

Richard's Ranch Reorganization Tax Exchange Arbitration

County Executive Office

Board of Supervisors

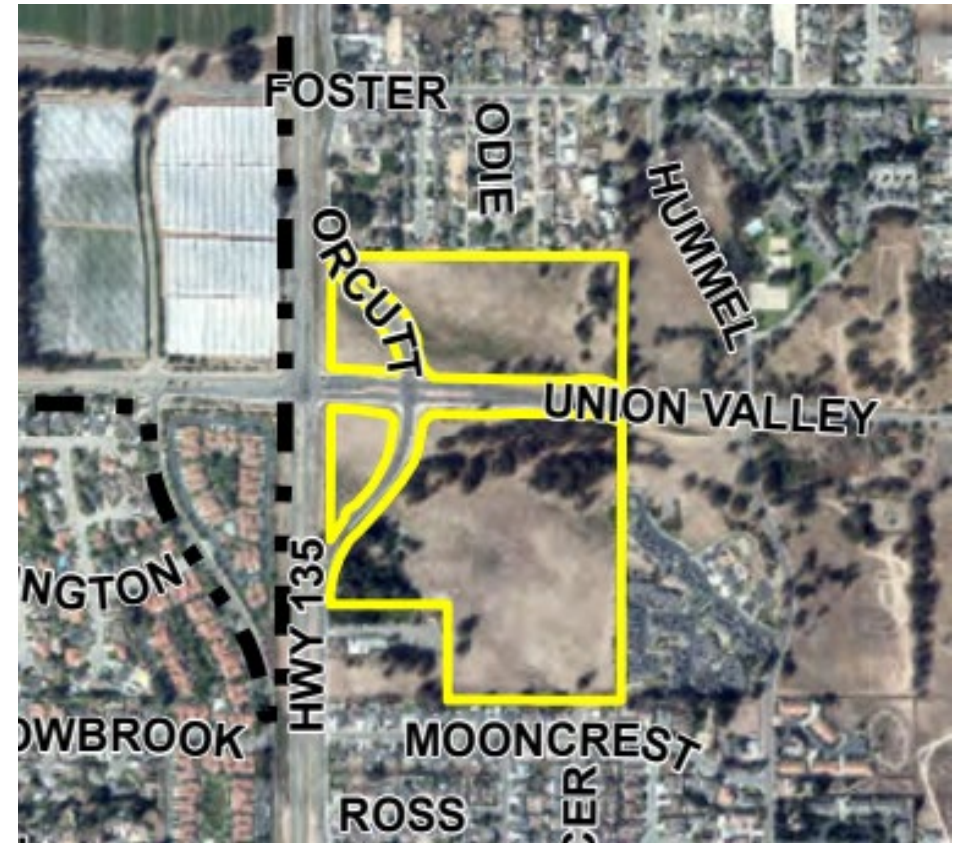
April 7, 2026



one
COUNTY
one
FUTURE

LAFCO Application

- 4 parcels totaling 43.67 acres
- Proposed residential and commercial development
- Annex to City of Santa Maria and detach from:
 - County Fire Protection District
 - County Service Area 32
 - County Service Area 5
 - North County Lighting District
 - Mosquito and Vector Management District of Santa Barbara County



Timeline

- February 14, 2025: LAFCO files City's annexation application
- March 28, 2025: Auditor-Controller submits report
- April 2025: County and City begin tax exchange negotiations
- July 1, 2025: Board gives staff direction for negotiations
- July 26, 2025: County and City commission fiscal analysis
- August 21, 2025: Mediation hearing
- February 19, 2026: Arbitration hearing
- March 3, 2026: Arbitrator decision

Current Property Tax Allocation

TRA 080-041:

Fund	Fund Description	TRA Allocated %
0001	Santa Barbara County General	14.41320673%
2140	CSA 5	0.65638060%
2230	CSA 32	0.00000000%
2280	SB County Fire Protection District	16.89359992%
2400	SB County Flood Control/Water Conservation	0.26668822%
2510	Orcutt Flood Zn 3	0.54661686%
2670	North County Lighting District	0.87015107%
2870	Laguna County Sanitary	0.00000000%
3050	Santa Barbara County Water Agency	0.34308028%
3210	Santa Maria Public Airport District	1.11441105%
3320	Santa Maria Cemetery District	0.58002512%
4160	SB Mosquito/Vector District	0.01849269%
4500	Cachuma Resource Conservation District	0.04800198%
7401	Orcutt Union Elem District General	23.57662285%
8301	Santa Maria Jt HS District General	19.53398141%
9401	Allan Hancock CC District General	5.19663474%
9801	County School Service Fund	3.59116535%
9802	Education Revenue Augmentation	12.35094113%
TOTAL		1.00000000

Tax Rate Area Analysis

- Analyzed 12 existing TRAs from previous annexations
 - Two TRAs allocated 0% to County GF
 - Ten TRAs allocate average 19.62% to County GF and 10.14% to City
- Auditor-Controller reportback to LAFCO provided "potential TRA match" - TRA 003021
 - Existing City TRA with same combination of property tax categories
 - Allocates 19.91% to County GF and 10.38% to the City

Orcutt Community Facilities District

- Annual special taxes for community services
- Ensures County services keep pace with growing population
- If developed in the County, Richard's Ranch would be within the Orcutt CFD and collect \$425K annually
- If developed in the City, residents still use Orcutt services (e.g., parks), but County loses CFD revenue

County's Offer

- Ongoing revenue:
 - County receives 75% General Fund/75% Fire property tax revenue
- One-time revenue:
 - City pays County \$1.8M for traffic signal, bike paths, and medians
 - City pays County \$488K as partial compensation for Fire Station 25
- Additional requests:
 - City widens UVP
 - City responsible for rights-of-way, adjacent roads and intersections, and all transportation facilities
 - Jointly negotiate RHNA transfer
 - City provides water for new development in Orcutt

City's Offer

- Ongoing revenue:
 - County receives 50% General Fund/50% Fire property tax revenue
 - County receives tax revenue from:
 - CSA 5
 - CSA 32
 - North County Lighting District
 - Mosquito and Vector Management District
- One-time revenue: none
- Additional requests: none

County and City Offers

	Willdan Analysis GF Property/Fire	County Proposal GF Property/Fire	City Proposal GF Property/Fire
% Allocation to County	75/50 (%)	75/75 (%)	50/50 (%)
Total General Fund Revenue	\$952,450	\$1,054,350	\$842,345
Total Expenditures	\$629,430	\$629,430	\$629,430
Subtotal	\$323,020	\$424,920	\$212,915
Lost Revenue from Orcutt CFD	-\$425,000	-\$425,000	-\$425,000
Net Annual Impact	-\$101,980	-\$80	-\$212,085

Staff Recommendation

- Reject City's offer
- Revenue insufficient to cover County expenditures
 - Estimated annual net loss of **\$212,085**
 - Does not reflect full cost of fire protection services
- Loss of one-time fees:
 - \$488K for Fire Station 25 and infrastructure improvements
 - \$1.8M for traffic signal, bike paths, and medians
- Inconsistent with Willdan fiscal analysis
- Inconsistent with TRA allocations from previous annexations

Findings of Fact

The City's proposed property tax allocation to the County is:

1. Financially problematic, providing insufficient property tax revenue to the County to cover estimated expenditures and lost revenue from other sources
2. Lower than the assumptions used in both contracted fiscal analyses (Attachments C and D)
3. Lower than the allocation percentages to the County in existing TRAs in the City, including the "Potential TRA Match" provided by the County Auditor-Controller

Recommended Actions

- a) Receive and file a report on the outcome of the advisory arbitration regarding a property tax exchange between the County of Santa Barbara and the City of Santa Maria as required by the proposed Richards Ranch Reorganization – Annexation to the City of Santa Maria (Local Agency Formation Commission (LAFCO) File #24-08);
- b) Reject the property tax exchange offer selected by the contracted arbitrator, based upon certain findings of fact in Attachment C to the Board Letter; and
- c) Find that the proposed actions are administrative activities of the County, which will not result in direct or indirect changes to the environment and therefore are not a “project” as defined for the purposes of the California Environmental Quality Act (CEQA) under State CEQA Guidelines Section 15378(b)(5).



Questions?