	1	\$9,287,666 0.25%			\$9,287,666	0.25%	Commercial Half Moon Bay General Fund
9) CARNOUSTIE LLC	11	\$8,548,099 0.23%			\$8,548,099	0.23%	Residential Half Moon Bay General Fund
10) CASTRO PARTNERS LLC	3	\$7,752,905 0.21%			\$7,752,905	0.21%	Commercial Half Moon Bay General Fund
Top Ten Total	76	\$363,528,555 9.77%	3	\$17,232,628 34.92%	\$380,761,183	10.10%	
City Total		\$3,722,198,497		\$49,344,505	\$3,771,543,002		

THE CITY OF HALF MOON BAY

2013/14 TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based On Net Values

Owner	Secured		Unsecured		Combined		Primary Use & Primary Agency
	Parcels	Value % of Net AV	Parcels	Value % of Net AV	Value % of Net AV	% of Net AV	
1) SHC HALF MOON BAY LLC (Pending Appeals On Parcels)	2	\$139,093,997 5.95%	1	\$6,000 0.01%	\$139,099,997	5.85%	Commercial Half Moon Bay General Fund
2) OCEAN COLONY PARTNERS L P	41	\$43,744,533 1.87%			\$43,744,533	1.84%	Recreational Half Moon Bay General Fund
3) KEET NERHAN	32	\$22,523,880 0.96%	2	\$78,462 0.19%	\$22,602,342	0.95%	Commercial Half Moon Bay General Fund
4) REGENCY CENTERS LP	3	\$14,536,266 0.62%			\$14,536,266	0.61%	Commercial Half Moon Bay General Fund
5) IWF HALF MOON BAY LLC	1	\$9,546,973 0.41%			\$9,546,973	0.40%	Commercial Half Moon Bay General Fund
6) COMCAST OF CALIFORNIA COMPANY WA			1	\$8,492,178 20.80%	\$8,492,178	0.36%	Unsecured Half Moon Bay General Fund
7) LONGS DRUG STORE INC	1	\$8,244,554 0.35%			\$8,244,554	0.35%	Commercial Half Moon Bay General Fund
8) FRANCESCO CARRUBBA	3	\$8,206,282 0.35%			\$8,206,282	0.35%	Commercial Half Moon Bay General Fund
9) NETREIT INC	1	\$6,477,000 0.28%			\$6,477,000	0.27%	Commercial Half Moon Bay General Fund
10) CHUNYI CHEN TRUST	1	\$5,800,000 0.25%			\$5,800,000	0.24%	Commercial Half Moon Bay General Fund
Top Ten Total	85	\$258,173,485 11.05%	4	\$8,576,640 21.01%	\$266,750,125	11.22%	
City Total		\$2,336,930,963		\$40,818,124	\$2,377,749,087		

THE CITY OF HALF MOON BAY

DIRECT & OVERLAPPING PROPERTY TAX RATES

(RATE PER \$100 OF TAXABLE VALUE)

Last 10 Fiscal Years										
Agency	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Basic Levy¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Cabrillo Unified Bond	0.07190	0.07040	0.07260	0.08320	0.07510	0.07110	0.11510	0.08950	0.07670	0.07910
Mid-Penninsula Regional Open Space	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00160	0.00150	0.00150	0.00130
San Mateo Community College 2005 Series B	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00350	0.00370	0.00000	0.00000
San Mateo Junior College	0.01940	0.01900	0.02500	0.02470	0.02350	0.01750	0.02310	0.01760	0.00000	0.00000
San Mateo Junior Comm College	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.02270	0.01930
Total Direct & Overlapping² Tax Rates	1.09130	1.08940	1.09760	1.10790	1.09860	1.08860	1.14330	1.11230	1.10090	1.09970
City's Share of 1% Levy Per Prop 13³	0.05463	0.05525	0.05525	0.05525	0.05525	0.05526	0.05526	0.05526	0.05525	0.05525
Voter Approved City Debt Rate										
Redevelopment Rate⁴										
Total Direct Rate⁵	0.05452	0.05818	0.05818	0.05819	0.05819	0.05821	0.05821	0.05821	0.05819	0.05818

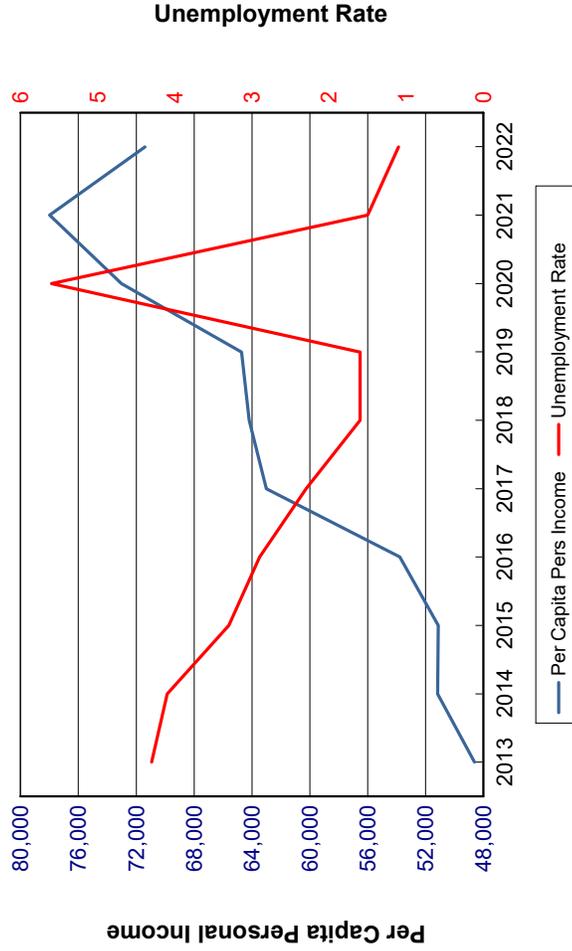
Notes:
¹In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all property owners.
³City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. The ERAF portion of the City's Levy has been subtracted where known.
⁴Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.
⁵Total Direct Rate is the weighted average of all individual direct rates applied by the City/Agency preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City/Agency in the same proportions as general fund revenue.

THE CITY OF HALF MOON BAY

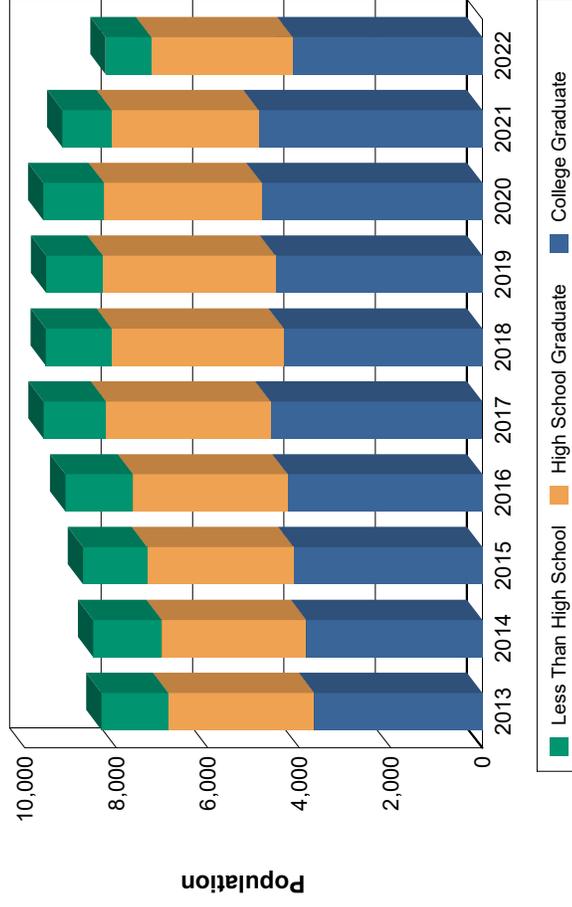
DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population	Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate	Median Age	% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelor's Degree
2013	11,721	\$569,699	\$48,605	4.3%	43.2	82.5%	44.2%
2014	11,727	\$600,059	\$51,169	4.1%	44.8	82.4%	45.3%
2015	12,528	\$640,547	\$51,129	3.3%	44.7	84.0%	47.3%
2016	12,591	\$677,251	\$53,788	2.9%	45.8	83.8%	46.7%
2017	12,639	\$796,455	\$63,015	2.3%	47.1	85.8%	48.3%
2018	12,631	\$810,881	\$64,197	1.6%	47.3	84.9%	45.5%
2019	12,431	\$804,495	\$64,716	1.6%	45.3	87.1%	47.5%
2020	12,309	\$898,800	\$73,019	5.6%	46.8	86.2%	50.3%
2021	11,308	\$881,941	\$77,992	1.5%	47.8	88.3%	53.3%
2022	11,226	\$801,565	\$71,402	1.1%	44.9	87.9%	50.4%

Personal Income and Unemployment



Education Level Attained for Population 25 and Over



Notes and Data Sources:

Population: California State Department of Finance. Unemployment Data: California Employment Development Department 2000-2009 Income, Age, and Education Data: ESRI - Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries 2010 and later - Income, Age and Education Data - US Census Bureau, most recent American Community Survey

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

Prepared On 8/21/2023 By MV

THE CITY OF HALF MOON BAY

SALES VALUE HISTORY

Single Family Residential Full Value Sales 01/01/2021 - 6/30/2023)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2021	146	\$1,576,154	\$1,526,000	
2022	118	\$1,717,725	\$1,521,500	-0.29%
2023	47	\$1,546,217	\$1,505,000	-1.08%



* Multiparcel transfers, quitclaim deeds, trust transfers, timeshares, and partial sales are excluded from this analysis.

Data Source: San Mateo County Recorder

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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, 2023, and have issued our report thereon dated October 16, 2023. Our report included an paragraph disclosing the implementation of new accounting principles.

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 November 28, 2022 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze & Associates

Pleasant Hill, California
October 16, 2023