



**BOARD OF SUPERVISORS  
AGENDA LETTER**


**Agenda Number:**

**Clerk of the Board of Supervisors**  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Submitted on:**  
**(COB Stamp)**

**Department Name:** County Executive Office  
**Department No.:** 012  
**Agenda Date:** July 1, 2025  
**Placement:** Departmental Agenda  
**Estimated Time:**  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

**TO:** Board of Supervisors  
**FROM:** Department Director: Mona Miyasato, County Executive Officer  
Contact Info: Wade Horton, Assistant County Executive Officer  
**SUBJECT:** Richards Ranch Reorganization (LAFCO #24-08) – Tax Exchange Update

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**County Counsel Concurrence**

As to form: Yes

**Other Concurrence:**

As to form: N/A

**Auditor-Controller Concurrence**

As to form: N/A

**Recommended Actions:**

That the Board of Supervisors:

- a) Receive and file a report on the status of negotiations on a tax exchange agreement between the County of Santa Barbara (County) and the City of Santa Maria (City) as required by the proposed Richards Ranch Reorganization – Annexation to the City of Santa Maria (Local Agency Formation Commission (LAFCO) File #24-08); and
- b) As permitted by Revenue and Taxation Code sections 99(b)(8) and 99(e)(2), delegate authority to the County Executive Officer to seek and execute an extension agreement, if needed, with the City to allow the parties additional time to engage in the independent fiscal analysis phase with a third-party consultant, and if needed, the mediation and arbitration processes required by Revenue and Taxation Code section 99(e); and
- c) Direct staff to continue negotiating a tax exchange agreement for Board consideration and provide staff with further direction as appropriate; and
- d) 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).

**Summary Text:**

This item is on the agenda to provide the Board of Supervisors with an update on the tax exchange negotiations between the County and the City of Santa Maria for the proposed Richards Ranch Reorganization – Annexation to the City of Santa Maria (LAFCO File #24-08) and provide an opportunity for the Board to provide policy guidance to staff on the terms and conditions they believe are in the best interest of the County.

California Revenue and Taxation Code Section 99 requires that before an annexation can move forward, the city and county involved must agree to a negotiated exchange of property tax revenue within the negotiation period, or else the LAFCO executive officer shall not issue a certificate of filing. The final decisions regarding the tax exchange agreement will be made by the full Board and Santa Maria City Council at public meetings.

Staff has been negotiating with the City of Santa Maria since April. The deadline for concluding negotiations is July 26 if the County and City jointly enter into a contract for a fiscal analysis, which is in process. If negotiations are not concluded by July 26, mediation and then arbitration phases are entered, unless the fiscal analysis phase is extended by mutual agreement. The mediation and arbitration phases may also be extended by mutual agreement. This report requests that the Board direct staff to continue negotiations and authorize the County Executive Officer to seek extensions, if needed.

**Discussion:**

**Tax Exchange Negotiations:** Tax exchange agreements typically consider several factors that are part of the negotiations, such as the following:

- Base property tax share: Determination of how the existing property tax base will be split between the city, county and special districts after annexation. How and what future property tax growth is projected and will be shared.
- Services: Which entity will take over services, such as road maintenance, fire service, etc. How adjustment in tax sharing based on cost of services transferred or retained will be determined.
- Capital improvements and development: How arrangements will be made for infrastructure investments in process or recently made. Phasing of allocation adjustments if appropriate. How development impact fees will be treated. How will Regional Housing Need Assessment (RHNA) obligation or credits be treated.
- Special Districts Impacts: How will revenue loss be mitigated for special districts that lose service territory and revenue due to the annexation. What districts will retain, transfer or relinquish service responsibilities. How will this impact water, sewer and other special district systems.
- Timing: When arrangements take effect and timing of any revenue transfers.
- Long-term fiscal and community impacts: How agreements can maintain revenue neutrality to prevent fiscal harm to any agency. What contingency clauses are feasible for adjustment based on future development or service levels. How the annexation would affect funding of longer-term community plan initiatives and mitigation for possible impacts.
- Independent fiscal analyses: Neutral, third-party fiscal impact report establishing anticipated revenues and expenditures once parcels are developed, mutually acceptable models and assumptions for evaluating impacts.

Negotiations between the County and City of Santa Maria have occurred since spring. County staff have been discussing these issues but specific financial terms cannot be established until the neutral,

third-party fiscal impact report is completed. The County and City staff have agreed to a third-party report, which is in process.

**Timeline and Status of Negotiations:** Pursuant to California Revenue and Taxation Code Section 99, staff from the County of Santa Barbara and the City of Santa Maria commenced negotiations for the allocation of local tax revenue, which would apply if LAFCO ultimately approves the application. Negotiations began after March 28, subsequent to the County Assessor and Auditor-Controller providing required information, with staff holding the first meeting on April 15.

County and City staff have met five more times to discuss the estimated revenues and expenditures that each agency would experience after annexation and post site-development. The Assistant City Manager, ACEO, and City and County Fire Chiefs also met to discuss proposed detachment of County Fire Protection District. The City's application states that the Santa Maria Fire Department would provide all fire services to the area. The County expressed the perspective that the area should remain in County Fire jurisdiction, considering response time and advanced life support (ALS) capability.

A draft fiscal report by The Natelson Dale Group, commissioned by the developer of the Richards Ranch proposal (MD3 Investments), was provided to County and City staff for review. That analysis discusses the fiscal impacts to the City and the County after annexation. County and City staff began using The Natelson Dale Group fiscal analysis as a basis for discussion. County staff provided additional information regarding general fund costs that were not captured in the report and the City provided additional comment generated from a peer review they commissioned; most comments were integrated into a revised version of the fiscal analysis, following discussion between the County, City, and The Natelson Dale Group. MD3 Investments submitted the final version to LAFCO on June 20.

The County and City determined that an independent fiscal analysis was needed to better inform the tax exchange negotiations, and that securing this analysis would require time beyond the 90-day deadline of June 26. The County and City agreed to jointly commission an independent fiscal analysis from another consulting firm. Staff anticipate finalizing this analysis in the next couple of weeks. Per California Revenue and Taxation Code Section 99, the fiscal analysis timeframe is up to 30 days, or July 26.

**Timelines:** The timeline for the tax negotiation process is as follows:

March 28	Auditor-Controller (AC) submitted report of current property tax allocations
May 27	Initial deadline for completion of negotiations, including approval of the agreement by the Board of Supervisors and the Santa Maria City Council (60 days after AC report)
June 26	Extended deadline for negotiations, as permitted by state law (90 days after AC report)
July 26	Deadline* for negotiations, if County and City jointly enter into a contract for a fiscal analysis (120 days after AC report)
August 25	Deadline* for completion of fiscal analysis, mediation, and arbitration phases if needed (150 days after AC report). If no agreement by July 26 and the fiscal analysis period is not extended, County and City must proceed

	with mediation. If no agreement is reached in mediation, County and City must proceed with arbitration.
TBD	LAFCO hearing on annexation application – set after receipt of tax agreement approved by Board of Supervisors and Santa Maria City Council

\*The Board of Supervisors and Santa Maria City Council may agree to extend the timelines for the fiscal analysis, mediation, and/or arbitration phases, with no limits set in statute.

Considering the Board schedule and upcoming summer recess, staff recommend that the Board authorize the County Executive Officer to seek and execute an extension agreement for the fiscal analysis phase, allowing the County Executive Officer the authority to exercise this option if needed. This will allow time to return to the Board with options for an agreement based on the independent analysis.

Before LAFCO can continue the annexation process, both the County and City of Santa Maria must adopt resolutions agreeing to the exchange of property tax revenues. If a tax negotiation agreement is finalized, LAFCO will set a hearing to decide whether to approve the City's application for reorganization.

**Issues Raised by County Departments in Report-backs to LAFCO:** The City of Santa Maria submitted the application "Richards Ranch Reorganization – Annexation to the City of Santa Maria" to the Local Agency Formation Commission (LAFCO) on February 6, 2025 (Attachment A). County staff from multiple departments provided analysis of the impacts of the annexation and development, in the form of "report-backs" (Attachments B and C). In addition to the concerns regarding the accuracy of information provided in the application and inconsistency with LAFCO's policies and standards, departments identified findings significant to tax revenue allocation as follows:

#### Fire

- The subject annexation and proposed development are currently served by Santa Barbara County Fire Department (SBCFD) Station 21 (1.5 miles away) and SBCFD Station 26 (2.5 miles away). The two closest Santa Maria City Fire Department (SMFD) fire stations are Station 4 (2.75 miles away) and Station 2 (3.4 miles away). Both fire departments recently completed Standards of Cover (SOC) studies in 2021. The SBCFD SOC identified the proposed project area as being within the recommended 4:00-minute first-due response time from SBCFD Fire Station 21. Conversely, the SMFD SOC shows the project area to be outside the 4:00-minute first-due response time from any current SMFD fire station.
- SBCFD is currently designing Fire Station 25 on Union Valley Parkway, 0.4 miles away from the parcels proposed for annexation. SBCFD currently has sufficient staffing within the department to staff Fire Station 25 in terms of personnel and equipment today. Taking facilities, including potential temporary modular working and living accommodations into consideration, SBCFD could respond from a temporary facility from the 4.6-acre parcel on Union Valley Parkway sometime within the next 8 to 14 months.
- When SBCFD Station 25 is completed and staffed, three of the four apparatus responding to an incident at Richards Ranch would be SBCFD apparatus. One engine or truck would be responding from SMFD. On EMS calls for service, SBCFD Stations 25 and 21 would be assigned before SMFD Station 6 due to proximity.
- SBCFD provides a higher level of care as an Advance Life Support (ALS)/Paramedic provider within the County versus the current Basic Life Support (BLS) service provided by SMFD.

### Transportation (Public Works)

- The Richards Ranch area has been included in the County's Orcutt Community Plan, Circulation Elements, and Transportation planning documents since the 1990s. Significant resources and efforts have been invested over the past thirty years to develop infrastructure and ensure cohesive and unified development of this area. Annexing these parcels could lead to piecemealing and discontinuity of the development and transportation infrastructure in this area.
  - **Traffic Section:** Traffic is currently working on a signal project to improve safety at Union Valley Parkway (UVP) at Hummel Drive. If the parcels are annexed, the County believes the City should be responsible for completing these improvements, as well as roadway operations for Union Valley Parkway, Orcutt Road, and Hummel Drive.
  - **Maintenance Section:** All transportation facilities, including roads, drainage, hardscape, landscaping, bicycle and pedestrian facilities, complete streets elements, traffic signals and/or road signs from SR135 to 50' east of Hummel Drive on Union Valley Parkway, Orcutt Road from Mooncrest Lane to Foster Road, and Hummel Drive from 50' south of UVP to Foster Road would need to be included in the annexation and will not be maintained by the County of Santa Barbara PW.
  - **Engineering Section:** There are several projects planned for this area. These include intersection improvements, multiuse paths and pedestrian infrastructure, roadway widening along Union Valley Parkway, and drainage improvements. If this area is annexed, the County believes the City should be responsible for reimbursing the County for work in this area to date, and the City should be responsible going forward for design and construction of the widening of Union Valley Parkway from SR135 to Bradley Road, and operations and maintenance of Union Valley Parkway from SR135 to 50' east of Hummel Drive, Orcutt Road from Mooncrest Lane to Foster Road, and Hummel Drive from 50' south of UVP to Foster Road, as well as associate intersections.
  - **Construction Section:** County should be reimbursed by the City for any construction services for any work done in the County right of way as a result of the proposed annexation.

On May 8, LAFCO held a study session regarding the annexation. County staff attended and answered questions related to the County's reportbacks. Decisions on the merits of the annexation and whether it advances key public interest objectives fall to LAFCO. California Revenue and Taxation Code Section 99, however, requires that the City and County must agree to a negotiated exchange of property tax revenue before an annexation can proceed.

### Background:

The Cortese-Knox Local Government Reorganization Act of 2000, as amended, states that the intent of the California Legislature is "to encourage orderly growth and development which are essential to the social, fiscal and economic well-being of the state." Section 99 of the State's Revenue and Taxation Code requires the negotiation of a property tax exchange upon annexation to share limited tax revenues. The LAFCO executive officer may not issue a certificate of filing until the City and County, within the negotiation period, present resolutions adopted by the City and County agreeing to accept the tax exchange.

The Richards Ranch Reorganization – Annexation to the City of Santa Maria (LAFCO File #24-08) project site encompasses 43.67 acres of four contiguous parcels. The reorganization application includes annexation to the City of Santa Maria and detachment from:

- County Fire Protection District
- County Service Area 32 – inactivated in 2011, in the process of dissolution
- County Service Area 5 – maintains approximately 104 acres of parks and open space, including a portion of Waller Park
- North County Lighting District – provides street lighting and energizes 2,816 streetlights in the unincorporated Casmalia, Los Alamos, Mission Hills, Orcutt, Santa Maria and Vandenberg Village areas
- Mosquito and Vector Management District of Santa Barbara County – protects the public's health and safety from disease

The existing property tax allocations and collections for the parcels that would be reorganized are in the table below (information provided by the Auditor-Controller). TRA refers to Tax Rate Area. The assessed property values for these parcels total \$6.5 million for Fiscal Year 2024-25, amounting to tax collections of \$65,000 (1% property tax). Assessed values and tax collections would increase substantially once the property is developed. Districts in bold, with the exception of the Santa Barbara County General Fund, are those that would detach if LAFCO approves the City of Santa Maria's application. In the negotiated tax agreement, the County of Santa Barbara negotiates for the share of property tax that will be allocated to the County General Fund, as well as on behalf of the other districts that are proposed for detachment.

**TRA 080-041:**

Fund	Fund Description	TRA Allocated %	1% Allocated Taxes	
0001	<b>Santa Barbara County General</b>	<b>14.41320673%</b>	<b>\$9,372</b>	Funds under B.O.S.
2140	<b>CSA 5</b>	<b>0.65638060%</b>	<b>\$427</b>	
2230	<b>CSA 32</b>	<b>0.00000000%</b>	<b>\$0</b>	
2280	<b>SB County Fire Protection District</b>	<b>16.89359992%</b>	<b>\$10,985</b>	
2400	SB County Flood Control/Water Conservation	0.26668822%	\$173	
2510	Orcutt Flood Zn 3	0.54661686%	\$355	
2670	<b>North County Lighting District</b>	<b>0.87015107%</b>	<b>\$566</b>	
2870	Laguna County Sanitary	0.00000000%	\$0	
3050	Santa Barbara County Water Agency	0.34308028%	\$223	
3210	Santa Maria Public Airport District	1.11441105%	\$725	School District
3320	Santa Maria Cemetery District	0.58002512%	\$377	
4160	<b>SB Mosquito/Vector District</b>	<b>0.01849269%</b>	<b>\$12</b>	
4500	Cachuma Resource Conservation District	0.04800198%	\$31	
7401	Orcutt Union Elem District General	23.57662285%	\$15,331	
8301	Santa Maria Jt HS District General	19.53398141%	\$12,702	
9401	Allan Hancock CC District General	5.19663474%	\$3,379	
9801	County School Service Fund	3.59116535%	\$2,335	
9802	Education Revenue Augmentation	12.35094113%	\$8,031	
<b>TOTAL</b>		<b>1.00000000</b>	<b>\$65,025</b>	

Source: County of Santa Barbara Auditor-Controller Reportback to LAFCO, March 28, 2025

The property is within the Orcutt Community Plan area and is east of the City of Santa Maria's southeastern city limits and within the City's Sphere of Influence. The City certified the Final Environmental Impact Report on December 12, 2024.

**Fiscal Analysis:**

There is no budgetary impact for the Board to hear this item and provide any policy direction. Changes to revenue and expenditures related to the proposed annexation and the negotiated tax agreement are not known at this time.

**Attachments:**

**Attachment A** – LAFCO File No. 24-08 Richards Ranch Reorganization to City of Santa Maria

**Attachment B** – Fire Dept Reportback - Richards Ranch Reorganization

**Attachment C** – Public Works Reportback - Richards Ranch Reorganization

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