

SUMMARY OF COMMENTS FOR TOWN OF WOODSIDE DRAFT MSR				
Letter	Date Received	Respondent	Comment	LAFCo Response
1	1/9/2026	San Mateo County Department of Public Works	Staff comments related to the operation of the Fair Oaks Sewer Maintenance District, existing service area of the District, process for changing the boundaries of the District, and other comments related to sewer services provided by the District.	Comments noted. Details added regarding the Fair Oaks Sewer Maintenance District and sewer service within the Town of Woodside.
SUMMARY OF COMMENTS ON TOWN OF PORTOLA VALLEY DRAFT MSR				
Letter	Date Received	Respondent	Comment	LAFCo Response
1	1/11/2026	Emily Rubin, Intern to Vice Mayor Mary Hufty	The letter suggests additional topics of analysis related to the financial ability MSR determination area and comparison to peer Tax Equity Allocation (TEA) cities.	Comments noted. As the MSR notes, there are four TEA in San Mateo County – Portola Valley, Woodside, Colma, and Half Moon Bay. The Towns of Woodside and Portola Valley have a similar makeup in population size, demographics, geographic, services provided, and revenue streams (vast majority of revenue is from property tax). The other two cities, Half Moon Bay and Colma have vastly different demographics, levels of services, and revenue (Colma’s revenue mostly comes from sales tax and a tax on a local cardroom; Half Moon Bay relies mainly on Transient Occupancy Tax and sales/use taxes). The Towns of Woodside and Portola Valley are the most apt comparison in the County. While both Town’s budgets rely mostly on property tax, the Town of Woodside receives a greater amount (\$6 million) than Portola Valley (\$4 million) largely due to greater assessed property values in Woodside

				(average of \$4.2 million per property) compared to Portola Valley (\$3.1 million per property) and a greater number of parcels in Woodside (2,358) compared to Portola Valley (1,759).
2	1/12/2026	Betsy Morgenthaler, Portola Valley resident and Chair of the Portola Valley Open Space Committee	The letter expresses concern with the Town's fiscal management and accountability. The letter notes dissatisfaction with the Town's General Fund reserves, financial policies, financial transparency, and accounting practices. The letter offers the Town five recommendations to address the concerns. The letter is satisfied with LAFCo Draft Recommendations 3, 4, 5, & 6. The letter also included typographical edits.	Comments noted. New recommendation No. 6 added to report: "The Town should continue to provide updates to the Town Council and the public regarding the finances of the Town and explore additional opportunities to enhance transparency related to finance documents and reports..."
3	1/13/2026	Rebecca Flynn, Town Councilmember, Portola Valley	The letter provides LAFCo staff with copy edits, informational updates, and the correction that the Town has <i>not</i> adopted a Climate Action Plan. The letter suggests the MSR include more discussion regarding: the distribution of property taxes; the option to annex the Ladera commercial district as a subset of Ladera; and logistics and administrative costs for comprehensive sewer annexation options and/or phased approaches.	Comments noted. Figure 4, "1% Property Tax Distribution Sample Tax Rate Area" added to MSR. MSR updated to reflect that the Town has not adopted a Climate Action Plan. Comments were added for additional clarity regarding the potential of annexing commercial areas of Ladera as opposed to the whole unincorporated area of Ladera. A comment was incorporated into the MSR regarding future discussions between the Town, WBSD and LAFCo related to sewer services and annexations.
3	1/13/2026	Rebecca Flynn, Town Councilmember, Portola Valley	Suggestion to include data to confirm that the Town is receiving the full 7% of the 1% property taxes.	Not incorporated into this MSR since this investigation is beyond the scope of the LAFCo MSR process. LAFCo would recommend that the Town contact the County Controller's Office regarding this inquiry.

Fw: Public Comment on the MSR for the PV Town

From: Emily Rubin [REDACTED]
Sent: Sunday, January 11, 2026 4:40:06 PM
To: Sarah Flamm <sflamm@smcgov.org>
Subject: Public Comment on the MSR for the PV Town

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Hello Ms. Flamm,

I am working as Vice Mayor Hufty's intern, and I have the following comments about the document and was hoping it isn't too late to get more information back before the final reading of this review. We are so grateful for the guidance LAFCo is giving us.

The review shows Portola Valley's fiscal issues and its status as a TEA city, but more clarification would strengthen the document's analysis for us. The review would also benefit from adding whether LAFCo's analysis concludes that Portola Valley's fiscal stress is primarily structural (driven by TEA constraints combined with limited tax base, or primarily operational) related to cost structure, staffing levels, or service delivery models. This would help us better understand what the challenges are within management control versus what is systemic.

The Review notes recurring deficits, reserve drawdowns, and rising contract costs. It would also be beneficial for LAFCo to clarify whether, absent new revenue authority or voter-approved revenue measures, the Town's current fiscal trajectory is viewed as unsustainable over the medium to long term, even assuming continued cost containment and service adjustments.

The MSR references TEA status but does not discuss comparative outcomes. Additional context on whether LAFCo is aware of peer TEA cities (in San Mateo County or elsewhere in California) that have successfully stabilized their finances without adopting new local taxes would be valuable. If such examples exist, identifying the structural differences that mattered most (for example, service models, shared services, governance arrangements, boundary conditions) would provide important context for evaluating Portola Valley's options.

We look forward to getting more information for our future approach to our town situation at the upcoming meeting on January 21st.

Thank You,

Emily Rubin

1185 Portola Road

Portola Valley CA 94028

January 12, 2026

San Mateo Local Agency Formation Commission
Rob Bartoli, Executive Director
Sara Flamm, Management Analyst

I write as a 13-year Portola Valley engaged resident. The Town faces a vitally important 2026 year and priority to get its fiscal house in order. Because the Town noticed Thursday's meeting with LAFCo regarding the Municipal Service and Sphere of Influence Review, it came to my attention, and I am glad to have the chance to share a perspective.

The LAFCo Review will be effective if it relates fully to today's concerns, most importantly fiscal management and accountability. The purpose of taking stock of where we are is to calibrate more closely where we are headed. As it stands, at least in the realm of finances, the draft MSR left a question mark over the commitment to take stock of where we are. My comments are made with this interest in mind.

My comments refer to the Executive Summary (pg 2), Key Issues (pg 4), and the chapter on Financial Ability (pg 14-21).

Note: When referencing the document, the 1st 35 pages pertain to Woodside. The 2nd chapter pages 1-32 pertain to Portola Valley's. These page numbers relate to the second set of pages 1-32.

Page 4, paragraph 2

— Section II. The Summary of Key Issues

"the Town's Reserve Fund is on pace for a deficit by 2029-30 without a new revenue source".

The Town depleted its General Fund Reserves a while ago, as we came to learn in May 2024. This fiscal year 2025-26, the Council passed a budget with a roughly \$200k General Fund deficit. "The Town's Reserve Fund" is a misnomer and likely refers to the Open Space Fund and the Affordable Housing Fund. The Open Space Fund is the largest of the Town's restricted funds (\$9 – 10 mil in value), unambiguously restricted to Open Space purposes. It is *not* the Town's Reserve Fund. It is in a co-mingled account shared by the General Fund.

Page 4, end of paragraph 3; and Page 21, last paragraph (redundant sentence)

— Section II. The Summary of Key Issues

"the lack of audited budget numbers has hindered fiscal forecasting"

Providing good budgets for review depends on access to past actuals. The Town Council members, the Commissioners, the Committees, the residents do not have access to our actuals, making oversight effectively impossible. This has been Portola Valley's continuous state for many years, and in order that we address it, our Review had/has the opportunity to be reasonably forthcoming.

— Page 15, top

(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?

[Response]

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.

Does this respond to the question asked?

— Page 14, bottom

Financial Ability Provision grid

Question (a), the response is “Maybe”.

In recent years the Town has suffered a great deal and continues to suffer from our financial issues. In November 2023, residents learned that our bookkeeping was in very serious disarray; the accounting omissions were significant. In May 2024, the residents learned our General Fund account balance was overstated by \$3.8 million, and we were faced with an insufficiency issue years before we thought we would be. Our still outstanding audits present staff with a daunting task they evidently struggle to stay abreast with. Meanwhile Council members and residents have severely limited access to actual expenditure information (warrant list), making oversight infeasible.

Does the response, “Maybe” point to an accountability problem, or why would the Review skirt this?

— Page 14 bottom

Financial Ability Provision grid

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

Question (e), the response is “No”.

— On Page 21, paragraph 2

Three Policies are provided to support the answer “no”:

- General Fund Minimum Fund Balance Policy (2025 revision),
- Investment Policy (2012 revision), and
- Donation Policy (adopted 2025).

Independently and at the time unaware of the LAFCo Review, I emailed the Town last week to request Portola Valley's written policy of how we allocate investment returns and expenses across our pooled assets. The Investment Policy nods to the pooling of funds, respective fund participation, and GAAP but without specificity.

I would like to make stewardship possible. Looking to the LAFCo Review, the Town appears satisfied with the status of existing policies. I am not yet confident.

Page 22, top

— Recommendations

LAFCo's Recommendations 3, 4, 5, and 6 seemingly flow from what has been provided. They are fine, and I offer a handful more for consideration.

- Strengthen monthly accountability through the warrant list/check register by including each check's account classification/category.
- Comply with California Govt Code 41004 (2023) such that the Town posts monthly Treasurer reports including receipts, disbursements, beginning/ending balances for all accounts.
- Create a separate Audit Committee who meet with the Auditor. Currently our Finance and Audit Committee serve a dual role. In the 5 years the Town has been in behind on our Audits, the F & A Committee has met with the Auditor a single time. Checks and balances in Portola Valley could use strengthening.
- Open-up Open Gov, our financial portal. For too long those allowed access have been limited to Town Finance, Town Manager, and more recently, the auditor.
- To avoid ongoing confusion and regularly arising accounting questions, create a separate account for the restricted Open Space Fund.

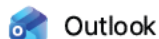
Though the Draft currently lacks a fully forthcoming assessment of our finances, the final MSR could serve as an important catalyst. The Town truly needs to leverage these next 7.5 months.

Thank you for your attention and oversight.

Sincerely,

Betsy Morgenthaler

Portola Valley resident and Chair of the Open Space Committee



timely Re: Comments to LAFCo, Portola Valley's Draft Municipal Services Review

From Betsy Morgenthaler [REDACTED]
Date Fri 1/16/2026 11:26 AM
To CTL_LAFCO <lafco@smcgov.org>
Cc Sarah Flamm <sflamm@smcgov.org>

CAUTION: This email originated from outside of San Mateo County. Unless you recognize the sender's email address and know the content is safe, do not click links, open attachments or reply.

Dear Mr. Bartoli,

Thank you for the opportunity to participate in Portola Valley's Municipal Services Review and acknowledging receipt of my comments made prior to your deadline, Monday October 13th.

- Most importantly I'd like to make a one word correction to my comments as I discovered a typo-word omission. The typo omission appears on my 2nd page, 2/3rds down, and as you received the sentence reads:
Meanwhile Council members and residents have severely limited access to actual expenditure information (warrant list), making oversight infeasible.
whereas, I intended the parenthesis to note the warrant list as an exception, so intended it to read "*(warrant list excepted)*".

It is an important correction, as since September 11, 2024, our warrant lists have been in order.

- Secondly, I understand LAFCo reached out to Portola Valley for information in late spring/ early summer 2025. Our permanent Town Manager Darcy Smith would not have been included in that response as she had not been hired.

Recent 5 Portola Valley Town Managers, a recap — Following the departure of Town Manager "A" in March 2023, the then Council appointed Interim Manager "b" who served from March 2023 - Aug 2023, the Council then appointed a permanent Town Manager "C" who served us for 1 year Aug 2023 - Sept 2024. The Council then appointed Interim Manager "d" who served us from Dec 2024 - late July 2025. Permanent Town Manager Darcy Smith "E" began July 26, 2025.

- Lastly for the sake of background, and although LAFCo's deadline has passed, a pair of pages (5 and 6) posted to the Finance and Audit Committee Agenda October 15, 2024 by Portola Valley Town Finance illustrate our financial situation, though for some reason the circumstances were not represented in fact or spirit in the LAFCo MSR report.

<https://www.portolavalley.net/home/showpublisheddocument/18762/638642416283800000>

Prior to the current Sheriff contract issues, Town spending regularly exceeded revenue. Over years of sparing access to financial information, the Town needs more revenue, timely reporting, and oversight. It will take *all* of our commitment, though if we have the will, we are in a position to reset ourselves on a solid course including timely financial reporting, structural oversight, and from there able to make a strong case for increased revenue.

Regards,
Betsy Morgenthaler

PV MSR

CAUTION: This email originated from outside of San Mateo County. Unless you recognize the sender's email address and know the content is safe, do not click links, open attachments or reply.

Hi Rob and Sarah,

Thank you for updating Portola Valley's MSR and SOI. It's great to have a new one after nearly 20 years.

My comments are the following: (I included page numbers for the full combined WD/PV document and the page numbers for just the PV document)

1. The option to annex the Ladera commercial district(as opposed to all of Ladera) is not discussed as a separate option.
2. A table detailing the 1% property tax distribution, showing where our community's property taxes go is not provided in the MSR. See attached for the 2007 version. It's important that residents understand how their full property taxes are being allocated.
3. The MSR doesn't provide any details on the logistics and administrative costs for more comprehensive sewer annexation options and/or for phased approaches.
4. The data to confirm that the Town is receiving the full 7% of the 1% property taxes is not provided.
5. Adequacy of services for planned RHNA growth
 - a. "Is the agency's territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?" answered "NO" page 44. With the requirement to plan for 253 new housing units, the potential for 253 to 506 to 759 to even more new residents, depending on the makeup of the sizes of the units, could increase the population by 3-10% in the next 5 to 10` years. That seems significant enough to qualify at least as a "maybe" impact. This contrasts with the text in

the MSR: “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”. page 44/7 In addition the community is characterized by many longstanding (50-60+ years) residents who are now moving into care facilities or passing away. This aging out is accelerating the changeover of houses and adding more residents. The Town is also actively working to facilitate new ADUs and some multifamily developments so population will likely increase in the next 5 years but we will reach growth limits for future units due to our terrain and fire and geological hazards at the end of this RHNA cycle.

6. MSR Determination No. 3 Recommendations: Missing is the need for the Town to continue to coordinate with the SMC Sheriff’s office and Woodside or other municipalities on a reasonable public safety contract.
7. WFPD: “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.” It would be helpful to indicate that 17.24% (updated number?) of PV property owners’ property taxes are paid to the WFPD to provide fire protection services. The contract for PV for \$171K is only for extra trimming and hardening services. It’s important that the MSR reflect the reality of how our taxes are distributed.
8. MSR Determination No. 7: The Town has adopted a Climate Action Plan. This is incorrect. The Town has NOT adopted a Climate Action Plan. Page 67/30
9. Minor updates to the information
 - a. new Mayor and Vice Mayor as of December 2025; page 69/32. The new Mayor is Craig Taylor and the Vice Mayor is Mary Hufty.
 - b. “and the formation of the ad-hoc Housing Element Post-Adoption Plan Town Council Subcommittee.” Actually, the Town formed four separate Ad-hoc committees: the Ad-Hoc Housing Element Committee, the Ad-hoc Housing Element Post-Adoption Plan Town Council Subcommittee, the Site Selection Town Council Subcommittee, and the Ad-Hoc Site Evaluation Committee
 - c. “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%.” Page 9/46. This conflicts with the information provided on page 44/7 which says 0-2%.

- d. “Funding for Housing Element policy implementation and other long-range housing planning work is sourced from the Affordable Housing Fund.” page 49/13. This statement is not correct. Only HE policy implementation and housing planning work that relates to *affordable housing* is eligible to use the Affordable Housing fund. All activities not related to affordable housing are funded through the General fund.
- e. “and the interim Planning Director position is currently being filled by a retired annuitant.” Page 50/13. This is now out of date. We have hired a new permanent Planning and Building Director, Sarah Cawrse. She started at the end of 2025.
- f. “The Town reports that it has recovered the costs associated with hiring the consultants through permit-fee collections.” Only the costs associated with development applications have been covered by permit fee collections. Consultant costs for general planning and building tasks have come out of the General Fund and have been covered by the unused salaries of the vacant positions.
- g. Table 4 shows the Town’s total expenditures but doesn’t separate out the cost of the Sheriff’s contract which would be helpful as that section discusses the issues of the extreme costs of the contract.

10. Minor typos

- a. Dependent Special Districts: Los Trancos Cofunty Maintenance District, page 42
- b. “the actual development of the 253 units could to occur within this same time frame or at a later date.” Page 44/7. Words would appear to be missing from this sentence.
- c. “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.” Page 46/9 missing words.
- d. “However, West Bay Sanitary District (WBSD) does have 1,320 properties in the Town that are connected to its sewer system.” As mentioned in the meeting, this number is much too high. Page 48/11
- e. “there were several deficiencies related to internal controllers”. This should read internal controls. Page 52/15

- f. “In the FY2022-23 budget, the general fund deficient was estimated to be” This should read deficiency page 53/16
- g. “deferred maintenance will increases capital project costs in the future” Should read increase. Pag 54/17
- h. Table 1 numbers for FY23-24 and 22-23 do not match the verbiage on the previous page. “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.”
- i. I find the term “non-operating revenue” when referring to property taxes confusing as property taxes are the largest source of the Town’s revenue. I don’t understand the concept of “operating revenue” wrt a Town government.
- j. “Sherriff’s” Sheriff’s- typo
- k. “there were several deficiencies related to internal controllers, accounting, and workflow in the Town’s Finance Department.” Should read controls. Page 58/21
- l. “This committee works in cooperation...” Should read: The EPC committee works in ... page 67-8/29-30

Thanks for your work on the MSR.

Regards,

Rebecca Flynn

Town Councilmember

Portola Valley