

**County of Santa Barbara Board of Supervisors**  
**Findings of Fact for Rejection of Arbitrator’s Recommended Offer**  
**Richards Ranch Reorganization – Annexation to the City of Santa Maria (LAFCO File #24-08)**  
**Property Tax Exchange Advisory Arbitration**  
**April 7, 2026**

The County of Santa Barbara Board of Supervisors rejects the arbitrator’s recommended offer for property tax exchange, as the City’s offer is financially disadvantageous for the County. The Board makes the following findings of facts as to why the recommended offer for property tax exchange was not accepted:

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

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

*1. The City’s proposed property tax allocation to the County is financially problematic, providing insufficient property tax revenue to cover estimated expenditures and lost revenue from other sources.*

The City’s offer does not provide sufficient revenue for the expenditures the County expects to incur once the Richards Ranch site is developed. Based on the independent fiscal analysis commissioned jointly by the County and City, accounting for revenue from the smaller detaching districts that was not included in the analysis, and using the allocations from the City’s offer, the County would net approximately \$212,900 annually from property and sales tax revenue, after estimated expenditures (See Figure 1). However, this calculation omits significant financial issues. The most important of these issues are that the analysis: a) does not account for lost revenues related to the Orcutt Community Facilities District (CFD); b) undercalculates the cost of fire protection services; and c) ignores costs already incurred or anticipated to be incurred by the County for infrastructure improvements in the immediate area.

*Orcutt Community Facilities District (CFD).* The Orcutt CFD charges annual special taxes to property owners to provide community services and relies on projections of future revenue to ensure service provision as the area population grows. If the property was developed in the County, the County would expect these parcels to be included in the CFD and the CFD would receive these special taxes. If developed in the City, residents are likely to still use CFD-funded services, such as parks, but the CFD will forego \$425,000 in annual revenue.

*Fire protection.* Historically, fire districts usually detached when annexations occurred because fire protection services would become the responsibility of the annexing city. This model no longer represents the reality of fire service in the County. As of 2025, fire departments within the County agreed to drop their boundaries and now the closest resource responds first to a call, regardless of where the incident is located. As a result, both the City and the County may provide fire protection services to Richards Ranch, depending on the proximity of their resources. Once Fire Station 25 is completed, the County estimates that three out of five (60%) fire suppression vehicles that respond

to an incident at Richards Ranch will be County vehicles.<sup>1</sup> The fiscal analysis discounted the County’s per capita fire expenditures by 50%, while leaving the City’s at 100%. Estimating the County’s fire costs at 100% of per capita expenditures, to match the projection for the City, would add \$97,400 to the County’s annual fire protection costs, above what was included in the analysis. Further, if the property was developed in the County, construction of Fire Station 25 would have been partially supported by \$488,000 in one-time revenue from development impact mitigation fees.

*Infrastructure improvements.* Similarly to the CFD, the Orcutt Transportation Improvement Plan (OTIP) relies on development impact mitigation fees from properties developed in the County to complete an area-wide service plan. The Department of Public Works is currently constructing a traffic signal at the Richards Ranch location and has plans for widening Union Valley Parkway and installation of medians and bikeways. These projects would have been partially supported by \$5.4 million in one-time revenue from development impact mitigation fees.

As illustrated in Figure 1, with the City’s offer the County anticipates an annual net loss of \$212,100. This estimate does not account for undercalculation of fire protection costs (which would increase the loss to \$309,500 annually) or for the loss of one-time development impact fees for fire protection and public works purposes (estimated at \$5.9 million). Given this negative financial outcome, the Board of Supervisors rejects the City’s offer.

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

**Figure 1. Financial Impact of Proposed Property Tax Exchange Scenarios (Percent to County)<sup>2</sup>**

<sup>1</sup> The Regional Fire Communications Center SNR6 & SBC25 Study, cited by the City in their arbitration documents, estimated that City Fire would respond to 90% of calls at Richards Ranch. The study was conducted prior to the implementation of centralized dispatch operations and finalized joint response agreements between County Fire and Santa Maria City Fire, relying instead on decentralized data and assumptions that no longer reflect current conditions. Since the RFCC has been operational, dispatching is now based on real-time unit location, availability, and capability through a centralized CAD system, rendering the study’s station-based modeling and projections of first-arriving units unreliable. Updated operational realities—including verified proximity advantages of County Fire resources, established Advanced Life Support (ALS) response obligations, and the planned development of Fire Station 25—further alter expected response patterns and were not accounted for in the study. Additionally, the study’s broader geographic scope and reliance on assumptions about response agreements overstate Santa Maria City Fire’s role in the Richards Ranch area. As a result, the study does not accurately reflect current fire service operations or agreements and should not be relied upon for long-term service projections or property tax allocation decisions related to the Richards Ranch annexation.

<sup>2</sup> The table includes revenue from all smaller detaching districts as accruing to the County in the Willdan Analysis and City Offer columns. The County Offer column includes revenue from Community Service Area 5 as accruing to the County and revenue from other smaller detaching districts accruing to the City, consistent with the County’s offer.

*2. The City's proposed property tax allocation to the County is lower than the assumptions used in both contracted fiscal analyses.*

The negotiation process relied on two fiscal analyses: one from Natelson Dale, commissioned by the developer, and one independent analysis from Willdan, commissioned jointly by the County and City. Both firms used their previous experience with annexations to identify assumptions to inform and facilitate projections of future tax revenue and expenditures for each entity. Both firms used an assumption of 75% of County General Fund and 50% of County Fire Protection District property tax revenue accruing to the County.<sup>3</sup> While the County's position is that 50% of Fire is not sufficient for the County's costs, it agreed with the 75% General Fund number. However, the City's offer and arbitrator's selection ignored this research standard.

*3. The City's proposed property tax allocation to the County is lower than the allocation percentages to the County in existing Tax Rate Areas (TRAs) in the City, including the "Potential TRA Match" provided by the County Auditor-Controller.*

Existing Tax Rate Areas (TRAs) in the City have quite consistent allocations between the County and City. County staff performed an analysis of 12 existing TRAs in the City. Two TRAs, which were annexed between 1995 and 1997, allocate 0% to County General Fund. The remaining 10 TRAs allocate an average of 19.62% to County General Fund and 10.14% to the City. Further, in their reportback to LAFCO, the Auditor-Controller provided a "potential TRA match" – a current TRA in the City that has the same combination of property tax categories. If more than one match is available, the Auditor-Controller recommends the TRA that is the closest geographically to the area. That potential TRA match (TRA 003021) allocates 19.91% to County General Fund and 10.38% to the City. The adjusted arbitrator's recommendation was 17.19872436% to County General Fund and 15.65370000% to the City; this allocation to the County General Fund would be well below both the "potential TRA match" provided by the Auditor-Controller and the average described above. The existing TRA allocations underscore the level of service that the County provides for incorporated areas and the negotiated TRA should not include a lower amount for the County than current practice for property tax allocation in the City.

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<sup>3</sup> Both Natelson Dale and Willdan phrased their analyses as: the City would receive 25% of County General Fund and 50% of County Fire Protection District property tax revenue.