



LOCAL AGENCY FORMATION COMMISSION

**Municipal Service Review and Sphere of
Influence Review for the Town of Woodside and
Portola Valley**

Circulation Draft

Released November 12, 2025

Review period open from

November 21, 2025 to

January 9, 2026

Please send comments to

LAFCO@smcgov.org



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Review for the Town of Woodside**

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Municipal Service Review and Sphere of Influence Review for the Town of Woodside

Town of Woodside

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Woodside, California 94062

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Section I. Executive Summary

Purpose of Report

This report includes a Municipal Service Review (MSR) and Sphere of Influence (SOI) study for the Town of Woodside. California Government Code Section 56430 requires that Local Agency Formation Commissions (LAFCo's) complete MSR and SOI reviews on all cities and special districts. These state-mandated reports are studies of an agency's service provision and logical boundaries. The review process is intended to identify municipal service delivery challenges and opportunities, provide the public and affected agencies with a platform to comment on an agency's services and finances, and review opportunities to share governmental resources. Once the MSR determinations are adopted, the SOI—the plan for the boundaries of a city or special district— is reviewed, pursuant to Section 56425.

San Mateo Local Agency Formation Commission

San Mateo LAFCo is a State-mandated, independent entity with county-wide jurisdiction over the boundaries and organization of cities and special districts. LAFCo reviews annexations, detachments, incorporations, formations, and dissolutions. LAFCo also has authority over extensions of service outside city or district boundaries, and activation or divestiture of special district powers. The purpose of LAFCo includes discouraging urban sprawl, preserving open space and prime agricultural lands, planning for the efficient provision of government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances.

LAFCo operates pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) contained in California Government Code Sections 56000 and 57000. The Commission includes two members of the County Board of Supervisors, two city councilmembers from two of the County's 20 cities, two special district board members from two of the 21 independent special districts, one member of the public, and four alternate members (county, city, special district, and public).

In 1985, San Mateo LAFCo first prepared comprehensive SOI studies and adopted SOI's for the County's cities and special districts. Subsequently, LAFCo reviewed and updated SOI's on a three-year cycle. SOI updates focus on changes in service demand within the boundaries of cities and special districts. In 2003, in order to comply with the newly enacted CKH Act, LAFCo began the process of preparing SOI updates/reviews in conjunction with or following a Municipal Service Review.

Local Government in San Mateo County

Municipal service providers in San Mateo County include the County of San Mateo, 20 cities, 21 independent special districts, six subsidiary districts governed by city councils, and 33 County-governed special districts. Independent special districts provide a limited set of services based on their enabling legislation (i.e., fire, water, sanitation, etc.), while cities generally provide a wider array of basic services including police, recreation programs, planning, street repair, and building inspection. The County, as a subdivision of the State, provides a vast array of services for all residents across its cities, special districts and subsidiary districts, including social services, public health protection, housing programs, property tax assessments, tax collection, elections, and public safety. The County also provides basic municipal services for residents who live in unincorporated areas who are not part of any city or special district. According to Census 2020 data, 63,205 of the County's total 765,417 residents live in unincorporated areas.

MSR and SOI Determinations

Per Government Code Section 56430, LAFCo is required to include MSR Determinations that address the following areas for any local agency:

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the SOI.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.
4. Financial ability of the agency to provide services.
5. Status of, and opportunities for shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by LAFCo policy.
 - a. Water Resiliency and Climate Change
 - b. Impact of Natural Hazards and Mitigation Planning

MSR Determinations must be adopted before the Commission updates or amends a SOI. Per Government Code Section 56425, LAFCo is required to make the following five written SOI determinations when establishing, amending, or updating an SOI for any local agency:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Report Review Process

This Circulation Draft Report is presented during a public hearing and afterwards circulated for comment to the agency under study, as well as interested individuals and groups. The Final Report will include the comments on the draft, as well as LAFCo staff's Determinations and Recommendations. This report has been written based on source documents that included Adopted Budgets, Capital Improvement Plans, Meeting Minutes, Staff Reports, Consultant Reports, and information provided by Town and County staff.

Disadvantaged Unincorporated Communities

In 2011, SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to "disadvantaged unincorporated communities," including the addition of MSR determination #2 and SOI determination #5 listed above. Disadvantaged unincorporated communities, or "DUCs," are inhabited, unincorporated territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income. There are no disadvantaged unincorporated communities within the current boundaries or service area of the Town of Woodside.

Section II. Summary of Key Issues

The Town of Woodside is a Tax Equity Allocation City, meaning the amount of property tax the Town receives is lower than neighboring cities. Property tax is the Town's main source of revenue. The adopted FY2025-26 general fund budget is \$12,662,540. In FY2025-26, the Town will pay \$3,120,703 to the County Sheriff for its policing contract. Based on Town projections, costs for the Sheriff contract will continue to grow faster than overall Town revenue. By the end of the current contract term in FY2030-31, the Town estimates that there will be a \$1M gap between the contract cost and general fund revenue. This gap would need to be resolved through use of reserves/fund balance, enhanced Town revenue, or the reduction of service levels provided in the contract.

The Town's 2023-2031 Housing Element addresses how the Town plans to meet its state-mandated Regional Housing Needs Allocation allotment of 323 units by year 2031, including rezoning certain housing sites and allowing a variety of housing types. Currently, the majority of

the Town is served by on-site septic systems, however, there are some portions of the Town that receive sewer services from either the Town or from another sewer agency. As development occurs, the Town will need to consider whether expanding public sewer services will be required to support the Housing Element projects.

LAFCo last conducted an MSR and SOI update for the Town of Woodside in 2007. As part of the 2025 MSR, Three parcels adjacent to the Town’s boundaries in unincorporated County have been identified to be included in the Town’s SOI. Each of these three parcels is currently developed with single-family homes utilizing onsite septic systems: 425 West Maple Way (APN 068-100-240), 445 West Maple Way (APN 068-100-260), and 465 West Maple Way (APN 068-100-250). In the future, if the property owners wanted to annex to a city for municipal services, the only city that they are adjacent to and hence would be eligible to annex to would be the Town of Woodside.

Section III. Affected Agencies

Cities and County: San Mateo County

School Districts: Woodside School District, Redwood City School District, Las Lomas School District, Portola Valley School District, Cabrillo Unified School District

Independent Special Districts: Midpeninsula Regional Open Space District, Woodside Fire Protection District, West Bay Sanitation District

Dependent Special Districts: Fair Oaks Sewer Maintenance District

Section IV. Municipal Service Review for the Town of Woodside

Governance and Statutory Authority

The Town of Woodside was incorporated on November 16, 1956 as a general law municipality. As of January 2025, the estimated population is 5,206.¹ The Town covers approximately 12 square miles of rural and suburban San Mateo County. The Town’s legislative body is the Town Council comprised of five members elected by district to serve four-year terms.² The Town Manager prepares two-year budgets, and the Town Council adopts the budget on or before June 30 every year. The Town Council also adopts ordinances, policies and regulations; establishes fee schedules; and has the power to declare an emergency. The Town Council annually appoints the positions of Mayor and Vice Mayor. The Town Council also appoints the Town Manager, Town Attorney, and all members of advisory committees and commissions. The Town employs 24.75 Full Time Equivalent (FTE) staff and the Town Council establishes salary ranges.

Overview

¹ State of California, Department of Finance, [E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2024 and 2025. Sacramento, California, May 2025.](#)

² Prior to the redistricting process in 2021, the Town Council had 7 members elected at-large.

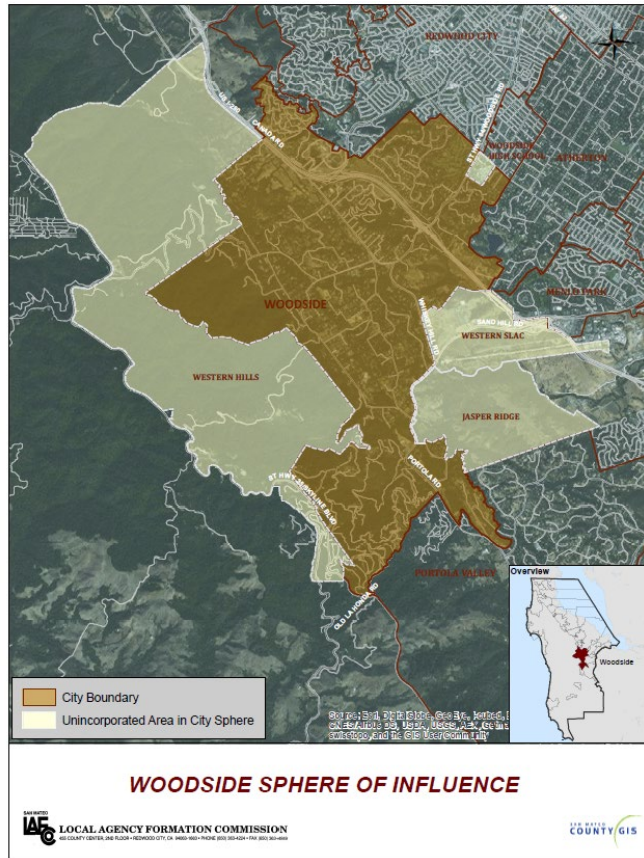
The Town of Woodside consists primarily of low-density single-family residential development, along with open space, institutional, and two small areas of commercial land in Town Center and Skylonda Center. The Town General Plan highlights that the Town is an urban/wildlife interface community that values maintaining the natural and scenic character of the land.

The Town of Woodside provides planning and zoning, public works, building regulation, and recreation services. The Town contracts for police services (via the San Mateo County Sheriff's Office); for sewer service within the Town Center Sewer Assessment Area (West Bay Sanitary District); and for solid waste (Greenwaste Recovery). Some portions of the Town also are within the boundaries of the Fair Oaks Sewer Maintenance District (governed by the County of San Mateo) for sewer service. Fire protection in the Town is provided by the Woodside Fire Protection District. Water service is provided by Cal Water and the City of Redwood City.

The Sphere of Influence (SOI) for the Town has remained unchanged since 1988.³ In order for a parcel to be eligible for annexation into a city/town, it must be within the agency's SOI. The most recent annexation into the Town was on February 20, 2003, annexing 33 acres of inhabited land called "Ward Way and Greenways". The Town does not anticipate additional annexations of new land into the Town in the near or medium term. As shown in Figure 1, unincorporated areas within the Town's SOI includes Wunderlich County Park and Huddart County Park (i.e. "Western Hills"), Skylonda, and Stanford lands (i.e. "Jasper Ridge" and "Western SLAC").

³ Latest SOI amendment was to include Woodside High School/Greenways Tract on Aug. 17, 1988, via LAFCo resolution No. 783.

Figure 1. Town of Woodside Sphere of Influence



The MSR determination checked below (i.e. “Capacity, Adequacy & Infrastructure to Provide Services”) is potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by “no” answers, the Commission may find that an MSR update is not warranted.

Town of Woodside MSR Determination Summary

X	1) Growth and Population		2) Disadvantaged Unincorporated Communities
X	3) Capacity, Adequacy & Infrastructure to Provide Services	X	4) Financial Ability
X	5) Shared Services		6) Accountability, Structure, and Efficiencies
	7) Other		

1) Growth and Population MSR Determination

Growth and population projections for Town of Woodside	Yes	Maybe	No
a) Is the agency’s territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?			X
b) Will population changes have an impact on the subject agency’s service needs and demands?		X	
c) Will projected growth require a change in the agency’s service boundary?			X

a-c) As of January 2025, the estimated population for the Town of Woodside is 5,206.⁴ The Town’s population growth is estimated to be between 2-4% in the ten years between 2020 through 2030, which is less than the projected growth rates for the County of San Mateo (8%) and the State of California (9%).⁵ Population growth in the Town of Woodside is constrained by factors such as land use regulations, limited availability of sewer treatment capacity, and community opposition (i.e. “desire to maintain Town’s rural character”).

Housing Element

On July 23, 2024, the Town adopted the 2023-31 Housing Element which includes plans for how to meet the State-mandated Regional Housing Needs Allocation (RHNA). The Town’s “Cycle 6” RHNA is 328 units, which is more than 5 times the RHNA amount of 62 units identified in the Cycle 5 allocation (2015-23).⁶ Historically, the Town met its affordable housing allocations through the development of ADUs. The Town produced an average of 15 ADUs per year, between 2018 and 2022.⁷ The Town Housing Element includes strategies to increase the number of ADUs, including amending the Municipal Code to remove ADU construction barriers.⁸ The Housing Element also proposes sites that could be rezoned to allow increased density, and proposes amending local development regulations to allow for a variety housing unit types other than single family

⁴ State of California, Department of Finance.

⁵ Town General Plan 2013

⁶ State guidelines recommend including a buffer of additional units to adequately plan to meet the allocation. Woodside elected to include a 20% buffer (i.e. 65 units) in addition to the base allocation for a total of 393 planned units. For comparison, the neighboring Town of Portola Valley has a Cycle 6 RHNA base allocation of 253.

⁷ Town of Woodside 2023-2031 Housing Element

⁸ Town of Woodside ADU-related ordinances: Ordinance 2017-585 , Ordinance 2018-593, Ordinance 2018-597, and Ordinance 2020-610.

residences. One other barrier to development has been the lack of sewer services in the majority of the Town.

While the Housing Element represents the Town’s plan for development of the requisite Cycle 6 RHNA over the 8-year period from 2023-31, the actual development of the 328 units could occur within this same time frame or at a later date. Therefore no significant population change or development is expected within the Town of Woodside in the next 5-10 years.

MSR Determination No. 1: Over the next five years, the population of the Town of Woodside (5,206) is projected to grow between 2-4%. The Town’s 2023-2031 Housing Element addresses how the Town plans to meet its state-mandated Regional Housing Needs Allocation allotment of 323 units by year 2031, including rezoning certain housing sites and allowing a variety of housing types. Ultimately, the Town will need to consider whether expanding public sewer services is required for the planned housing sites.

Recommendation:

1. The Town should continue to evaluate potential options for providing sewer services within the Town, particularly if these services are required to support the development of properties identified in the Town’s adopted Housing Element. (More discussion on sewer in Section 3).

2) Disadvantaged Unincorporated Communities

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Does the subject agency provide public services related to sewers, municipal and industrial water, or structural fire protection?			X
b) Are there any “inhabited unincorporated communities” within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (80% or less of the statewide median household income)?			X
c) If “yes” to both a) and b), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community (if “no” to either a) or b), this question may be skipped)?			X

a-c) The Town does provide sewer within the Town Service Center, but does not provide municipal and industrial water or structural fire protection. While the SOI of the Town does include unincorporated territory, these unincorporated areas are not classified as disadvantaged.

MSR Determination No. 2: The Town’s sphere of influence and corporate boundaries do not include disadvantaged unincorporated communities.

Recommendation: None.

3) Capacity and Adequacy of Public Facilities and Services

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory?		X	
b) Are there any issues regarding the agency’s capacity to meet the service demand of reasonably foreseeable future growth?		X	
c) Are there any concerns regarding public services provided by the agency being considered adequate?			X
d) Are there any significant infrastructure needs or deficiencies to be addressed?		X	
e) Are there changes in State regulations on the horizon that will require significant facility and/or infrastructure upgrades?		X	
f) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency’s sphere of influence?			X

a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory?

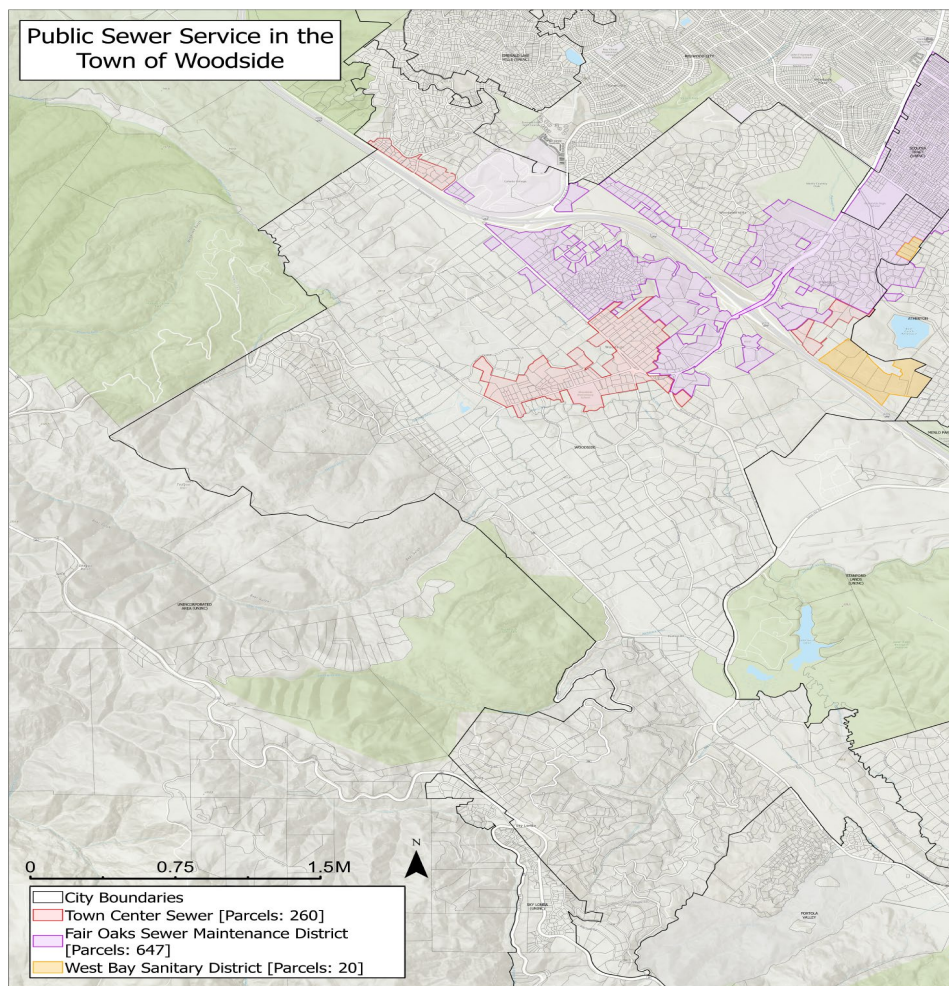
The Town meets the service needs of existing development within its SOI and corporate boundaries. The Town of Woodside provides planning and zoning, public works, building regulation, and recreation services. Police services are provided by a contract with the San Mateo County Sheriff’s Office. Other municipal agencies provide structural fire protection (Woodside Fire Protection District), water (City of Redwood City), and sewer (Fair Oaks Sewer Maintenance District and West Bay Sanitary District).

i. Sewer Services

Sewer services within the Town of Woodside are provided by three agencies: 1) the Town of Woodside through the Town Center Sewer Assessment area; 2) the Fair Oaks Sewer Maintenance District, a dependent special district governed by the County of San Mateo; and 3) the West Bay Sanitary District, an independent special district.

Between 30-40% of the 2,375 parcels in the Town of Woodside have access to public sewer service. Most parcels within the Town rely on private on-site septic systems to treat wastewater, as depicted by the uncolored areas in Figure 1 below.

Figure 1. Public Sewer Service Areas vs. Private Septic Systems in the Town of Woodside



Source: County GIS

Fair Oaks Sewer Maintenance District (FOSMD): As of October 2025, FOSMD serves 647 parcels in the Town of Woodside. The FOSMD is the largest of the ten County-governed sewer districts. FOSMD is unique among other County sewer districts as it includes both unincorporated and incorporated territory. Operated by the San Mateo County Department of Public Works, the

District was formed in 1939 and includes territory located in portions of Woodside, Atherton, Redwood City, Menlo Park and unincorporated areas including North Fair Oaks. The district has 81 miles of pipelines and over 7,000 connections. Effluent flows to the Silicon Valley Clean Water wastewater treatment plant in Redwood City under an agreement between the District and the City of Redwood City for both sewer treatment capacity and for transmission of effluent through the City's sewer system. As an enterprise district, FOSMD's primary revenue source is sewer fees that are assessed on property tax bills. Silicon Valley Clean Water is a JPA between the cities of Belmont, San Carlos, and Redwood City and the West Bay Sanitary District. FOSMD and the County are not members of the JPA. FOSMD has an agreement with the City of Redwood City for 2.5 million gallons per day of wastewater generated by FOSMD to be treated at the Silicon Valley Clean Water wastewater treatment plant.

In 1968, the Town of Woodside formed an assessment district, the Redwood Creek Trunk Assessment District (RSC). Per the Town's General Plan, the RCS was primarily formed because of health and safety concerns that existed within Woodside Glens, which had a history of failing septic systems dating back to 1959. RSC is not an operational sewer district but instead is a funding mechanism for the construction of a sewer system within the Redwood Creek and Glens areas of the Town. To provide sewer services to parcels within the RSC, the Town of Woodside and FOSMD entered into an agreement in 1968 that would allocate 150,000 gallons per day of treatment and flow capacity to RCS. The capacity was based upon an estimated 250 gallons per day per household use. About 573 assessments were originally levied, with 182 in the Glens and 391 outside of the Glens. The Town-constructed facilities are maintained and operated by the FOSMD, and parcels that are serviced by FOSMD within the RCS area are annexed to FOSMD.

In recent years, parcels that were not within the original boundaries of the RCS have been included in the area and annexed to FOSMD. In order for these parcels to receive service, the Town transferred sewer capacity rights from parcels that are owned by the Town within the RCS to privately owned parcels requesting service. These Town-owned parcels have multiple sewer connection assessments which allows for the transfer of these connections to other parcels seeking to connect to the FOSMD system.

Town Center Sewer Assessment District (TCSAD):

As of October 2025, the TCSAD serves 260 parcels in the Town of Woodside. The TCSAD was formed by the Town in 1987. This system is owned by the Town and operated and maintained by the West Bay Sanitary District under contract. It includes the Town's commercial, institutional, and residential properties generally located along Woodside Road, Martin Lane, Prospect Street, Audiffred Lane, Cedar Lane, and up Cañada Road to Bardet Road. TCSAD has an agreement with the Redwood City for sewer treatment allocation at the Silicon Valley Clean Water treatment plant for 100,000 gallons per day. The Town also has agreements with Redwood City and with FOSMD for the transmission of TCSAD wastewater through the City and District facilities.

West Bay Sanitary District (WBSD)

WBSD provides sewer services to approximately 20 parcels in the eastern portion of the Town of Woodside, located along Moore Rd. and Stockbridge Ave.. The SOI for WBSD includes the entire Town of Woodside. The WBSD is the regional sanitary sewer provider for the City of Menlo Park and portions of Woodside, Atherton, East Palo Alto, Portola Valley, Redwood City, south county unincorporated areas, and several parcels in Santa Clara County near Los Trancos Creek. The District was formed in 1902 and serves approximately 19,486 residential customers and 625 commercial customers with approximately 216 miles of sewer mains. WBSD is a member of Silicon Valley Clean Water JPA.

City of Redwood City

The City of Redwood City provides sewer service to one parcel at 115 Harcross Road in response to a failed septic system at the property. The sewer connection was permitted by LAFCo in 2019 via an Outside Service Agreement to address the on-going public and safety issue (LAFCo File 19-04). The 115 Harcross property is adjacent to Redwood City and the City’s sanitary sewers were the only municipal wastewater sewer lines nearby and available to provide direct service.

ii. Police

The Town of Woodside contracts with the San Mateo County Sherrif’s Office for law enforcement services. The contract includes a service level for two deputies during the day shift; two deputies during the night shift; two patrol deputies; a portion of a detective (50%); a portion of an administrative sergeant (25%); and a portion of a Captain (25%). In September 2025, the Town Council approved a new five-year contract for services for a total amount of \$3,320,703 for FY2025-26.⁹ This represents a 9% increase (\$276,191) from FY2024-25.

Prior to this contract, the previous five-year contract included a cap on annual increases. However, in the newly adopted contract, this cap was not included. The Town Council has an Ad Hoc Law Enforcement Subcommittee that has been working on the newly adopted contract. As part of this effort, the Town and Sheriff’s Office will meet prior to the start of each fiscal year to review budget methodology and the breakdown of costs incurred by the Sheriff’s Office to provide those services.

Based on a projected estimate by the Town, costs for the Sheriff contract will continue to grow faster than overall Town revenue. By the end of the current contract term in FY2030-31, the Town estimates that there will be a \$1 million gap between the contract cost and Town General Fund revenue. This gap would need to be resolved through use of reserves/fund balance, enhanced Town revenue, or the reduction of service levels provided in the contract.

iii. Fire

The Town of Woodside is located within the service area of the Woodside Fire Protection District (WFPD), an independent special district. WFPD was formed in 1939 and then reestablished in 1949. WFPD provides fire services to the towns of Woodside and Portola Valley, and to the

⁹ The Town will pay \$3,120,703 rather than \$3,320,703 in year one of this agreement due to an invoicing error in the previous year (Town of Woodside, Town Council Staff Report, September 9, 2025)

unincorporated areas of Ladera, Los Trancos Woods, Skyline, Vista Verde, and portions of Emerald Lake Hills. The District has three fire stations, with Fire Station No. 7 located in Town at 3111 Woodside Road. WFPD provides emergency operations, a hazardous materials response program, training, community risk reduction and fire prevention, office of emergency services, and administrative support. As of 2025, WFPD has 68 FTEs, and a FY2025-26 budget of \$30M.

iv. Water

The Town of Woodside receives water service from Cal Water, a private company. In some portions of the town near the unincorporated area of Emerald Lake Hills, the City of Redwood City is the provider of domestic water services.

v. Library

The Town of Woodside Library is a branch of the San Mateo County Library located at 3140 Woodside Road.

vi. Other Contract Services

The Town of Woodside contracts with Green Waste Recovery Inc. to collect solid waste, recycling and compost from residences and business.

b) Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?

The Town of Woodside's recently adopted Housing Element identifies the need to plan for 323 new residential units within the Town. One constraint on building these units is the limited sewer treatment capacity. Town staff has recently inquired with LAFCo and FOSMD/County staff about new sewer services to parcels both within the Redwood Creek Service area and outside of it. While on-site septic system may be able to address the service needs for some parcels that have been identified in the Housing Element, it is likely that sewer service will be needed for larger, more dense development projects or developments that occur on properties that are constrained by size or topography. Most parcels in the Town have already been developed, and the remaining undeveloped parcels are either on slopes that would be too steep for septic (Town Municipal Code does not permit septic systems in slopes greater than 35%) or are too small to fit both a home structure and an appropriately sized septic system. These constraints may make it infeasible to serve more residents or increase density on a given parcel.

c) Are there any concerns regarding public services provided by the agency being considered adequate?

LAFCo does not have any concerns regarding the adequacy of the public services currently being delivered by the Town of Woodside.

d) Are there any significant infrastructure needs or deficiencies to be addressed?

Outside of sewer services, LAFCo does not have any concerns regarding the Town's infrastructure needs or deficiencies. In the adopted Housing Element and in conversations between LAFCo, the Town, and FOSMD/County staff, the topic of sewer service and infrastructure has been identified as an issue that will soon need to be addressed. Approximately two-thirds of the parcels in the Town Woodside have private septic and leach field systems. The Town's ability to provide public sewer service is limited because it does not have its own sewer treatment facility, nor does it have direct access to a sewer treatment facility. The Town and FOSMD are not members of the Joint Powers Authority that comprises the Silicon Valley Clean Water JPA. The JPA owns and maintains the sewer treatment plant in Redwood City. Public sewer service in the Town is only available to the extent that one of the JPA partners (Redwood City, Belmont, San Carlos, and the WBSD) has excess capacity and is willing to formally sell or lease that capacity to the Town. Treatment capacity agreements enable the Town to provide sewer in three areas.

As mentioned previously in this section, the Town has sewer treatment plant capacity allocation agreements with 1) the City of Redwood City for sewer services to parcels in the Town Center Area and the Cañada Corridor Area, and 2) the County FOSMD for sewer services to parcels in the Redwood Creek Sewer Assessment District Area (RCS).¹⁰ FOSMD allocated the RCS a portion of its treatment capacity (150,000 gallons per day of wastewater) from its 1985 capacity agreement with the City of Redwood City. That is, treatment capacity rights to RCS are once removed.

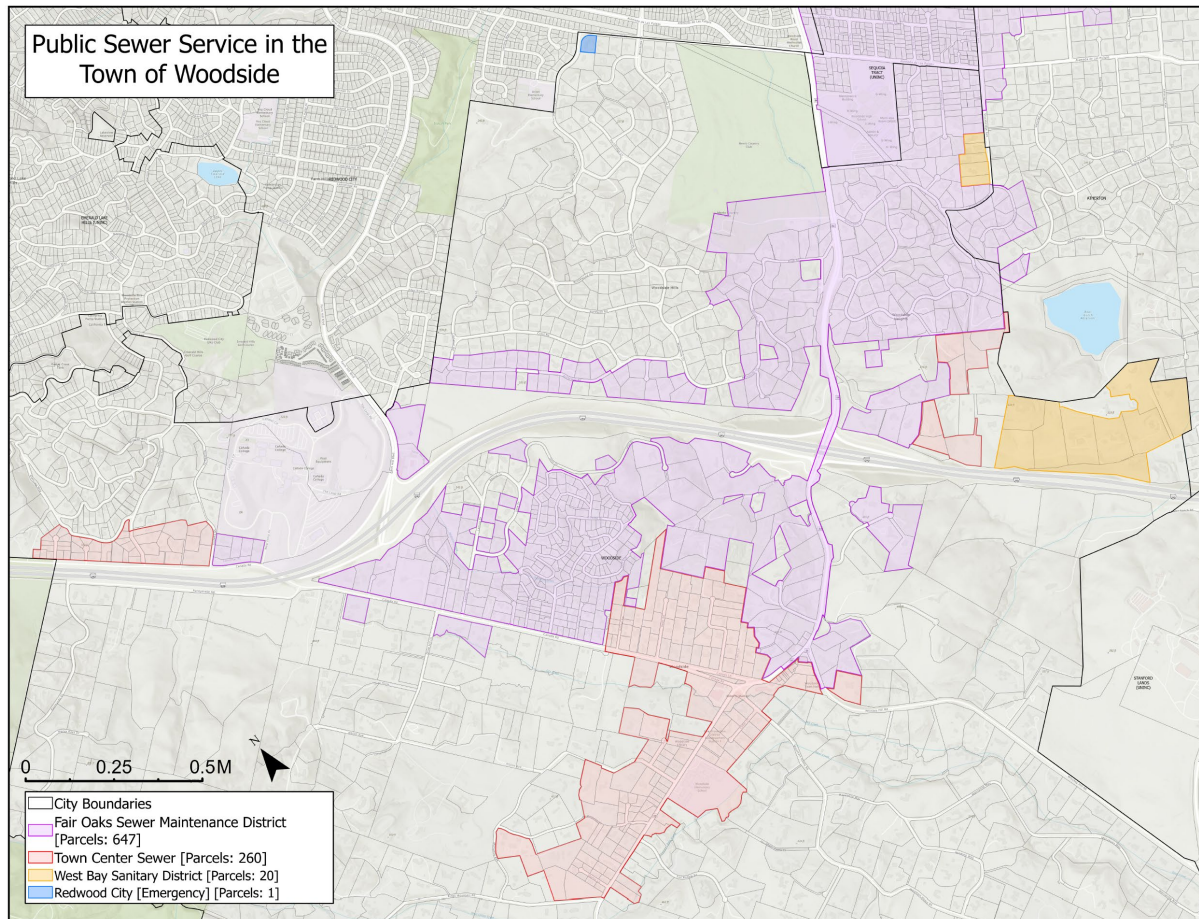
Further complicating the calculation of existing and available sewer treatment capacity is the fact that some properties in the RCS were not required to connect to the sewer system, and were provided the option to exercise their deferred "connection rights" later, upon request.¹¹ The Town Council occasionally approves the transfer of RCS unused capacity allocations to new "contiguous parcels" that "share at any point at least one property line with another parcel that is fully annexed as of the effective date of this section [May 24, 2007], into either the RCS or the TCAD or the FOSD service Area".¹²

¹⁰ The Redwood Creek Trunk Assessment District is a financing mechanism to support the infrastructure costs associated with connecting properties to FOMSD.

¹¹ There is no LAFCo process for annexation into FOMSD for these properties, since they were in the original sewer service area plan and guaranteed the option to connect at a later date.

¹² [Woodside Municipal Code Title V, Chapter 51, Article VIII.](#)

Figure 2. Public Sewer Service Providers in the Town of Woodside



Source: County GIS

Note: The number of parcels served by each system is approximate

Expansion of Current Public Sewer Service Areas is Limited

While Town municipal policy may allow expansion of sewer services beyond the existing sewer area boundaries for both RCS and TCSAD, the County’s FOSMD is constrained in its ability to serve more parcels due to the limited amount of treatment capacity that the City of Redwood City has granted FOSMD. Indeed, the County has the right to exercise its discretion as to whether it is able (given treatment capacity constraints, operating costs, infrastructure costs, etc.) and willing to expand sewer services. FOSMD must balance its limited treatment allocation between development occurring within the existing boundaries of the district and its existing customers, with any potential expansion of District boundaries to serve new customers.

As noted in the Town’s Housing Element, the Town is currently exploring options for increased access to sewer services. In general, existing sewer services within the Town are in the areas around Cañada Rd. and Woodside Rd., meaning that most areas in the Town are not in vicinity of

sewer services. While there are areas of the Town that can meet the requirements for septic systems, there are several other areas near Skyline Blvd. or the Emerald Lake Hills area that are constrained by topography and lot size. These areas do not have sewer services nearby, or if they do, the services are limited. With no sewer treatment facility within Town boundaries, sewer service is reliant on treatment allocation from the City of Redwood and FOSMD, which have their own development pressures that they must address.

Occasionally, a property owner of a parcel in the Town on private septic may apply to be annexed into one of the Town's sewer system areas. The application approval process is different for each sewer system area. For example, annexing into the Town Center Sewer Assessment District involves one application to the Town Council. However, annexing into the FOSMD requires two applications, one contract amendment (to the Town-FOSMD capacity agreement), and ultimately approvals from the Town Council, San Mateo LAFCo, and the County Board of Supervisors acting as the governing body for FOSMD.

According to the Town Municipal Code, "The Town Engineer shall, on a biannual basis, review water usage records for parcels in the RCS and TCAD, and shall meter the sewer flow from the RCS and the TCAD and report to the Town Council on the status of sewer service capacity."¹³ The Town is currently in discussions with the County, the City of Redwood City, and LAFCo to clarify the annexation process to FOSMD and sewer service within the Town.

e) Are there changes in State regulations on the horizon that will require significant facility and/or infrastructure upgrades?

There are no anticipated regulatory changes on the horizon, besides effective implementation of the programs included in the Town's 2023-31 Housing Element. As of January 29, 2025, the Town is in substantial compliance with the Department of Housing Element law, however failure to make progress as monitored and reported annually to the State may revoke compliance status.¹⁴

f) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?

No, there are no disadvantaged unincorporated communities identified within or adjacent to the Town of Woodside.

¹³ Sec. 51.129 - Testing for sewer service capacity; report to Town Council.

¹⁴ Department of Housing and Community Development Division of Housing Policy Development letter to Sage S. Schaan, Director of Woodside Planning and Community Development Department, January 29, 2025 RE: Town of Woodside 6th Cycle Adopted Housing Element.

MSR Determination No. 3: Based on Town projections, costs for the Sheriff contract will continue to grow faster than overall Town revenue. By the end of the current contract term in FY2030-31, the Town estimates that there will be a \$1M gap between the contract cost and Town General Fund revenue. This gap would need to be resolved through use of reserves/fund balance, enhanced Town revenue, or the reduction of service levels provided in the contract.

The Town is currently exploring options for increased access to sewer services. In general, existing sewer services within the Town are in the areas around Cañada Rd. and Woodside Rd., meaning that most areas in the Town are not in the vicinity of sewer services. With no sewer treatment facility within Town boundaries, sewer service is reliant on treatment allocation from the City of Redwood and FOSMD, which have their own development pressures to address.

Recommendations:

2. The Town should have regular meetings with the FOSMD/County to align policies and processes on sewer allocations to parcels within the Town, especially in the Redwood Creek Sewer Assessment (RCS) area.
3. The Town and FOSMD/County should evaluate ways of streamlining the existing Town-FOSMD capacity agreement amendment process for when parcels are annexed to FOSMD. The boundaries and service area of FOSMD should be reviewed so that the current and future geographical boundaries of the District are clearly delineated for all parties involved (i.e. the Town, FOSMD, LAFCo, and residents). The agencies should seek alignment on the topic of what happens to district boundaries when reallocating unused RCS sewer connections to parcels outside of RCS and outside of FOSMD. Area plans depicting the probable extent of sewer service boundaries should be developed.
4. An audit of parcels in the Redwood Creek Sewer Assessment area should be conducted to identify which parcels have been connected to the FOSMD system, determine which connections are still outstanding, and to confirm which parcels have paid assessment fees. The audit should also review information about the sewer system flow and treatment capacity for FOSMD and the Town.
5. The Town should conduct a Town-wide or area-specific sewer feasibility study for areas that are outside of existing sewer service boundaries. In areas where topography or parcel size could limit septic system replacement, a sewer system would be required for new development or to replace a failed septic system. The study should evaluate priority areas in Town for sewer service, how services could be provided, and how these services would be financed. This study would also provide neighboring and/or partner agencies visibility into Town priorities and objectives related to sewer services, and help evaluate potential impacts to their infrastructure.

4) Financial Ability

Financial ability of agencies to provide service	Yes	Maybe	No
a) Does the organization routinely engage in budgeting practices that may indicate poor financial management, such as overspending its revenues, failing to commission independent audits, or adopting its budget late?			X
b) Is the organization lacking adequate reserve to protect against unexpected events or upcoming significant costs?			X
c) Is the organization’s rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?			X
d) Is the organization unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?		X	
e) Is the organization lacking financial policies that ensure its continued financial accountability and stability?			X
f) Is the organization’s debt at an unmanageable level?			X

a) Does the organization routinely engage in budgeting practices that may indicate poor financial management, such as overspending its revenues, failing to commission independent audits, or adopting its budget late?

LAFCo staff has not identified any issues with the Town’s budgeting practices. On an annual basis, the Town Manager prepares a two-year budget, and the Town Council consistently adopts the budget in a public meeting on or before June 30 every year. The Town Council hires independent auditor Maze & Associates to conduct annual financial audits. The most recent audit was conducted in January 2025 for the fiscal year ending June 30, 2024.¹⁵ This audit reported that the Town assets exceeded liabilities by \$27,024 for FY2023-24. An archive of the Town’s audited financial statements for every year since 2006 is available on the Town’s website.¹⁶ The Town’s adopted budget for FY2025-26 totals \$15,110,473 in anticipated expenditures.

The Town general fund primary revenue sources are property tax (51% of proposed revenue in FY2025-26) and permit fees (18% of proposed revenue in FY2025-26). As the Town is largely

¹⁵ [Basic Financial Statements for FY end June 30, 2024](#)

¹⁶ [Archive Center, Financial Reports](#)

residential, with only a small commercial base, sales tax equated to only 6% of total revenue to the general fund.

The Town of Woodside is classified as Tax Equity Allocation city¹⁷. When Proposition 13 passed in 1978, it froze property taxes at their current levels. Prop. 13 created significant problems for cities with low property tax rates at the time. These cities could not raise property tax rates to meet their community needs. Property tax share was frozen by the Legislature in the distribution formula from AB 8, passed in 1979. Tax Equity Allocation funding implemented through AB 709 and AB1197 is a mandated formula in which California's no or low property tax cities receive a minimum of 7% of the property tax revenue available within their boundaries. Prior to the changes in AB 709 and AB1197, the Town was only receiving approximately 4.9% of the property tax revenue.

b) Is the organization lacking adequate reserve to protect against unexpected events or upcoming significant costs?

The Town Council Financial Management Policy establishes that the Town shall maintain a minimum reserve level of 30% of estimated operating revenues for the Town's General Fund. The Town consistently meets this reserve target. In FY2025-26, the estimated operating reserve amount is \$3,666,254.

c) Is the organization's rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?

Fees and permit charges comprise approximately 25% of the anticipated Town total revenue in FY2025-26. Revenue from town-administered charges for services totaled \$4,431,861 in FY2024-25, which was a 33% increase compared to FY2023-24. The Town annually posts an updated Schedule of Fees and Charges available on its website, detailing user and regulatory fees for services and permits. The schedule was last updated on July 1, 2025.¹⁸ The fees adjust automatically to increases in the San Francisco-Oakland-Hayward Consumer Price Index (CPI).

Table 1, below is a comparison of the Town's total fees per unit (including entitlement, building permits, and impact fees) and those of the neighboring jurisdictions of the Town of Atherton, Town of Portola Valley and Unincorporated San Mateo County. There is no data for large multi-unit developments in Woodside since there are none, yet. The Town has waived permitting fees for ADU's and JADU's. In its Housing Element, the Town indicates it will "review fees by 2027 to determine if fees need to be further reduced if creating a barrier to the construction of multi-family housing."¹⁹

¹⁷ There are four TEA cities in San Mateo County: Colma, Half Moon Bay, Portola Valley, and Woodside.

¹⁸ Resolution No. 2025-7740, [4/8/2025](#)

¹⁹ Town of Woodside 2023-31 Housing Element, Policy H3.3- Incentivize Higher Density Housing.

Table 1. Total Town Fees Per New Unit Development

Jurisdiction	Single-Family	Small Multi-Unit	Large Multi-Unit
Atherton	\$15,941	No Data	No Data
Portola Valley	\$52,923	No Data	No Data
Woodside	\$70,957	\$82,764	No Data
Unincorporated SMC	\$36,429	\$27,978	\$10,012

Source: 21 Elements Survey, Portola Valley 2023-31 Housing Element

d) Is the organization unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?

The Town has a 5-year Capital Improvement Program (CIP), revised annually, for which funding has been identified for approximately 93% of anticipated costs. The budgeted CIP amount for FY2025-26 is \$3,969,550. The projected actual CIP expenditures in FY2024-25 are \$1,044,328 (see Table 2, below). The increase is due in part to the one-time cost of \$1M for the Hillside Drive Rehabilitation Project.

Projects scheduled for completion in FY2025-26 include: Woodside Road Median Island Beautification, Woodside Road Bike Safety Improvements East of I-280, Hillside Drive Rehabilitation Project, and Emergency Access Improvements. In FY 2025-26, the General Fund budget includes one-time contributions of \$1.7M from fund balance towards the Capital Improvement Program. Town Council Financial Management Policy states that “no phase of a capital project should be initiated until all the resources required for its completion are available to the Town”.²⁰

The Town Public Works Department oversees the construction and maintenance of the public infrastructure, provides building code enforcement, and issues construction permits. The adopted budget for FY2025-26 includes funding to support a Storm Drain Master Plan and Traffic Study. The Road Program funds the ongoing maintenance and capital projects of the Town’s public road system and has over \$1M in funding available for FY2025-26. The Road Program includes a five-year running list of capital projects, funded by five funds: Road Impact Fees which are

²⁰ Adopted Budget FY 2025-26, Town Council Financial Management Policy No. 18.

assessed against all building projects; the Gas Tax, Measure A,²¹ Measure W,²² and the Traffic Safety Fund²³.

The Town has three enterprise funds to support public sewer services. The net position for each fund is positive as of June 30, 2024: The Cañada Corridor Sewer has a net position of \$319,410; the Sewer Utility Fund which includes Town Center sits at \$1,762,600; and the Redwood Creek Sewer has a net position of \$246,501.²⁴ Properties in these areas are assessed a fee that appears on their property tax bill. Fees have increased steadily each year.

As mentioned previously, the Town is concerned about the continued increase in the cost of the Sheriff's Office contract and will continue to monitor the impact of the contract on the Town's general fund.

e) Is the organization lacking financial policies that ensure its continued financial accountability and stability?

The Town has a financial management policy that is printed in the annual budget. The policy includes the following elements: one-time revenues and resources should not be used to support ongoing operation; debt should be issued only to support capital and not operating expenses; and the Town Council should conduct a comprehensive review of the fiscal status of the Town on a quarterly basis. The Town currently has a policy of a minimum reserve level of thirty percent of estimated operating revenues for the Town's General Fund.

f) Is the organization's debt at an unmanageable level?

No. The Town has no outstanding debt. However, the Town has unfunded pension liabilities in the amount of \$2,809,493, which it has addressed by setting up a Section 115 Public Agency Retirement Services (PARS) account.

²¹ San Mateo County voters first approved Measure A in 1988. Measure A is a half-cent sales tax for local transportation improvement purposes. In 2004, voters reauthorized Measure A to remain in effect from Jan. 1, 2009 through Dec. 31, 2033. [Measure A & W Programs | SMCTA](#)

²² Measure W was approved by San Mateo County voters in 2018 to generate additional funds from another half-cent sales tax authorized for July 2019 through June 30, 2038. The measure includes funds for highway projects, local street repair, grade separations for Caltrain tracks, expanded bicycle and pedestrian facilities, and improved transit connections.

²³ The Traffic Safety Fund is comprised of fines and forfeitures from violations of the California Vehicle Code

²⁴

Table 2. Town of Woodside General Fund Budget

	FY2023-24 Actual	FY2024-25 Projected	FY2025-26 Proposed
<i>GF Revenue</i>			
Property Tax- Secured	4,876,330	5,207,920	5,520,395
Property Tax- Unsecured	205,932	220,000	235,000
Property Tax- Other	1,027,512	762,000	775,000
Sales Tax	739,742	776,100	776,100
Property Transfer Tax	404,935	325,000	350,000
Francise fees	655,926	720,831	735,000
Business License	185,592	185,000	185,000
Fees & Permits	2,037,577	2,040,556	2,279,250
Interest (LAIF)	428,721	316,000	300,000
Other Agencies	613,345	657,321	639,000
Current Services	248,625	339,840	319,100
Overhead Charges	350,000	360,000	375,000
Other Revenue	386,864	892,976	179,400
Total GF Revenue	\$12,061,101	\$12,803,544	\$12,668,245
<i>GF Expenditures</i>			
Salaries & Benefits	3,135,618	3,702,070	3,667,315
PERS & Retiree Health Benefits	654,243	834,550	813,200
Services & Supplies	4,045,793	4,186,294	4,179,395
Police Services Contract	2,645,338	2,844,512	3,057,630
Housing Element/Town Center Plan	73,695	230,000	500,000
Emergency Response/Hazardous Tree Removal	560,323	661,560	350,000
Equipment & Building Maintenance	51,837	153,691	95,000
Capital Contributions	1,077,469	569,768	1,751,250
Total GF Expenditures	\$12,244,316	\$13,182,445	\$14,413,790
Net position	(183,215)	(378,901)	(1,745,545)
Beginning Balance	7,700,382	7,517,167	7,138,266
Ending Balance	7,517,167	7,138,266	5,392,721
Balance as % of Revenue	62%	56%	43%

Source: Town of Woodside Adopted Budget 2025-26

MSR Determination No. 4: LAFCo staff has not identified any issues with the Town’s budgeting practices. The Town’s adopted general fund operating budget for FY2025-26 totals \$12,662,540. The estimated operating reserve amount is \$3,666,254. The Town of Woodside has a five-year Capital Improvement Program for which funding has been identified for approximately 93% of anticipated costs. The Town of Woodside is classified as Tax Equity Allocation jurisdiction, which limits the amount of property tax that the Town receives. The Town general fund primary revenue source is property tax (51% of proposed revenue in FY2025-26). The Town staff and Council has

expressed concern about the continued increase in the cost of the Sheriff’s Office contract and will continue to monitor the impact of the contract on the Town’s general fund.

Recommendation: None

5) Shared Services and Facilities

Status of, and opportunities for, shared facilities	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Is the agency currently sharing services or facilities with other organizations? If so, describe the status of such efforts.	X		
b) Are there any opportunities for the organization to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?		X	
c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources?			X

a) Is the agency currently sharing services or facilities with other organizations?

The Town has agreements and partnerships with various organizations. Contracting for services has the benefit of enabling the Town to adjust service levels depending on budget and needs. The Town is a member of the San Mateo County Library Systems Joint Powers Agreement (JPA). The Town is also a member of the JPA for County emergency services dispatch. The Town contracts with the County Sheriff for policing (\$3,057,630 budgeted in FY2025-26). This contract provides for two deputies (day and night) and two dedicated motorcycle patrol units serving on a rotating 12-hour schedule from 7am to 7pm daily. The Town leases the Woodside equestrian facility to a non-profit 501(c)(3) organization called The Horse Park at Woodside. The Town governs the Town Center Sewer Maintenance District and has a contract for operation and maintenance of the sewer system with the West Bay Sanitary District.

The Town has a good working relationship with Woodside Fire Protection District, funding the annual Chipper program (\$70,000 in FY2025-26) to help encourage property owners to mitigate fire risk by clearing their property of potential fire fuel. The Town also appropriated \$500,000 in FY2025-26 to the Defensible Space and Home Hardening Matching Fund Program, reimbursing property owners up to \$3,000 to conduct fire fuel load reduction.

The Town is a member of various local agencies including the Association of Bay Area Governments, City/County Association of Governments, the Airport Roundtable and the League of California Cities.

b) Are there any opportunities for the organization to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?

LAFCo encourages the Town to continue discussions with the neighboring Town of Portola Valley regarding opportunities for shared services and joint contracts, such as with the County Sherriff for policing services.

c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid the construction of extra or unnecessary infrastructure or eliminate duplicative resources?

None at this time.

MSR Determination No. 5: The Town has agreements and partnerships with various organizations. Contracting for services has the benefit of enabling the Town to adjust service levels depending on budget and needs.

Recommendation:

6. The Town should continue discussions with the Town of Portola Valley regarding the possibility of a joint contract with the Sheriff's Office for police services, as well as explore other opportunities for shared services or contracts.

6) Accountability, Structure, and Efficiencies:

Accountability for community service needs, including governmental structure and operational efficiencies	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?			X
b) Are there any issues with staff turnover or operational efficiencies?			X
c) Is there a lack of regular audits, adopted budgets and public access to these documents?			X
d) Are there any recommended changes to the organization’s governance structure that will increase accountability and efficiency?			X
e) Are there any governance restructure options to enhance services and/or eliminate deficiencies or redundancies?			X
f) Are there any opportunities to eliminate overlapping boundaries that confuse the public, cause service inefficiencies, unnecessarily increase the cost of infrastructure, exacerbate rate issues and/or undermine good planning practices?			X

a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?

The Town of Woodside is general law city and utilizes a Council-Manager form of government. The five city council members are elected by District. Town Council meetings are held in-person at 7pm at Independence Hall, 2955 Woodside Road on the 2nd and 4th Tuesday of every month. The public may attend meetings in-person or online via Zoom. Public comment is accepted via Zoom as well as in-person. The link to the Zoom meeting is published in the agenda, which is posted on four physical bulletin boards in Town and published on the Town’s website.

Archived Town Council meeting agendas, minutes, and documents for each agenda item are available on the Town’s website. Recorded video and audio of meetings are also available on the website. Archives of other governing bodies, such as the Planning Commission, all 11 Citizen Advisory Committees, and architectural and Site Review Board are also available online. Neither

the Town of Woodside or LAFCo staff were able to identify any failures by the Town to comply with disclosure laws and the Brown Act.

b) Are there issues with staff turnover or operational efficiencies?

LAFCo has no current concerns regarding the governance accountability, structure or efficiencies of the Town. The FTE count for FY2025-26 is 24.75, which is the same as the year prior.

c) Is there a lack of regular audits, adopted budgets and public access to these documents?

The Town of Woodside regularly prepares an annual budget and contracts with the accounting firm Maze and Associates to conduct an annual ACFR, both of which are presented to the Town Council at a public hearing and are published on the Town’s website. The Town’s most recently accepted ACFR was for FY2023-24.

d-f) Changes in governance structure:

LAFCo staff does not recommend any changes to the Town’s governance structure that could increase accountability and efficiencies, enhance services and/or eliminate deficiencies.

MSR Determination No. 6: The Town of Woodside is a general law city and utilizes a Council-Manager form of government. The five city council members are elected by District. Town Council meetings are held in-person at 7pm at Independence Hall, 2955 Woodside Road on the 2nd and 4th Tuesday of every month. The public may attend meetings in-person or online via Zoom. Public comment is accepted via Zoom as well as in-person. LAFCo has no current concerns regarding the governance accountability, structure or efficiencies of the Town.

Recommendation: None

7) Other Issues:

Any other matter related to effective or efficient service delivery, as required by commission policy.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Are there any other service delivery issues that can be resolved by the MSR/SOI process?			X
b) Water Resiliency and Climate Change			
i) Does the organization support a governance model that enhances and provides a more robust water supply capacity?	X		

ii) Does the organization support multi-agency collaboration and a governance model that provide risk reduction solutions that address sea level rise and other measures to adapt to climate change?		X	
c) Natural Hazards and Mitigation Planning			
i) Has the agency planned for how natural hazards may impact service delivery?	X		
ii) Does the organization support multi-agency collaboration and a governance model that provides risk reduction for all natural hazards?	X		

a-c) In September 2015, the Town in collaboration with the City/County Association of Governments of San Mateo County adopted a Climate Action Plan (CAP).²⁵ The CAP presents a program to achieve greenhouse gas emission reductions. On an annual basis, the Planning Director provides the Town Council reports describing progress on implanting the CAP measures. Along with the County and other San Mateo County cities, Woodside participated in the 2021 Local Hazard Mitigation Plan (LHMP) that assessed hazard vulnerabilities and identified opportunities for mitigation to reduce the level of injury, property damage and community disruption that could occur in manmade and natural disasters. The Town has an Emergency Preparedness Committee works with Town staff to develop and maintain appropriate plans and procedures for responding to disasters, including wildfires, earthquakes, floods and other emergencies.

The Town contracts with the Woodside Fire Protection District for hazard mitigation efforts and creating defensible space along the Right of Way and Town-owned property. The majority of the Town is within an identified fire hazard severity zone. The Town Council has established the Defensible Space and Home Hardening Matching Fund Program. For approved projects, the Town will reimburse property owners 50% of the cost of creating defensible space and/or home hardening, up to a maximum of \$3,000.

MSR Determination No. 7: The Town has adopted a Climate Action Plan and participates in the Local Hazard Mitigation Plan. It has an Emergency and Preparedness Committee. The Town works with the Woodside Fire Protection District for hazard mitigation efforts, including a matching fund program for homeowners to enhance their defensible space and home hardening.

²⁵ [Climate Action Plan | Woodside, CA](#)

Recommendation:

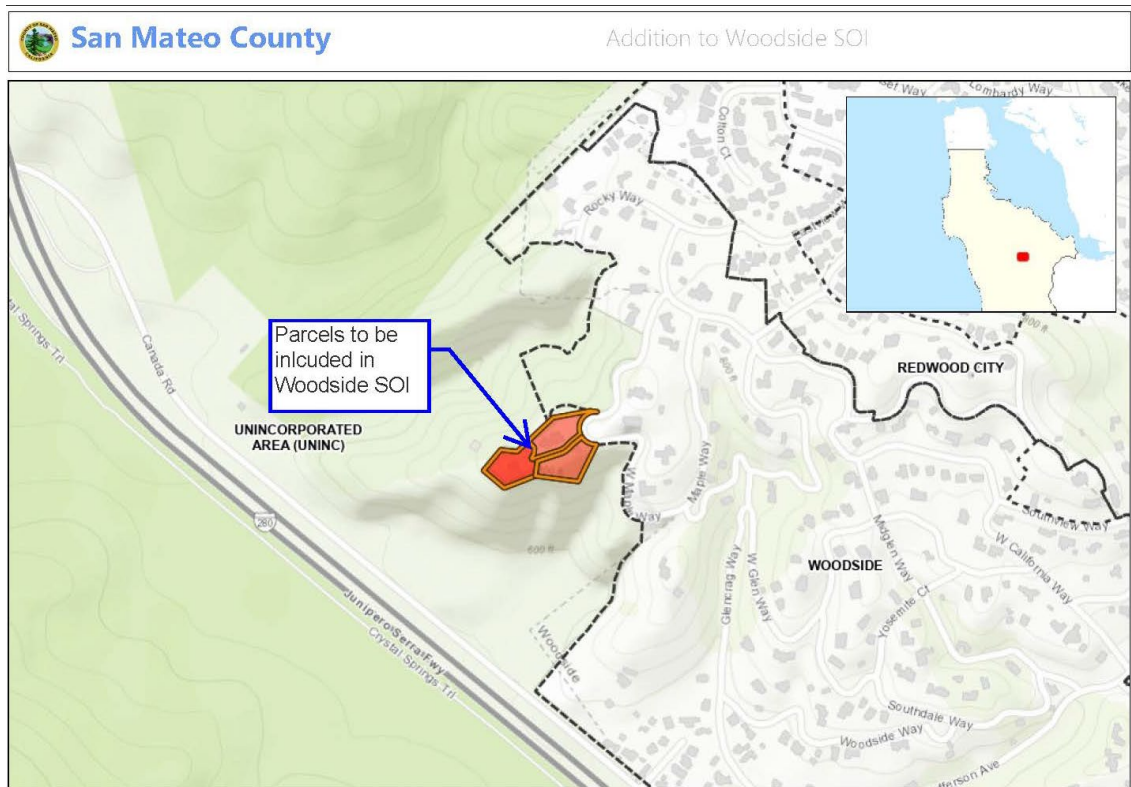
7. LAFCo encourages the Town of Woodside to continue its work in the areas of natural hazard mitigation and wildfire preparedness and to continue to coordinate with partner agencies.

Town of Woodside Sphere of Influence (SOI) Determinations

Section 56425 requires the Commission to make SOI determinations concerning land use, present and probable need for public facilities and services in the area, capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide, and existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency. These include the following determinations:

1. **The present and planned land uses in the area, including agricultural and open space lands:** Land use designations within the Town of Woodside are Residential, Open Space, and some limited Community Commercial. Agricultural uses are permitted for those parcels designated as Open Space. The Town's General Plan emphasizes the preservation and protection of open space and environmentally sensitive areas.
2. **The present and probable need for public facilities and services in the area:** The Town of Woodside meets the municipal service needs of its residents and businesses. The Town anticipates that it will be able to provide adequate facilities and services for the anticipated growth within its service area. The current SOI for the Town includes the unincorporated communities of Guernsey Field, Jasper Ridge, and western hills along Skyline Blvd./Highway 35. In reviewing the Town's SOI and surrounding parcels, three parcels along West Maple Way near the northern boundary of the Town have been identified to be included in the Town's SOI. These three parcels, 425 West Maple Way (APN 068-100-240), 445 West Maple Way (APN 068-100-260), and 465 West Maple Way (APN 068-100-250) are located in unincorporated County but are adjacent to the Town's boundaries; the roadway of West Maple Way is already in Town boundaries as are the houses across the street.

Figure 3. Proposed Additions to the Town of Woodside Sphere of Influence (SOI)



Each of the three parcels is currently developed with single-family homes utilizing onsite septic systems. The three parcels are bordered by SFPUC Watershed lands to the north, south, and west. To the east is the Town of Woodside. The three parcels to be included in the Town’s SOI share similar characteristics of parcels within the Town. In the future, if the property owners wanted to annex to a city for municipal services, the only city that they are adjacent to and hence would be eligible to annex to would be the Town of Woodside. For these reasons, LAFCo is recommending that these parcels be included in the Town’s SOI.

3. **The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide:** The Town of Woodside currently provides adequate public services to its residents, including police protection (via contract), sanitary sewer, and storm water services. In addition, the Town routinely adopts a Capital Improvement Program to fund critical repairs, replacements and improvements to the Town’s infrastructure and facilities.
4. **The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency:** There are no disadvantaged unincorporated communities within the SOI of the Town of Woodside.
5. **For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire**

protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence: There are no disadvantaged unincorporated communities within the Town's boundaries, or in the Town's Sphere of Influence.

On the basis of the Municipal Service Review:

Staff has reviewed the agency's Sphere of Influence and recommends that a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency's SOI is recommended and SOI determinations HAVE NOT been made.

Staff has reviewed the agency's Sphere of Influence and recommends that a SOI Update IS NECESSARY in accordance with Government Code Section 56425(g). Therefore, A CHANGE to the agency's SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.

Appendix A. Key Facts Town of Woodside

Town Manager: Jason Ledbetter

Address: 2955 Woodside Road, Woodside, CA 94062

Phone Number: 650-851-6790

Date of Incorporation: November 16, 1956

Town Councilmembers:

Mayor & Councilmembers	Term Expiration Date
Brian Dombkowski, Mayor	December 2026
Paul Goeld, Mayor Pro Tem	December 2028
Jon Froomin, Councilmember	December 2026
Hassan Aburish, Councilmember	December 2028
Jenn Wall, Councilmember	December 2028

Compensation: Each member of Town Council receives \$950 per month during their term (Ordinance No. 2024-641).

Public Meetings: Town Council meetings are held in-person at 7pm at Independence Hall, 2955 Woodside Road on the 2nd and 4th Tuesday of every month. The public may attend meetings in-person or online via Zoom. Public comment is accepted via Zoom as well as in-person. The link to the Zoom meeting is published in the Agenda, which is available for viewing on the Town’s website.

Services Provided: Planning and Building, Stormwater Control, Streets & Sidewalks, Lighting, Parks & Recreation

Agency staff: 24.75 Full time equivalent employees

Area Served: Town of Woodside

Population: 5,309

Sphere of Influence: Expansive – includes Wunderlich County Park, Huddart County Park (i.e. “Western Hills”), Skylonda, and Stanford lands (i.e. “Jasper Ridge” and “Western SLAC”).

FY2025-26 General Fund Budget: \$12,662,540



LOCAL AGENCY FORMATION COMMISSION

**Municipal Service Review and Sphere of Influence
Review for the Town of Portola Valley**

Circulation Draft

Released November 12, 2025

Municipal Service Review and Sphere of Influence Review for the Town of Portola Valley

Town of Portola Valley

765 Portola Rd.

Portola Valley, California 94028

Contact: Darcy Smith, Town Manager, (650) 851-1700

CONDUCTED BY:

San Mateo Local Agency Formation Commission

455 County Center, 2nd Floor

Redwood City, CA 94063

(650) 363-4224

Commissioners:

Ray Mueller, Chair, County Member

Virginia Chang Kiraly, Vice Chair, Special District Member

Jackie Speier, County Member

Ann Draper, Public Member

Kati Martin, Chair, Special District Member

Debbie Ruddock, City Member

Stephen Rainaldi, City Member

Commission Alternates:

Noelia Corzo, County Member

Colleen You, Public Member

Katheryn Slater-Carter, Special District Member

Greg Wright, City Member

Staff:

Rob Bartoli, Executive Officer

Sarah Flamm, Management Analyst

Diane Estipona, Commission Clerk

Tim Fox, Legal Counsel

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Section I. Executive Summary

Purpose of Report

This report includes a Municipal Service Review (MSR) and Sphere of Influence (SOI) study for the Town of Portola Valley. California Government Code Section 56430 requires that Local Agency Formation Commissions (LAFCo's) complete MSR and SOI reviews on all cities and special districts. These state-mandated reports are studies of an agency's service provision and logical boundaries. The review process is intended to identify municipal service delivery challenges and opportunities, provide the public and affected agencies with a platform to comment on an agency's services and finances, and review opportunities to share governmental resources. Once the MSR determinations are adopted, the SOI—the plan for the boundaries of a city or special district— is reviewed, pursuant to Section 56425.

San Mateo Local Agency Formation Commission

San Mateo LAFCo is a State-mandated, independent entity with county-wide jurisdiction over the boundaries and organization of cities and special districts. LAFCo reviews annexations, detachments, incorporations, formations, and dissolutions. LAFCo also has authority over extensions of service outside city or district boundaries, and activation or divestiture of special district powers. The purpose of LAFCo includes discouraging urban sprawl, preserving open space and prime agricultural lands, planning for the efficient provision of government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances.

LAFCo operates pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) contained in California Government Code Sections 56000 and 57000. The Commission includes two members of the County Board of Supervisors, two city councilmembers from two of the County's 20 cities, two special district board members from two of the 21 independent special districts, one member of the public, and four alternate members (county, city, special district, and public).

In 1985, San Mateo LAFCo first prepared comprehensive SOI studies and adopted SOI's for the County's cities and special districts. Subsequently, LAFCo reviewed and updated SOI's on a three-year cycle. SOI updates focus on changes in service demand within the boundaries of cities and special districts. In 2003, in order to comply with the newly enacted CKH Act, LAFCo began the process of preparing SOI updates/reviews in conjunction with or following a Municipal Service Review.

Local Government in San Mateo County

Municipal service providers in San Mateo County include the County of San Mateo, 20 cities, 21 independent special districts, six subsidiary districts governed by city councils, and 33 County-governed special districts. Independent special districts provide a limited set of services based on their enabling legislation (i.e., fire, water, sanitation, etc.), while cities generally provide a wider array of basic services including police, recreation programs, planning, street repair, and building inspection. The County, as a subdivision of the State, provides a vast array of services for all residents across its cities, special districts and subsidiary districts, including social services, public

health protection, housing programs, property tax assessments, tax collection, elections, and public safety. The County also provides basic municipal services for residents who live in unincorporated areas who are not part of any city or special district. According to Census 2020 data, 63,205 of the County's total 765,417 residents live in unincorporated areas.

MSR and SOI Determinations

Per Government Code Section 56430, LAFCo is required to include MSR Determinations that address the following areas for any local agency:

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the SOI.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.
4. Financial ability of the agency to provide services.
5. Status of, and opportunities for shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by LAFCo policy.
 - a. Water Resiliency and Climate Change
 - b. Impact of Natural Hazards and Mitigation Planning

MSR Determinations must be adopted before the Commission updates or amends a SOI. Per Government Code Section 56425, LAFCo is required to make the following five written SOI determinations when establishing, amending, or updating an SOI for any local agency:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Report Review Process

This Circulation Draft Report is presented during a public hearing and afterwards circulated for comment to the agency under study, as well as interested individuals and groups. The Final Report will include the comments on the draft, as well as LAFCo staff's Determinations and Recommendations. This report has been written based on source documents that included

Adopted Budgets, Capital Improvement Plans, Meeting Minutes, Staff Reports, Consultant Reports, and information provided by Town and County staff.

Disadvantaged Unincorporated Communities

In 2011, SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to “disadvantaged unincorporated communities,” including the addition of MSR determination #2 and SOI determination #5 listed above. Disadvantaged unincorporated communities, or “DUCs,” are inhabited, unincorporated territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income. There are no disadvantaged unincorporated communities within the current boundaries or service area of the Town of Portola Valley.

Section II. Summary of Key Issues

The Town of Portola Valley is a Tax Equity Allocation city, meaning the amount of property tax it receives is lower than its neighbors. Property tax is the Town’s main source of revenue (53% of proposed revenue in FY2025-26). The Town has had a structural deficit for its General Fund since FY2021-22 necessitating the use of reserve funds to balance the budget. One of the largest drivers of rising costs has been the contract with the San Mateo County Sheriff’s Office. From FY2018-23, the annual contract amount for Sheriff services was \$1.49M. Under the FY2023-25 two-year contract, the annual cost increased by 59% to \$2.38M. It is anticipated that the cost of the contract with the Sheriff’s Office will continue to outpace Town revenue. The Town Managers of Portola Valley and Woodside are conducting preliminary discussions regarding sharing a contract with the Sheriff’s Office.

In order to balance the budget and not impact the Town’s general fund reserve, the Town will need an additional \$1M in expenditure cuts in FY2026-27 through FY2029-30. The Town’s reserve fund is on pace for a deficit by FY2029-30 without a new revenue source. The Town is currently exploring potential revenue measures to address this structural deficit.

The Town is behind on its financial audits, having only recently completed the FY2021-22 Annual Comprehensive Financial Report (ACFR). The Town has adopted a work program to catch up on outstanding audits, however, the lack of audited budget numbers has hindered fiscal forecasting.

Currently, due to budget constraints, the Town has adopted a one-year Capital Improvement Program (CIP) for FY2025-26 related to roads, storm drains, trails and IT enhancements. This CIP only identifies projects that will have expenditures in the upcoming fiscal year. According to Town staff, an expanded and compressive five-year CIP is anticipated to be created and adopted as part of the budget cycle for FY2026-27.

The Town has a compliant 2023-31 Housing Element, but there were challenges in having the plan approved by the State. The Town is required to plan for 253 units, which is four times the amount required in the previous Housing Element. The formation and approval of the Housing Element plan required over \$1M for staff, consultants, and legal services. The Town has budgeted additional funds for the current fiscal year to implement the programs and policies associated with the newly adopted Housing Element.

Section III: Affected Agencies

Cities/Towns and County: San Mateo County

School Districts: Sequoia Union High School District, Portola Valley Elementary School District

Independent Special Districts: Midpeninsula Regional Open Space District, Woodside Fire Protection District, West Bay Sanitation District

Dependent Special Districts: Los Trancos Cofunty Maintenance District

Section IV: Municipal Service Review for the Town of Portola Valley

Governance and Statutory Authority

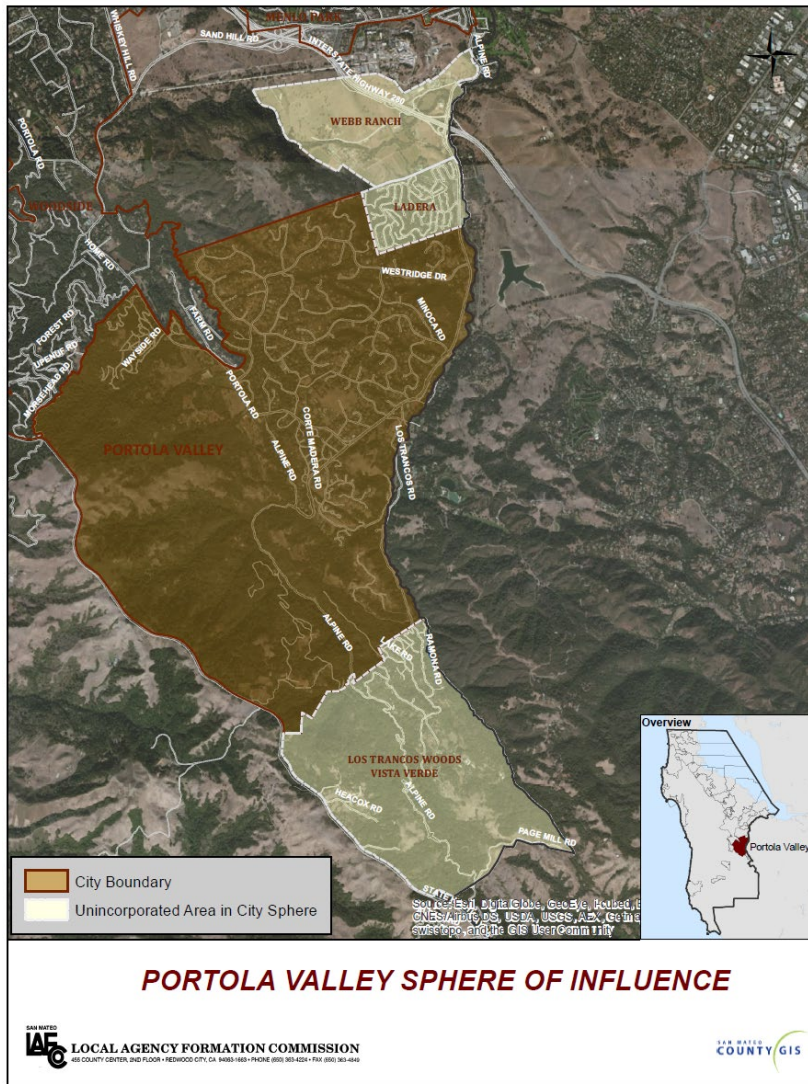
The Town of Portola Valley was incorporated in 1964 as a general law municipality. As of January 2025, the estimated population is 4,286.¹ The Town covers approximately 9 square miles of rural and suburban San Mateo County. The Town’s legislative body is the Portola Valley Town Council comprised of five members elected in at-large district elections to serve four-year terms. The Town Council annually appoints the positions of Mayor and Vice Mayor. The Town Council also appoints the Town Manager, Town Attorney, and all members of advisory committees and commissions. The Town Council budgets all revenues; adopts ordinances, policies and regulations; establishes fee schedules; and has the authority to declare an emergency. As of November 2025, the Town budget includes 15.5 Full Time Equivalent (FTE) staff. The Town Council establishes staff salary ranges.

Overview

The Town of Portola Valley provides finance, public works, engineering, building, planning, code enforcement and recreation services. Police services are provided through a contract with the San Mateo County Sheriff’s Office. Fire protection is provided by the Woodside Fire Protection District. Water service is provided by Cal Water. Portions of the Town receive sewer service from the West Bay Sanitary District. The Town’s sphere of influence is the 1984 Town limit boundary, plus the unincorporated communities of Ladera, Los Trancos Woods/Vista Verde, and Webb Ranch, see Figure 1.

¹ State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2024 and 2025. Sacramento, California, May 2025.

Figure 1. Town of Portola Valley Sphere of Influence Map



Source: San Mateo County Information Services Department

The MSR determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all determinations are not significant, as indicated by “no” answers, the Commission may find that an MSR update is not warranted.

Town of Portola Valley MSR Determination Summary

	1) Growth and Population		2) Disadvantaged Unincorporated Communities
X	3) Capacity, Adequacy & Infrastructure to Provide Services	X	4) Financial Ability
X	5) Shared Services	X	6) Accountability, Structure, and Efficiencies
	7) Other		

1) Growth and Population

Growth and population projections for the affected area.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Is the agency’s territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?			X
b) Will population changes have an impact on the subject agency’s service needs and demands?		X	
c) Will projected growth require a change in the agency’s service boundary?			X

a-c) As of January 2025, the estimated population is 4,286.² The Town’s population is estimated to grow between 0-2% in the ten years between 2020 through 2030, which is less than the projected growth rates for the County of San Mateo (8%) and the State of California (9%).

The Town of Portola Valley is characterized by steep canyons and gullies with dense vegetation interspersed throughout low density residential neighborhoods. The Midpeninsula Regional Open Space District owns over 1,000 acres of protected public open space within the Town limits. The potential for further development in Town is limited by geological regulations, wildfire hazards, and very steep terrain. Most of the remaining vacant land in Town is in steep areas. The Town Land Use Element states that general objectives include to maintain the “rural atmosphere of Portola Valley,” “minimize the need for non-local traffic”, and to “encourage the use of renewable energy sources while preserving the scenic and aesthetic qualities of the area.”³

Housing Element

The Town’s 2023-31 Housing Element includes policies and programs designed to meet the Regional Housing Needs Allocation (RHNA) mandated by the State Department of Housing and Community Development (HCD). The Town’s “Cycle 6” RHNA is 253 units, which is 4 times the RHNA amount of 64 units identified in the “Cycle 5” (2015-2023) allocation.⁴ While the Housing Element represents the Town’s plan for development of the requisite Cycle 6 RHNA over the 8-year period from 2023-31, the actual development of the 253 units could occur within this same time frame or at a later date. Therefore, as identified by LAFCo, there is not proposed to be significant population change within the Town of Portola Valley in the next 5-10 years.

The 2023-31 Housing Element contains the following nine policies:

² State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2024 and 2025. Sacramento, California, May 2025.

³ Portola Valley Land Use Element, May 10, 2023

⁴ State guidelines recommend including a buffer of additional units to adequately plan to meet the allocation. The Town elected to include a 20% buffer in addition to the base allocation for a total of 304 planned units. For comparison, the neighboring Town of Woodside has a Cycle 6 RHNA base allocation of 328 units. See Section 7: “Goals, Policies and Programs,” 2023-2031 Housing Element Town of Portola Valley.

- Policy 1: Allow for new housing through new General Plan land use classifications for multi-family and mixed-use districts, an opt-in housing program, and other programs.
- Policy 2: Create a well-managed affordable housing program that preserves affordability in perpetuity.
- Policy 3: Develop housing on town or non-profit owned parcels where feasible.
- Policy 4: Revise standards and approval process to reduce cost and uncertainty for affordable housing and lower cost market rate housing
- Policy 5: Improve the development review process to reduce uncertainty and encourage development that fits with the Town’s objective standards while preserving rural character.
- Policy 6: Continue to refine fire resistant building standards and land use policies to ensure they utilize the most up to date science in preparation for wildfire resiliency
- Policy 7. Promote Accessory Dwelling Units (ADU) and Junior Accessory Dwelling construction and affordability and encourage programs that would increase the diversity of ADU occupants.
- Policy 8: Encourage and support the enforcement of laws and regulations prohibiting discrimination in lending practices and in the sale or rental of housing.
- Policy 9: Assist in the development of housing for persons with developmental disabilities

The process of adopting and certifying the Town’s 2023-31 Housing Element has been resource intensive, involving significant use of staff and consultant time, numerous public meetings, and the formation of the ad-hoc Housing Element Post-Adoption Plan Town Council Subcommittee. When developing the budget, the Town had not anticipated the one-time expenditures involved in certifying the 2023-31 Housing Element. (More budget discussion in Section 4, Financial Ability.)

In January 2024, the Town’s Housing Element was initially certified by HCD. However, in March 2024, HCD revoked the Housing Element certification due to the lack of “timely and effective implementation” of the Housing Element programs, including the required rezoning of several parcels to allow for greater density (Policy 1). Jurisdictions face financial consequences, including ineligibility for certain state and federal grants, if their Housing Element is noncompliant. The Town was provided technical assistance from HCD to help return its Housing Element to a state of compliance, which involved working with Town staff and Town Council.

On April 23, 2025, the Town Council adopted an ordinance (Ordinance No. 2025-452), amending Zoning Code Table 18.15.04: Development Standards – Note 2: “Up to a 2.48 acre portion of the Dorothy Ford Park Site... which shall exclude the existing deed restricted little league baseball field... shall be permitted to be developed as high density housing and that owner-occupied and rental multifamily uses are allowed by-right for housing developments in which 20% or more of the units are affordable to lower-income households on the specified portion of the Dorothy Ford Park Site.”⁵ The Town’s Housing element only identifies parcels within the existing Town boundaries.

⁵ The Dorothy Ford Park Site is APN 077-272-010, included in Table 6-6 of the 2023-31 Housing Element.

In May 2025, following the rezoning, HCD found that the Town’s Housing Element was once again in compliance with state law, and the Housing Element is certified. The Town is required to monitor and provide annual progress reports to HCD on the implementation status of its housing policy programs. The Town has budgeted in the Town Affordable Housing Fund, which a fund that is separate from the Town’s General Fund, for a consultant support this work.

While the Housing Element identifies parcels where residential development may occur in the future, the Town’s current Capital Improvement Plan (CIP) only covers the current fiscal year. Town staff are working on presenting a long-term and comprehensive CIP during the review of the FY2026-27 budget. As this plan has not been presented and adopted, there may be capital projects that require increased levels of services and demands on the Town.

MSR Determination No. 1: Over the next five years, the population of the Town of Portola Valley (4,286) is projected to grow between 2-4%. The Town’s 2023-2031 Housing Element addresses how the Town plans to meet its state-mandated Regional Housing Needs Allocation allotment of 253 units by year 2031. The Town hired a consultant to support the work associated with implementing the Town’s Housing Element plans and programs.

Recommendation: None.

2) Disadvantaged Unincorporated Communities

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Does the subject agency provide public services related to sewers, municipal and industrial water, or structural fire protection?			X
b) Are there any “inhabited unincorporated communities” within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (80% or less of the Statewide median household income)?			X
c) If “yes” to both a) and b), is it feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community? (if “no” to either a) or b), this question may be skipped)			X

a-c) The Town of Portola Valley does not provide sewer, municipal and industrial water, or structural fire protection services. While the SOI of the Town does include unincorporated territory, these unincorporated areas are not classified as disadvantaged.

MSR Determination No. 2: The Town’s sphere of influence and corporate boundaries do not include disadvantaged unincorporated communities nor does the Town provide sewer, municipal and industrial water, or structural fire protection services.

Recommendation: None

3) Capacity and Adequacy of Public Facilities and Services

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory?			X
b) Are there any issues regarding the agency’s capacity to meet the service demand of reasonably foreseeable future growth?			X
c) Are there any concerns regarding public services provided by the agency being considered adequate?			X
d) Are there any significant infrastructure needs or deficiencies to be addressed?		X	
e) Are there changes in State regulations on the horizon that will require significant facility and/or infrastructure upgrades?			X
f) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency’s sphere of influence?			X

a) Are there any issues regarding the agency’s capacity to meet the service demand of reasonably foreseeable future growth?

The Town meets the service needs of existing development within its sphere of influence and corporate boundaries. Town staff (15.5 FTE) provide the following services: public works, engineering, building, code enforcement, recreation, planning, and zoning. The Town offers the Portola Valley Library—a branch of the San Mateo County public library system. The Town hires

outside contractors for IT staffing, certain planning and building services, and legal services. The Town contracts for police services with the San Mateo County Sheriff’s Office. Fire protection is provided by the Woodside Fire Protection District. Water service is provided by Cal Water. Portions of the Town receive sewer service from the West Bay Sanitary District. These services are described in more detail below.

i. Sewer Services

The Town of Portola Valley does not have a municipal sewer system. Instead, most properties have private onsite septic systems. However, West Bay Sanitary District (WBSD) does have 1,320 properties in the Town that are connected to its sewer system. WBSD is the regional sanitary sewer provider for the Town of Portola Valley, the City of Menlo Park and portions of Atherton, East Palo Alto, Redwood City, the Town of Woodside, south county unincorporated areas, and several parcels near Los Trancos Creek in Santa Clara County. The WBSD was formed in 1902 and in total, serves approximately 19,486 residential customers and 625 commercial customers with approximately 216 miles of sewer mains. WBSD is a member of Silicon Valley Clean Water JPA. The current boundary of the District includes portions of the Westridge neighborhood, Brookside, Portola Valley Ranch, and Blue Oaks subdivisions, and parcels along Alpine Road.

Developers and homeowners in Town may choose to switch from onsite septic systems to sewer services by first annexing their property into WBSD. Homeowners are responsible for applying for annexation and for paying the cost of extended sewer infrastructure. The Town has not initiated or planned any comprehensive annexations of Town territory into WBSD, as the Town has not received any public requests or Town Council direction on this topic.

ii. Police Services

Since incorporation, the Town of Portola Valley has contracted with the San Mateo County Sheriff’s Office for police services. The contract for FY 2023-25 included a service level for two deputies during the day shift; two deputies during the night shift; a portion of a detective (25%); a portion of an administrative sergeant (50%); and a portion of a Captain (25%). The FY2025-26 police services contract decreases the Administrative Sergeant allocation from 0.5 FTE to 0.25 FTE (similar to the Town of Woodside’s contract) while maintaining the other staffing levels from the FY23-25 contract .

From FY2018-23, the annual contract amount for Sheriff services was \$1.49 million. Under the FY2023-25 two-year contract, the annual cost increased by 59% to \$2.38 million. In response to this increase, Town staff worked with the County Sheriff and the County Executive’s Office for credits toward the current and future years in order to reduce the cost.⁶ The Town received a total of \$1.06M in credits/adjustments from both parties, with the last credit of \$211,000 effective this current fiscal year (FY2025-26). For FY2025-26, the one-year contract total is \$2.34 million, however, since the Town is receiving a credit of \$211,000, the new total amount is \$2.13M.

⁶ The credits were negotiated between the Town, County Sheriff, and County Executive to help address the increase in the contract in FY23/24 (57% increase).

It is anticipated that the cost of the contract with the Sheriff's Office will continue to outpace Town revenue, leading to a continuation of the ongoing structural deficit. The Town Managers of Portola Valley and Woodside are conducting preliminary discussions regarding sharing a contract with the Sheriff's Office. Town staff report that they will involve the Sheriff's Office in these discussions in early 2026.

iii. Fire Protection Services

The Town of Portola Valley is located within the service area of the Woodside Fire Protection District (WFPD). WFPD is an independent special district formed in 1939 and then reformed in 1949. WFPD provides fire services to the towns of Portola Valley, Woodside, and to the unincorporated areas of Ladera, Los Trancos Woods, Skyline, Vista Verde, and portions of Emerald Lake Hills. WFPD has three fire stations, with Fire Station No. 8 located in the Town of Portola Valley at 135 Portola Road. The District's administrative offices are located at 808 Portola Road in Portola Valley.

The District also provides emergency operations, hazardous materials response, training, community risk reduction and fire prevention, office of emergency services, and administrative support. WFPD has 68 FTE's as of 2025 and a budget of \$30 million for FY 2025-26. The Town also contracts with WFPD for supplemental services including an annual wood chipping program, a fuel reduction engineer, and the Town right-of-way vegetation management program.

b) Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?

The Town has adopted and certified its 2023-31 Housing Element. With assistance from a paid consultant as well as the Housing Element Post-Adoption Plan Town Council Subcommittee, the Housing Element policies and programs are being implemented.

Funding for Housing Element policy implementation and other long-range housing planning work is sourced from the Affordable Housing Fund.⁷ The use of the funds from the Affordable Housing Fund is governed by the Affordable Housing Fund Policy which was adopted in December 2023. As of September 10, 2025, the Affordable Housing Fund has a balance of \$4,857,725. Of this balance, \$115,000 has been authorized to be used for the update of the Housing Element.⁸ On September 10, 2025, the Town Council approved an appropriation of \$1.35M from the Affordable Housing Fund as a grant and \$70,026 as a waiver of planning permit fees for the Willow Commons Housing Project.⁹

⁷ Funds for the Affordable Housing Fund are from fees collected pursuant to inclusionary housing in-lieu fee regulations and other monies controlled by the town for affordable housing. Also, principal and interest from loan repayments, proceeds from grant repayments, forfeitures, reimbursements, and all other income from Fund activities shall be deposited into the Fund.

⁸ Town of Portola Valley Response to Request for Information from LAFCo.

⁹ The Willow Commons Housing Project provides permanent housing with supportive services for 16 intellectually and/or developmentally disabled adults, as well as common areas for building community among the residents. The Project was completed in June 2025.

c) Are there any concerns regarding public services provided by the agency being considered adequate?

Currently, the Town is operating with reduced staff (15.5 FTEs). There are currently two vacant positions in the Planning and Building Department, and the interim Planning Director position is currently being filled by a retired annuitant. According to Town staff, the main reason for the initial reduction in positions in FY2022-23 was to offset the increase in cost of the police services contract with the County Sheriff's Office. In lieu of full-time staff, the Town has hired consultants for work such as planning application review and building permit services. The Town reports that it has recovered the costs associated with hiring the consultants through permit-fee collections.

According to Town staff, the Town Hall public service counter is open in the mornings four days a week for walk-in and in-person customer service inquiries. Generally, service demand is very low for planning and building walk-in services, and the Town does not see a demand for more public service counter hours. Most service delivery is provided remotely through email or phone communication. The planning and building division accepts digital plan submittals and processes the applications digitally. The shift to digital plan submittals and processes is typical of many municipalities since the COVID-19 pandemic.

In order to inform Town public policy decisions and community engagement strategies, in October 2025, the Town Council had a community survey conducted to evaluate ballot and revenue measure feasibility, resident satisfaction with town services, and community priorities and needs. The Town Council will have additional meetings on revenue enhancement options in 2026.

d) Are there any significant infrastructure needs or deficiencies to be addressed?

Currently, due to budget constraints, the Town has adopted a one-year Capital Improvement Program (CIP). For FY2025-26, the CIP proposes \$1.36 million in capital expenditures related to roads, storm drains, trails and IT enhancements. This CIP only identifies projects that will have expenditures in the upcoming fiscal year. Indeed, there may be other capital projects that are needed, but for which funding has either not been identified or is not available. According to Town staff, an expanded and compressive five-year CIP is anticipated to be created and adopted as part of the budget cycle for FY2026-27.

e) Are there changes in State regulations on the horizon that will require significant facility and/or infrastructure upgrades?

Town staff is not aware of any State regulations on the horizon that will require significant facility and/or infrastructure upgrades that will impact the Town of Portola Valley.

f) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?

No, there are no disadvantaged unincorporated communities identified within or adjacent to the Town of Portola Valley.

MSR Determination No. 3: The Town meets the service needs of existing development within its sphere of influence and corporate boundaries. However, the cost of the present police contract with the County Sheriff’s office is anticipated to continue outpacing Town revenue, leading to a structural deficit and negatively impacting Town finances.

Currently, due to budget constraints, the Town has adopted a one-year Capital Improvement Program (\$1.36M for FY2025-26). An expanded and compressive five-year CIP is anticipated to be created and adopted as part of the budget cycle for FY2026-27.

The Town does not provide sewer services, however the independent special district West Bay Sanitary District does. Developers and homeowners in Town may choose to switch from onsite septic systems to sewer services by first annexing their property into WBSD. Homeowners are responsible for applying for annexation and for paying the cost of extended sewer infrastructure.

Recommendations:

1. LAFCo encourages the Town to develop a comprehensive Capital Improvement Program and to review this future plan against proposed development projects.
2. LAFCo encourages the Town to continue to coordinate with the West Bay Sanitary District and LAFCo in regards to future annexations of parcels to the Sanitary District for new sewer service.

4) Financial Ability

Financial ability of agencies to provide service	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Does the organization routinely engage in budgeting practices that may indicate poor financial management, such as overspending its revenues, failing to commission independent audits, or adopting its budget late?		X	
b) Is the organization lacking adequate reserve to protect against unexpected events or upcoming significant costs?	X		
c) Is the organization’s rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?			X
d) Is the organization unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?			X
e) Is the organization lacking financial policies that ensure its continued financial accountability and stability?			X
f) Is the organization’s debt at an unmanageable level?			X

a) Does the District routinely engage in budgeting practices that may indicate poor financial management such as overspending its revenue, failing to commission independent audits, or adopted its budget late?

The primary source of revenue for the Town’s general fund is property tax (53% of proposed revenue in FY2025-26), followed by a Utility Users Tax (14%) and permit fees (11%). As the Town is largely residential, with only a small commercial base, sales tax equated to only 4% of total revenue to the general fund.

The Town of Portola Valley is classified as Tax Equity Allocation (TEA) city, because it had low or no property taxes in 1978, when Proposition 13 was passed and froze property taxes at their current levels in perpetuity.¹⁰ To help solve the problem of TEA cities lacking sufficient property tax revenue to support the growing costs of basic services, a series of bills were signed into law in 1980s. This legislation mandated a formula in which California’s no or low property tax cities receive a minimum of 7% of the property tax revenue available within their boundaries. For cities in San Mateo County, the County Controller’s Office is charged with implementing the TEA formula. In 2005, Portola Valley discovered it was not being allocated property taxes in accordance with the TEA formula.¹¹ The County of San Mateo agreed that there were missed payments and five months later, paid Portola Valley the funds, \$2.5 million in total, that they had failed to allocate over the previous 15 years. Since that correction in 2005, LAFCo is not aware of any other issues related to the TEA funding formula for the Town.

Finance and Budget Audits

In November 2023, the Town hired Krisch & Company to provide a report related to the Town’s finances. The report highlighted several recommendations for the Finance Department regarding improvements in functions and operations.¹² The report noted that there were several deficiencies related to internal controllers, accounting, and workflow in the Town’s Finance Department. According to staff, the Town has been working to implement these recommendations.

Separately, the Town reengaged Maze & Associates to complete Annual Comprehensive Financial Reports (ACFRs). These reports represent the Town’s financial position. While the ACFR was completed for FY2018-19 within one year of the end of the fiscal year, the ACFR for FY2019-20 was completed in 2022, the ACFR for FY2020-21 was completed in 2024, and the ACFR for FY 2021-22 was completed in September 2025. The gap in audited financial documents creates challenges for Town staff and the Town Council when drafting operating budgets, as the

¹⁰ When Proposition 13 passed in 1978, it froze property taxes at their current levels. Proposition 13 created significant problems for jurisdictions with no or low property tax rates at the time. These jurisdictions could not raise property tax rates to meet their community needs. Subsequent legislation, the first being AB 8 in 1979, established property tax distribution formulae to compensate. There are four TEA cities in San Mateo County: Colma, Half Moon Bay, Portola Valley, and Woodside.

¹¹ 2006-07 San Mateo County Grand Jury Report, "Old Myths and New Realities Who's Responsible for Taking Care of Business?"

¹² Town of Portola Valley Fiscal Review, Krisch & Company November 2, 2023

definitiveness of revenue and expenditures from past budget cycles is not certain. The Town has adopted a work program to catch up on outstanding ACFRs (see Figure 2 below).

Figure 2. Town of Portola Valley Audit Backlog Schedule

Audit Schedule	
Fiscal Year 2022-23	
Nov-25	Staff provides completed trial balance and schedules prepared by client to Maze
Dec-25	Maze provides a draft of the financial statements
Jan-26	Finance Committee and Town Council review and accept audited financial statements
Fiscal Year 2023-24	
Apr-26	Staff provides completed trial balance and schedules prepared by client to Maze
May-25	Maze provides a draft of the financial statements
Jun-26	Finance Committee and Town Council review and accept audited financial statements
Fiscal Year 2024-25	
Jul-26	Staff provides completed trial balance and schedules prepared by client to Maze
Aug-25	Maze provides a draft of the financial statements
Sep-26	Finance Committee and Town Council review and accept audited financial statements
Fiscal Year 2025-26	
Sep-26	Staff provides pro-forma financial statements

Source: Town of Portola Valley, Town Council Meeting Packet for Sept. 24, 2025

The most recent ACFR report (for FY2021-22) was completed and accepted by the Town Council in September 2025. The report found three significant deficiencies related to the Town’s segregation of duties, journal entry review and approval, and timely bank reconciliations related to internal controls. These findings were also highlighted by Krisch & Company in the 2023 report.

To address the ACFR findings, the Town has increased its finance team staffing levels, hired a consulting firm to review financial transactions and identify areas for improvement, and has taken steps to improve processes for more timely posting and financial information reporting. All audits that are accepted have been reviewed by the Finance Committee and Town Council and are posted on the Town’s website.

Town Budget

The Town budget has been consistently adopted prior to the start of the new fiscal year on July 1. The general fund is the Town’s operating fund. Since at least FY2021-22, the general fund has been running at a deficit, necessitating the use of reserve funds to balance the budget. In forming its budget, the Town has historically relied on fund balance to close budget gaps. As shown in Table 1 below, the fund balance from the general fund is budgeted as revenue to be used to offset expenditures. In the FY2022-23 budget, the general fund deficient was estimated to be \$793,544, which subsequently grew to \$1,577,538 for just the next year. In FY2024-25 the use of fund balance in the proposed budget increased to 29% of anticipated revenue. However, in November 2024, the adopted revised budget included no use of fund balance reserve.

The Town is projected to continue to rely on fund balance in the future, which is not a sustainable practice for the fiscal health of the Town. In order to balance the budget, the Town is utilizing a

variety of cost-saving measures. This includes pausing general fund capital project expenditures, leaving vacant positions unfilled, reducing discretionary spending like professional development, and reviewing existing contracts. While these have been able to address the current financial status of the Town, the Town has acknowledged that these are short-term solutions as deferred maintenance will increase capital project costs in the future and leaving positions vacant impacts the ability to provide services to residents and customers.

Table 1. Budgeted use of Fund Balance to cover deficit in General Fund Revenue (UNAUDITED), FY 2022/23-FY 2025/26

	FY 2025-26	FY 2024-25¹³	FY 2023-24	FY 2022-23
GF Fund Balance Appropriation	\$215,084	\$0	\$868,174	\$833,405
Total GF Revenue	\$7,952,775	\$7,479,875	\$8,802,813	\$8,146,487
Fund Balance as share of Total Revenue	3%	0%	11%	10%

Source: Town of Portola Valley Budget, Revenues & Expenditures by Government Fund

As of November 2025, the general fund reserve level is approximately \$2.5 million. Although the 2025 budget was balanced, general fund reserves have decreased over the past three fiscal years due to the increase in the Sheriff’s contract, additional use of consultants for the Housing Element, and loss of one-time, COVID-19 area Federal ARPA funds. During the course of 2025, Town staff held several community meetings and discussions at Town Council meetings regarding the fiscal health of the Town.

The Town is currently exploring revenue options to help stabilize the general fund and enable the allocation of funds back to the reserve fund, which is gradually being drained to balance the annual operating budget. Currently, with no new revenue sources, the Town projects that expenditures will continue to outpace revenues, meaning that the Town will need to rely on existing reserve funds. These reserve funds are projected to be near exhaustion by FY2031-32.

In addition to the Town’s general fund, the Town also has four road maintenance districts. Each district collects taxes for local road maintenance purposes: Crescent Road Maintenance District, Portola Valley Ranch Maintenance District, Wayside I and II Road Maintenance District, and the

¹³ Revised budget from November 2024 included no use of fund balance towards the General Fund. The originally adopted budget for FY24-25 anticipated the use of \$2.9 million

Woodside Highlands Road Maintenance District. The districts collect funds and expend them on local road related projects.

Table 2. Road Maintenance District Funds

	FY2025-26	FY2024-25	FY2023-24	FY2022-23
Total Revenue	142,644	141,664	128,012	137,470
Total Expenses	50,097	150,671	87,163	172,902
Net	\$92,547	\$(9,007)	\$40,849	\$(35,432)

Revenue Sources

For FY2025-26, the Town projects \$11.2M in total revenue. Of that, 39% is non-operating revenue from property taxes. In FY2024-25, an estimated 27% of revenue was from property taxes. The percentage of non-operating revenue to operating revenue has remained consistently below 50% over the past ten years. (See Table 3)

Table 3. Town of Portola Valley Total Revenue (UNAUDITED), FY 2022/23- FY 2025-26

	FY 2025-26 (Budget)	FY 2024-25 (Budget)	FY 2023-24 (Actual)	FY 2022-23 (Actual)
Property Tax Revenue	\$4,355,875	\$3,695,328	\$3,706,327	\$3,834,075
Other Revenue	\$7,446,858	\$7,333,273	\$8,217,014	\$8,247,357
Total Revenue	\$11,802,733	\$11,028,601	\$11,923,341	\$12,081,432

To address forecasted long-term revenue needs to fund Town operations and contract services like police, the Town is exploring revenue enhancement options with a focus on presenting a potential local revenue enhancement ballot measure on the November 2026 election ballot. In 2025, a nonprofit was established to collect donations in the form of cash and real or personal property from residents to supplement town finances and support capital projects.

At a study session on August 27, 2025, the Town Council reviewed several potential revenue enhancement options including a real estate transfer tax, parcel tax, or a new or modified utility user tax. The Town estimates that any new revenue measure should generate between \$1 to \$2 million dollars to backfill staffing, absorb ordinary cost increases, and maintain a 20% reserve level. At the direction of the Town Council, staff is currently conducting further analysis of a real estate transfer tax, and the hypothetical possibility of changing from a general law city to a charter city to facilitate the increase in the real estate transfer tax. One other potential revenue measure that the Town Finance Committee discussed is the annexation of Ladera and other governance changes. The feasibility of these LAFCo related options is discussed in Section 6.

Expenditures

The consistently largest expense for the Town is the contract with the San Mateo County Sheriff’s Office (see the “Services & Supplies” expenditure category in Table 4). The Sheriff’s contract is

funded through three police services funds: Public Safety Fund¹⁴, the COPS Fund¹⁵, and the majority (82% in FY 2023-24) of the contract is funded through the General Fund. The Sherriff’s contract comprises nearly 30% of the Town budget. Every year, the contract expense has exceeded Town revenue, and the Town has had to use reserves to pay for the contract. In FY2025-26, the credits for the contract expire, and the Town will be responsible for the full contract cost starting in FY2026-27.

Table 4. Town of Portola Valley Total Expenditures (UNAUDITED), FY 22/23- FY 25/26

	FY 2025-26 (Budget)	FY 2024-25 (Budget)	FY 2023-24 (Actual)	FY 2022-23 (Actual)
Services & Supplies	\$5,549,131	\$5,313,413	\$5,228,743	\$4,701,702
Employee Services	\$2,316,850	\$2,896,510	\$2,573,262	\$2,647,532
Employee Benefits	\$981,978	\$882,472	\$876,832	\$836,242
Fixed Assets	\$0	\$0	\$1,658,885	\$643,825
Reserves	\$497,626	\$0	\$525,330	\$621,453
Maintenance & Utilities	\$353,500	\$590,086	\$605,651	\$71,640
Operating Transfers Out	\$140,000	\$1,311,474	\$362,348	\$1,624,025
Education & Travel	\$63,700	\$80,900	\$92,290	\$935,014
Total Expenditures	\$10,780,694	\$11,078,455	\$11,923,341	\$12,081,433

The Town also had a larger than anticipated cost associated with certifying the Housing Element. In FY 2024-25, nearly \$1M was spent on consultants to assist the Town in securing state approval of the Housing Element. Additionally, the Town has hired a consultant to update its Safety Element (also on an 8-year update cycle).

Fire Services for the Town of Portola Valley are provided by Woodside Fire Protection District (WFPD). Structural fire protection and emergency medical services are funded through property taxes, as all properties in the Town are within the WFPD boundaries. Furthermore, the Town has a contract with WFPD for enhanced services, financed entirely by the general fund. In FY2023-24, actual contract costs totaled \$171,446.

Dispatch services are provided by San Mateo County’s Public Safety Communications Center.¹⁶ In FY 2024-25, the Town budgeted \$75,151 for these dispatch services related to police services.

The Town is currently developing a five-year capital improvement program that will be revised at least annually by the Town Council.

¹⁴ A half-cent State sales tax revenue designated exclusively for local agency public safety services.

¹⁵ The Citizen’s Option for Public Safety (COPS) is a supplemental State Law enforcement fund for special law and traffic enforcement.

¹⁶ In accordance with the 1994 “Net Six Joint Powers Authority” agreement.

Fiscal Forecast

Town staff project that without additional revenue, expenses will exceed revenues by FY2027-28. In order to balance the budget and not impact the Town’s general fund reserve, the Town will need an additional \$1M in expenditure cuts in FY 2026-27 through FY 2029-30 . The Town’s reserve fund would be in deficit by FY 2029-30 without a new revenue source.

- b) Is the organization lacking adequate reserves to protect against unexpected events or upcoming significant costs?**

The Town has a policy of maintaining a reserve fund level that equals 20% of the general fund. According to Town staff, the practice of using reserve funds to support on-going Town operations is concerning since this precludes the availability of additional funds to set aside for capital improvements related to infrastructure, facilities and buildings, and vehicles, and no additional funds set aside to pay down pension liability. In the event of a natural catastrophe, the reserve fund may be fully depleted, and any potential repayment from federal funds could take years. Since FY 2020-21, the general fund reserve has decreased by \$3.07M, from \$5.47M to an estimated \$2.2M as of April 2025.¹⁷ Historically, the Town has been compelled to utilize reserve funds to balance the annual budget.

- c) Is the City’s rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?**

The Town’s Master Fee Schedule was most recently revised in May 2024. According to Town staff, the Town is currently undergoing a comprehensive fee study to determine if fees are sufficient to fund an adequate level of service. The Town is also undergoing an Impact Fee Nexus study to determine if impact fees can be assessed as well. This should be completed and scheduled for review and action by the Town Council in late winter/spring 2026.

Table 5, below is a comparison of the Town’s total fees per unit (including entitlement, building permits, and impact fees) and those of the neighboring jurisdictions of the Town of Atherton, Town of Woodside and Unincorporated San Mateo County. There is no data for multi-unit developments since Portola Valley and Atherton have none, as of yet. According to the Housing Element, the Town’s entitlement fees are likely higher than other communities due to the detailed engineering and geotechnical review that happens early in the process.

Table 5. Total Town Fees Per New Unit Development

Jurisdiction	Single-Family	Small Multi-Unit	Large Multi-Unit
Atherton	\$15,941	No Data	No Data
Portola Valley	\$52,923	No Data	No Data
Woodside	\$70,957	\$82,764	No Data
Unincorporated SMC	\$36,429	\$27,978	\$10,012

Source: 21 Elements Survey, Portola Valley 2023-31 Housing Element

¹⁷ Town of Portola Valley General Fund Minimum Fund Balance Policy, Adopted July 27, 2011, and revised June 11, 2025

- d)** Is the agency unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?

The Town works in conjunction with the San Mateo County Department of Public Works on its Pavement Management Program. The Town currently has a stormwater assessment underway for FY2025-26. While the Town has adopted a Capital Improvement Plan (CIP), the CIP only covers projects that are proposed to be funded during the current fiscal year. The Town anticipates it will adopt a five-year CIP as part of the FY2026-27 budget cycle. As mentioned previously, if there was an emergency CIP project, that cost could deplete the Town's reserve fund level.

- e)** Is the agency lacking financial policies that ensure its continued financial accountability and stability?

The Town has adopted multiple financial policies including a General Fund Minimum Fund Balance Policy (Originally Adopted on July 27, 2011, and revised on June 11, 2025), an Investment Policy (Originally Adopted on Dec. 10, 2003 and revised on June 27, 2012), and a Donation and Gift Acceptance Policy (Adopted May 14, 2025).

- f)** Is the agency's debt at an unmanageable level?

The Town has no debt service, and the only long-term liabilities are related to pensions and Other Post-Employment Benefits (OPEB). The Town has made additional contributions to CalPERS in the past when reserve levels have permitted. Contribution rates are determined annually by CalPERS and the Town adjusts the employer and employee rates when applicable. The Town has set up a benefit trust through CalPERS and makes annual OPEB contributions towards employee semi-monthly deductions.

MSR Determination No. 4: The Town of Portola Valley is classified as Tax Equity Allocation (TEA) city. The primary source of general fund revenue is property tax and the accompanying TEA (comprised 53% of proposed general fund revenue in FY2025-26). Town staff project that without additional revenue, expenses will exceed revenue by FY2027-28. In order to balance the budget and not impact the Town's general fund reserve, the Town will need an additional \$1M in expenditure cuts in FY2026-27 through FY2029-30. The Town's reserve fund would be in deficit by FY2029-30 without a new revenue source. The Town is aware of these issues and has presented reports and fiscal forecasts to the Town Council and the public. Currently, the Town is exploring potential revenue measures to address this structural deficit.

The Town is behind on its financial audits, having only recently completed the FY2021-22 ACFR. The Town has adopted a work program to catch up on outstanding audits, however, the lack of audited budget numbers has hindered fiscal forecasting. The Town Council and management can benefit by making current financial data available as early as possible in the budgeting and planning process. According to a 2023 Krisch & Company report, there were several deficiencies related to internal controllers, accounting, and workflow in the Town's Finance Department. The Town has been working to implement these recommendations.

Recommendations:

3. LAFCo supports the Town’s efforts to evaluate new potential revenue sources and encourages the Town to continue to explore revenue and expenditure options related to the Town’s General Fund in order to adopt a balance annual budget.
4. LAFCo encourages the Town to adopt a long-term, comprehensive Capital Improvement Program for Town infrastructure projects.
5. LAFCo recommends that the signed resolutions for the adoption of the annual budgets and appropriation limits be uploaded to the Town’s budget webpages.
6. Budget documents and staff financial reports should explicitly show the amount of funds allocated to the Town’s fund balance and reserve fund.

5) Shared Service and Facilities

Status of, and opportunities for, shared facilities	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Is the agency currently sharing services or facilities with other organizations? If so, describe the status of such efforts.	X		
b) Are there any opportunities for the organization to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?		X	
c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources?		X	

a-b) The Town Manager is actively reviewing other police service options, including contracting with adjacent cities in San Mateo County. To date, none of the cities that the Town Manager has contacted has any interest in providing contract police services to the Town.

Portions of the Town of Portola Valley along Oak Forest Court are within the Los Trancos County Maintenance District (LTCMD). The San Mateo County Department of Public Works administers enhanced storm drain services in LTCMD. The storm drain program is funded through enhanced funds that are intended to improve existing storm drainage systems and/or associated roadways that have reached the end of their useful service life. DPW awarded HDR Engineering, Inc. a contract for \$125,000 to study the feasibility of high priority storm drain system improvement projects in LTCMD. LAFCo encourages the Town and LTCMD to work together on stormwater management plans for areas that may be impacted by stormwater coming from Los Trancos Woods. LTCMD and the Town may also identify if there should be any projects that impact the parcels at Oak Forest Court, as LTCMD has not conducted any work in the area since its formation in 2015.

c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources?

None at this time.

MSR Determination No. 5: The Town of Portola Valley partners with several agencies to share resources and reduce costs. The Towns of Portola Valley and Woodside are currently reviewing police service options for future fiscal years.

Recommendation:

7. The Town should continue discussions with the Town of Woodside regarding the possibility of a joint contract with the Sheriff's Office for police services, as well as explore other opportunities for shared services or contracts.
8. LAFCo encourages the Town and the Los Trancos County Maintenance District to work together on stormwater management plans for areas that may be impacted by stormwater originating from the unincorporated area of Los Trancos Woods.

6) Accountability, Structure, and Efficiencies

Accountability for community service needs, including governmental structure and operational efficiencies	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?			X
b) Are there any issues with staff turnover or operational efficiencies?		X	
c) Is there a lack of regular audits, adopted budgets and public access to these documents?	X		
d) Are there any recommended changes to the organization’s governance structure that will increase accountability and efficiency?			X
e) Are there any governance restructure options to enhance services and/or eliminate deficiencies or redundancies?			X
f) Are there any opportunities to eliminate overlapping boundaries that confuse the public, cause service inefficiencies, unnecessarily increase the cost of infrastructure, exacerbate rate issues and/or undermine good planning practices?			X

a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?

The Portola Valley Town Council meets in person at the Historic Schoolhouse at Town Center, 765 Portola Road on the 2nd and 4th Wednesday of every month at 7pm. Regular meetings are also accessible to the public by Zoom and recordings are available on YouTube.

There do not appear to be any issues with public meetings being accessible and well publicized. The Town also utilizes its website to provide detailed information about the current fiscal status of the Town along with updates related to long range and current planning projects, such as the Housing Element and the Portola Terrace development. The Town hosts an online portal that enables the public to make record requests. Documents can be mailed, emailed, or picked up by the requester.

In June 2022, the Town was served with a complaint alleging a violation of the Brown Act arising from texts sent during a Wildfire Preparedness Committee meeting. The Town Attorney investigated the allegations and concluded that the texts did not involve a quorum of the Committee and therefore did not violate the Brown Act. Nevertheless, the Town decided to resolve the lawsuit by making a “statement of unconditional commitment” restricting legislative

body members from texting and emailing 1) one another and 2) third party consultants (other than legal counsel) during a public meeting.

b) Are there issues with staff turnover or operational efficiencies?

Over the last three years, there has been significant staff turnover. In 2023, approximately over half of all Town positions turned over, including the Planning and Building Director and various staff. Over the past three years, there have been two interim Town Managers. In July 2025, the Town Council appointed a new permanent Town Manager.

The Town is aware of the issue of staff attrition and is in the process of recruitments and evaluation of opportunities to hire staff on contract for certain positions. Turnover and the Town's limited staffing has meant that the Town relies on consultants and contractors to continue to undertake projects. Another consequence of minimalist staffing is that when employees are absent, there is little staff redundancy.

As noted on the Town's website, when Portola Valley was incorporated in 1964, one of the founding goals was to keep costs low by having a government run as much as possible by volunteers. A collateral benefit of this model was that volunteer residents working together to build a town would foster a spirit of community and camaraderie. This spirit of volunteerism continues today with many thousands of hours being donated to town service every year. All members of the Town Council, commissions and committees serve without pay or benefits of any kind. There are approximately 125 members on the standing committees and commissions.

c) Is there a lack of regular audits, adopted budgets, and public access to these documents?

As discussed in Section 4, "Financial Ability," the Town is behind on its financial audits. The Town's most recent Annual Comprehensive Financial Report (ACFR) was conducted for FY 2021-22 and completed in September 2025. The Town has adopted a workplan to complete the remaining outstanding reports. It is anticipated that the FY2022-23 audited financial statements will be accepted by January 2026 and the FY2023-24 audited financial statements will be accepted by July 2026. As there is still a delay in the production of the ACFR reports, LAFCo is noting this as a concern. However, LAFCo also acknowledges that the Town and its auditor are actively working to address this issue.

The Town has increased staffing levels in its finance department and hired a consulting firm to review financial transactions and identify areas for improvement, such as how to improve processes for more timely posting and financial information reporting.

d-f) Changes in governance structure?

There are no proposed changes in governance structure. However, over the last two years, as the Town has contemplated how to address financial challenges, the Town Council and the Town Finance Committee have discussed potential forms of governance changes. In light of these public discussions, this MSR seeks to provide an overview of the governance changes that have been mentioned at Town meetings:

Option 1) Annexation of Ladera/Los Trancos: The Town could submit an annexation application by resolution. The application would need to include a plan for service (i.e. the range of services that would be provided to the annexed area and the financing of such services). Along with the

plan for service, the Town would need to go through a pre-zoning process to extend zoning to the area to be annexed. A general plan amendment may also be required if there is no general plan land use designation for the annexation area. Alternatively, the annexation application could also be submitted by petition from landowners or voters in the affected area.

It is important to consider the possibility that the annexation is protested. The only people that can protest an annexation proceeding or vote in an election are landowners and registered voters in the affected/annexation area. Under State law, an “inhabited annexation” occurs if there are 12 or more registered voters within the affected area. If the area qualifies as “inhabited”, and if the required protest threshold is met, then the annexation process could be subject to an election. If the area is uninhabited, then the protest threshold is based on assessed value and property owners.

Under state law, any annexation by a city or town would have to be contiguous to existing city/town boundaries. If the area of Ladera was proposed to be annexed to the Town, there is a review regarding whether the annexed area would be detached from the Ladera Recreational District. If the parcels were to be detached, there may need to be information about the financial impact on the District. Also, the County would be transferring service responsibility to the Town, including land use responsibility. There could also be additional costs to the Town if the Sheriff’s Office contract requires an amendment to include additional services to the annexed area as the population and geographic size of the Town would have been increased.

Additionally, the Town would receive sales tax from the commercial area in Ladera if the area was annexed, but the Town would still only receive 7% of the property tax within the annexation area (due to its status as a Tax Equity Allocation jurisdiction). Any taxes that the Town currently has in place, such as a Utility User Tax, would also be extended to the annexed territory.

Option 2) Consolidation with the Town of Woodside: Under state law, consolidation means the uniting or joining of two or more cities located in the same county into a single new successor city¹⁸. Both towns would need to be agreeable to this option. A proposal could be submitted via resolution from both town governing bodies, or by a petition from voters from both towns signed by not less the 5 percent of the registered voters of each affected town. An election is required for this action, with all registered voters in both towns eligible to vote in the election. Regarding the expenditures from the former separate towns, state law notes that the city (town) council of the successor city shall separately levy and collect the taxes necessary to pay the indebtedness or liability of each predecessor city within the territory of each predecessor city. This means that any liability from the Town of Portola Valley would still need to be paid for by the property owners in the Town’s former boundaries.

There are no examples of a consolidation between two cities or towns occurring in California. A similar action would be the disincorporation of the Town of Portola Valley in conjunction with the annexation of the area to the Town of Woodside. In this case, the Town of Woodside would remain in its current structure and would incorporate the area of the Town of Portola Valley.

¹⁸ CA Government Code Section 56030

Given the similar nature of the two towns' nature of revenue and expenditures, consolidation or disincorporation and annexation would be unlikely to enhance revenues or have a major reduction in costs to the municipalities.

Option 3) Disincorporation: This means the dissolution, extinguishment, or termination of the existence of a city and the cessation of its corporate powers, except for the purpose of winding up the affairs of the city¹⁹. A petition for the disincorporation of a city (town) may be in the form of a resolution from the affected city (town), or a petition signed by not less than 25 percent of the registered voters residing in the city that is proposed to be disincorporated (as shown on the county register of voters). The plan for services would identify the preferred provider for each service that the Town would no longer be providing. As part of the plan for service, a comprehensive fiscal analysis would be required²⁰. For disincorporation, any debt or contractual obligations and responsibilities of the city being disincorporated shall be the responsibility of that same territory for repayment.²¹

State law notes that the “Legislature finds and declares that a single multipurpose governmental agency (i.e. an incorporated city/town) is accountable for community service needs and financial resources and, therefore, may be the best mechanism for establishing community service priorities especially in urban areas.”²² Any disincorporation proposal would need to be reviewed against the intent of state law for the sustainable provision of local municipal services²³.

If ultimately approved by the LAFCo Commission, the Board of Supervisors must submit the disincorporation to the voters residing within the affected area for confirmation. There is no protest hearing for a disincorporation.

If the disincorporation is confirmed at election, either the Commission or the County must prepare a certified statement regarding the city's debt, the balance in the city's treasury, and the amount of any taxes and other payments due to the city that have not yet been paid. Upon the effective date of disincorporation, the successor (the County) is responsible for winding up the affairs of the disincorporated city, much like the executor of an estate. A special fund would be established by the County for this purpose. The successor must utilize the assets of the city to pay off debt and other obligations. If there are insufficient funds to pay indebtedness incurred by the city, the current statute calls for the levy of taxes on property within the former city. The County would become the land use authority for the newly unincorporated area, as well as the governing body. It is unknown what the impact would be to the Town's housing element and how it would integrate with the County's own adopted Housing Element. The Town would also no longer have a contract with the San Mateo County Sheriff's Office and instead the level of service would be similar to any other unincorporated community in the County.

The last Disincorporation in the State of California was in the 1970s in Riverside County (City of Cabazon). This has been the only disincorporation that has gone through the LAFCo process, and

¹⁹ CA Government Code Sections 56034

²⁰ CA Government Code Sections 56800-56804

²¹ CA Government Code Sections 56815 – 56816

²² CA Government Code Sections 56001

²³ CA Government Code Sections 56770

there would be number issues that would need to be reviewed and addressed prior to the submittal of any proposal for disincorporation.

Option 4) Disincorporation with the formation of a new district to manage open space and trail areas: Typically, upon disincorporation, most or all municipal functions would be assumed by the County. In some circumstances, however, services could be assumed by a special district. That would require formation of a new district. This action could be proposed in parallel with the disincorporation proposal. The action would need to be accompanied by a proposed plan for service as well as an election. The plan for service for a new district would need to include financial information, a list of services to be provided, staffing information, and governance information. A special assessment or tax may be required to provide on-going funds to the district, which would also be subject to an election. It is unclear how or what assets could be transferred from the Town to the new District (i.e. facilities, funds, equipment). There would also need to be a review conducted to determine whether any property tax could be allocated to a newly formed district.²⁴

Another possibility could be instead of the creation of another district, that the Ladera Recreational District (a Community Services District) annex the former Town area and expand its services to include trail and open space powers. No example of a disincorporation and formation of a special district exists in California.

Of the actions mentioned above, LAFCo only has the power to initiate the formation of a new district. LAFCo cannot initiate a city annexation, consolidation of cities, or disincorporation of a city. Any proposal that was submitted to LAFCo would require public meetings and notice. Members of the public would be able to provide input, comments, and participate in this public process. To reiterate, none of the actions listed above are recommended by LAFCo. Instead, these types of actions are referenced in this report to provide additional information about the steps involved, the information that would be required for any action, the role of elected officials and the public during the process, and the effect of the actions.

Determination No 6: There are no recommended actions to change the Town’s governance structure in the MSR, however several options have been discussed by the Town Council and Town committees in the context of addressing the Town’s budget and structural deficit. In recognition of these discussions, this report outlines several types of governance changes, but makes no proposal to implement any option. There do not appear to be any issues with public meetings being accessible and well publicized. As highlighted in Section 4, the Town is behind on conducting audited financial statements, with the most recent audit completed for FY2021-22 in September 2025. The Town has a workplan to catch up on financial audits and is currently implementing the plan. The Town has experienced high levels of staff turnover in the past 3 years and is in the process of recruitment and evaluation of opportunities to hire staff on contract for certain positions. The Town has a culture of volunteerism, and there are approximately 125 volunteer members currently serving on Town standing committees and commissions.

²⁴ CA Government Code Sections 56813

Recommendation:

9. LAFCo recommends that the Town continue the process of implementing the audit workplan for past audits and that a work program or policy be adopted to ensure that future audits are conducted in a timely manner.

7) Other Issues:

Any other matter related to effective or efficient service delivery, as required by commission policy.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Are there any other service delivery issues that can be resolved by the MSR/SOI process?			X
b) Water Resiliency and Climate Change			
i) Does the organization support a governance model that enhances and provides a more robust water supply capacity?		X	
ii) Does the organization support multi-agency collaboration and a governance model that provide risk reduction solutions that address sea level rise and other measures to adapt to climate change?	X		
c) Natural Hazards and Mitigation Planning			
i) Has the agency planned for how natural hazards may impact service delivery?	X		
ii) Does the organization support multi-agency collaboration and a governance model that provides risk reduction for all natural hazards?	X		

a-c) Other service delivery issues that can be resolved by the MSR/SOI process.

LAFCo staff did not identify any other service delivery issues that can be resolved by the MSR/SOI process. Along with the County and other San Mateo County cities, the Town of Portola Valley participated in the 2021 Local Hazard Mitigation Plan (LHMP) that assessed hazard vulnerabilities and identified opportunities for mitigation to reduce the level of injury, property damage and community disruption that could occur in manmade and natural disasters. An update to the 2021 LHMP is underway, and the Town is participating in this multi-jurisdictional effort led by the County.

The Town has an Emergency Preparedness Committee and Wildfire Preparedness Committee that works with Town staff to develop and maintain appropriate plans and procedures for responding to disasters, including wildfires, earthquakes, floods and other emergencies. This

committee works in cooperation with the Woodside Fire Protection District and the San Mateo County Office of Emergency Services. The Wildfire Preparedness Committee advises the Town Council on ways to mitigate risks associated with wildfires while the Geologic Safety Committee provides the Town Council with expert advice regarding geologic matters as they might relate to Town issues including buildings, roads and infrastructure.

The majority of the Town is within an identified fire hazard severity zone. The Town contracts with the Woodside Fire Protection District for hazard mitigation efforts and defensible space creation along the Right of Way and Town-owned property.

MSR Determination No. 7: The Town has adopted a Climate Action Plan and participates in the Local Hazard Mitigation Plan. It has several committees that work in cooperation with Town staff to address emergency preparedness.

Recommendation:

- 10.** LAFCo encourages the Town of Portola Valley to continue its work in the areas of natural hazard mitigation and wildfire preparedness and to continue to coordinate with partner agencies.

Section 6. Town of Portola Valley Sphere of Influence Determinations

Government Code Section 56425 requires San Mateo LAFCo make determinations concerning land use, present and probable need for public facilities and services in the area, capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide, and existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency. These include the following determinations:

- 1. The present and planned land uses in the area, including agricultural and open space lands:** The Town of Portola Valley is comprised primarily of residential land use, with some commercial/office, open space, and institutional land use. The District boundaries contain land that is under the jurisdiction of the County of San Mateo, the Mid-Peninsula Open Space District, as well as other agencies that have land use review authority.
- 2. The present and probable need for public facilities and services in the area:** The Town meets the needs of its residents and businesses for municipal services, and the Town anticipates that it will be able to provide adequate facilities and services for the anticipated growth within its service area.
- 3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide:** The Town currently provides adequate public services to its residents, including public works, planning, recreation, police protection (via contract) and storm water services. In addition, the Town routinely adopts a Capital Improvement Program to fund critical repairs, replacements and improvements to the Town’s infrastructure and facilities.

4. **The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency:** There are no disadvantaged unincorporated communities within the SOI of the Town of Portola Valley.
5. **For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence:** There are no proposed changes to the Town Sphere of Influence.

On the basis of the Municipal Service Review:

Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency’s SOI is recommended and SOI determinations HAVE NOT been made.

Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update IS NECESSARY in accordance with Government Code Section 56425(g). Therefore, A CHANGE to the agency’s SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.

Appendix A. Town of Portola Valley Fact Sheet

Town Manager: Darcy Smith

Physical Address: 765 Portola Rd, Portola Valley, CA 94028

Email Address: towncenter@portolavalley.net

Phone Number: (650) 851-1700

Date of Incorporation: July 14, 1964

Town Council:

Town Council	Term Expiration Date
Judith Hasko, Mayor	2026
Craig Taylor, Vice Mayor	2026
Mary Hufty	2026
Rebecca Flynn	2028
Helen Wolter	2028

Compensation: Town Council members are all volunteers (not paid)

Public Meetings: Town Council meetings are held in person at the Historic Schoolhouse, 765 Portola Rd. on the second and fourth Wednesdays of the month at 7PM. Regular meetings are livestreamed on Zoom, and the public has the opportunity to provide remote public comments, in addition to in-person comments at the designated time. An archive of Council meetings is available on the Town’s website.

Services Provided:

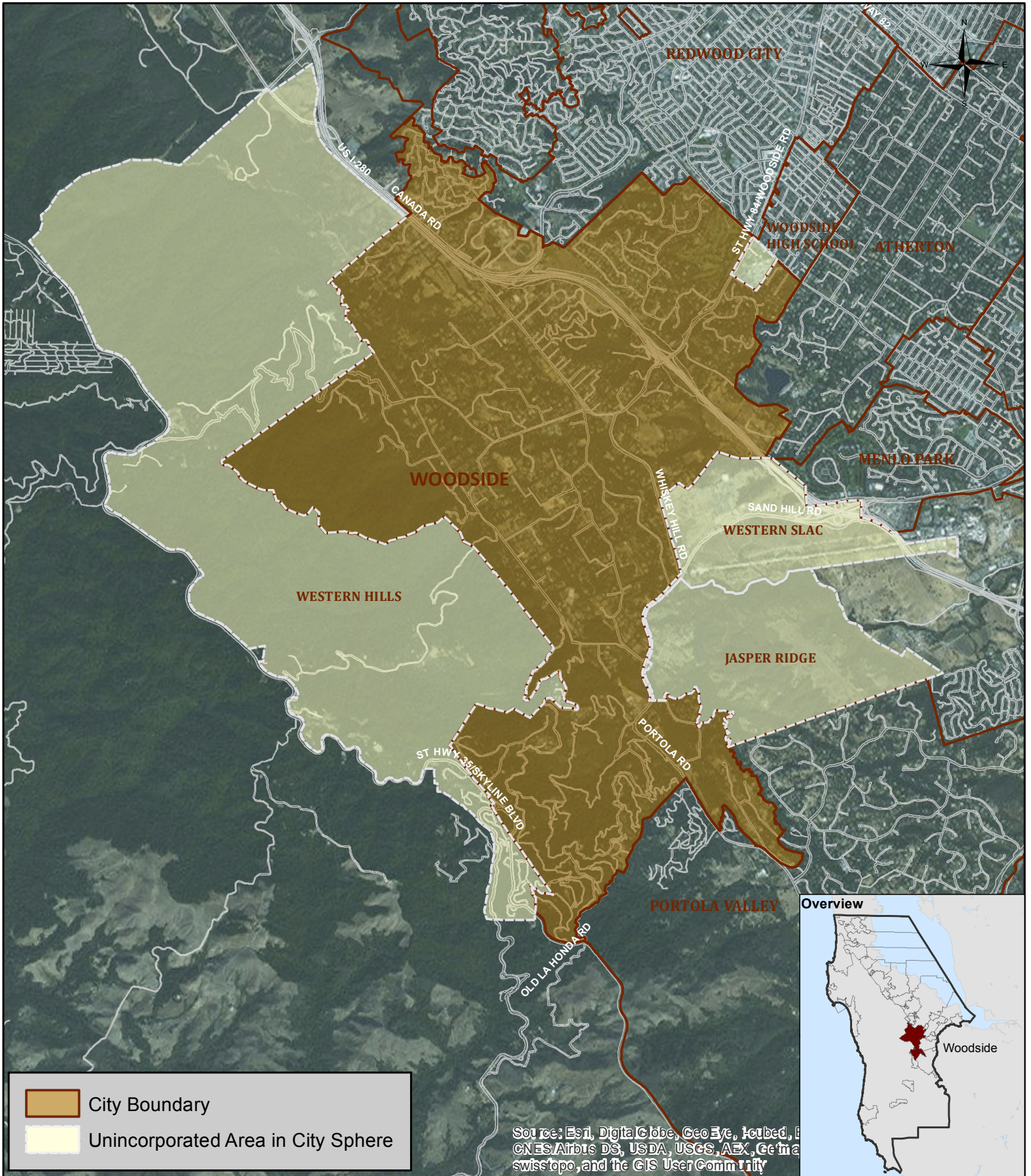
Agency staff: 15.5 FTE

Area Served: Approximately 9 square miles of land area

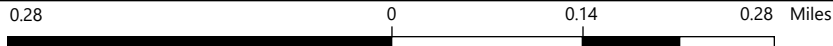
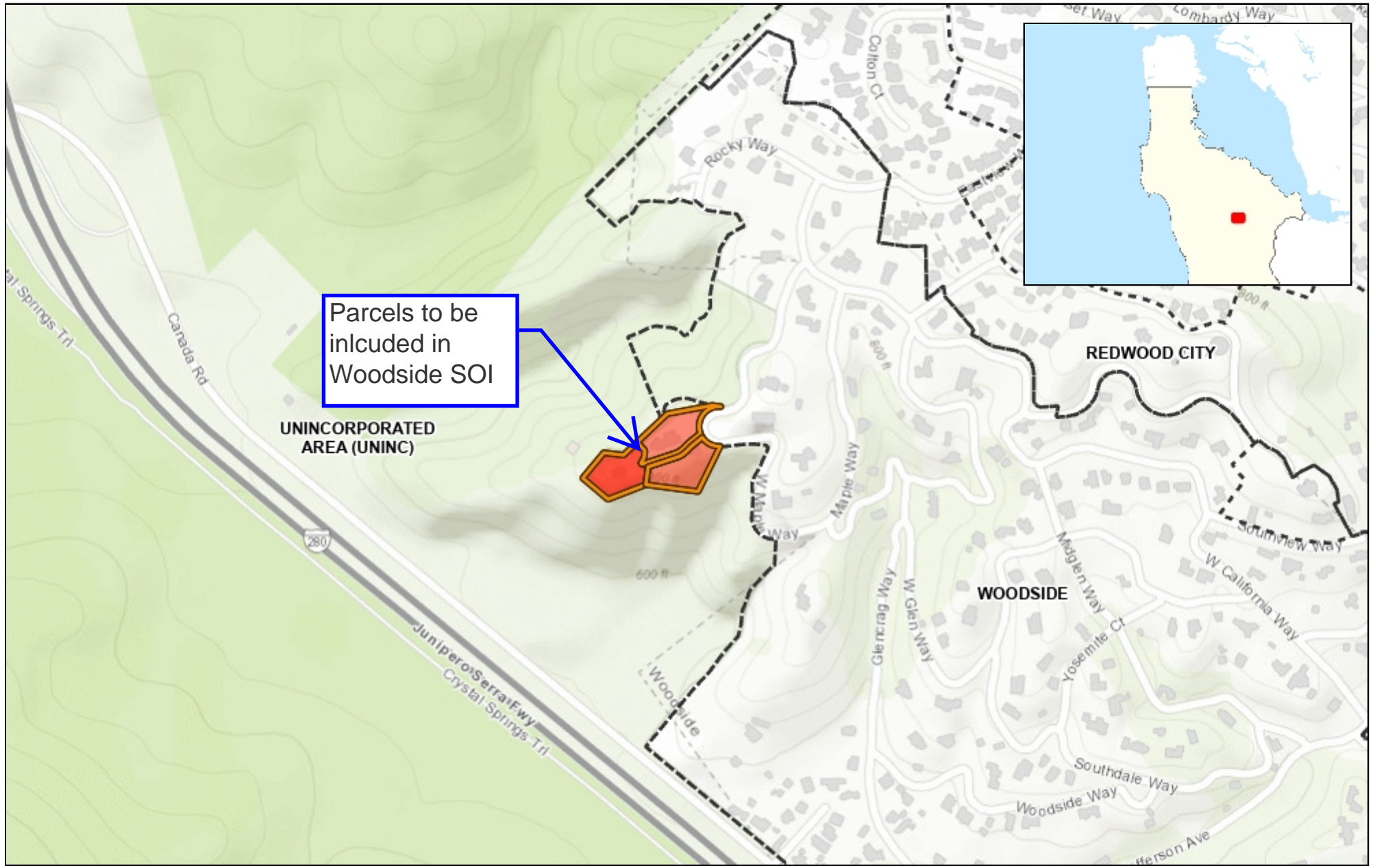
Population: 4,286 (as of Jan. 2025)

Sphere of Influence: unincorporated areas.

FY 2025-26 General Fund Budget: \$8,167,859



WOODSIDE SPHERE OF INFLUENCE

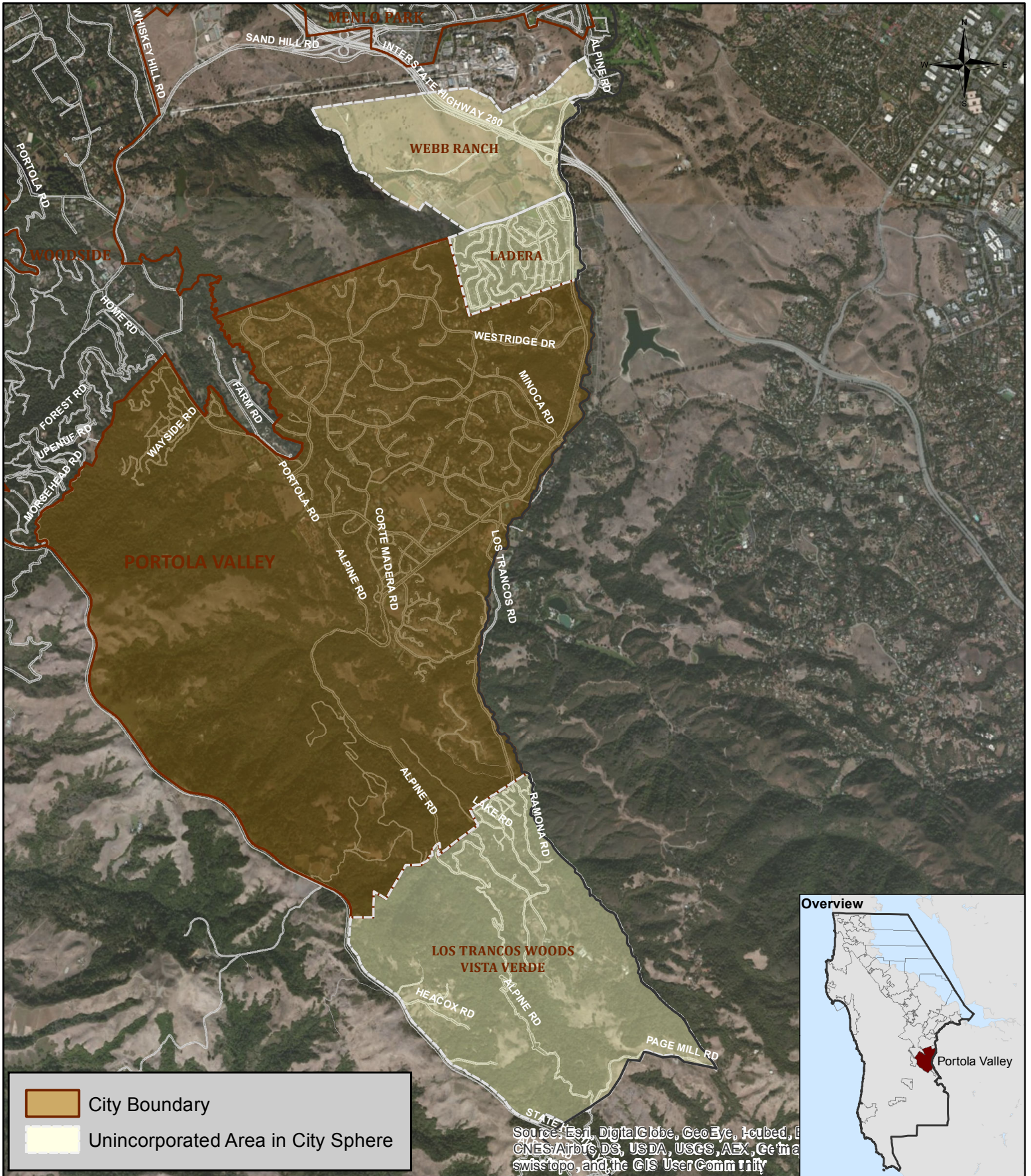


WGS_1984_Web_Mercator_Auxiliary_Sphere
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1:9,028

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PORTOLA VALLEY SPHERE OF INFLUENCE