



Richmond's Tax Revenue from Chevron

Excerpted from:

Measuring What Matters: Neighborhood Research for Economic and Environmental Health and Justice in Richmond, North Richmond, and San Pablo



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RICHMOND'S TAX REVENUE FROM CHEVRON



Photo: istockphoto.com/George Manga

Playgrounds like this one are maintained with funds from local tax revenue.

Street pavement conditions in Richmond were ranked the worst of all urban areas in the Bay Area by the Metropolitan Transportation Commission in 2006.¹ Richmond residents reached the same conclusion: in a 2007 survey, 72% of the respondents rated the city's street repair services as "poor."²

Street maintenance, public safety services, sewers, housing and redevelopment, parks, streetlights, and community centers all rely on public revenue collected by the city of Richmond—revenue that is largely generated from taxes and fees on local businesses, property owners, and residents. With Richmond's public streets in worse condition than any other urban area in the nine-county Bay Area, parks across the city in dilapidated conditions,³ and other considerable needs for improved services and infrastructure, the city is clearly in need of increased public revenue.⁴

While Chevron benefits from its strategic location, the people, and the infrastructure provided by the City of Richmond, how much it gives back in terms of local revenue has not always been clear.

The largest business in Richmond, and an important source of the revenue that funds essential city services and infrastructure, is the Chevron refinery. The Chevron refinery and associated operations are situated on 126.3 million square feet of property, occupying 13.4% of the city's land.⁵ Chevron is the third largest corporation in the country (in terms of revenue),⁶ with revenue of \$210 billion and a profit of \$18.7 billion in 2007.⁷ While Chevron benefits from its strategic location, the people, and the infrastructure provided by the City of Richmond, how much it gives back in terms of local revenue has not always been clear.

WHAT DID OUR RESEARCH FIND?

The portion of the City of Richmond budget that comes from Chevron's taxes and fees is debated: it has been published that it comprises as much as 33% of the budget, while some residents doubt it is so high.⁸ The purpose of this indicator was to investigate this discrepancy in perception and gather all relevant, publicly available data to determine how much Chevron actually contributes to the City of Richmond.

Based on publicly available information, Chevron paid \$25,066,925 to the City of Richmond in 2007 through all significant taxes and fees, which amounted to about 10% the city's total annual revenue (\$246,872,000 in 2007).⁹ Like many large corporations, Chevron also contributes to the community through charitable donations; however, our research shows Chevron's charitable donations are minimal when compared with their tax payments, and ultimately public revenue. Chevron initiated a court case in 2007 challenging the property taxes that benefit the City of Richmond and Contra Costa County. If Chevron is successful, Richmond is expected to lose \$4.7 million, among other fiscal effects. (See sidebar on Chevron charitable contributions.)

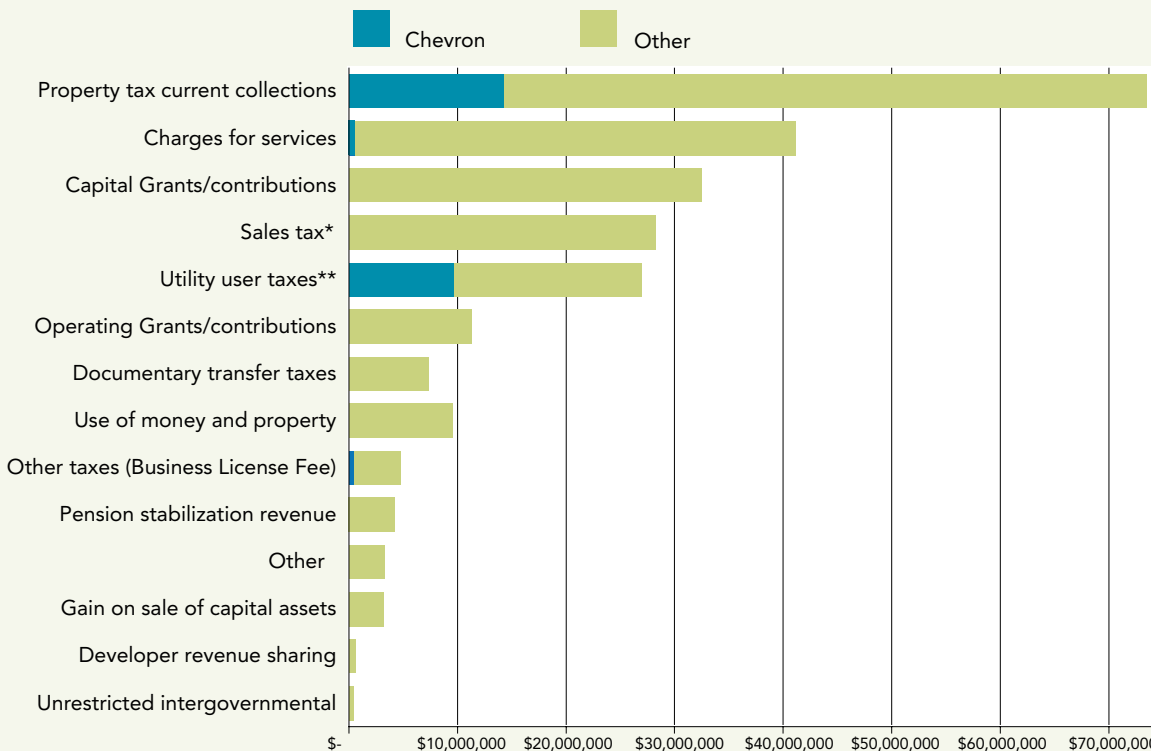
Chevron paid \$25 million in taxes and fees to the city of Richmond in 2007, about 10% of the city's total revenue.

Below is a summary of the taxes and fees that make up Chevron's contributions to local public revenue. For a more detailed description of the taxes, including who has to pay which ones and where the revenue goes, read the full report online at http://www.pacinst.org/reports/tax_revenue_chevron.

Property Tax

The total the City of Richmond received in property tax revenue in fiscal year 2006/07 was \$73.5 million.¹⁰ Chevron contributed \$14.3 million, about 20% of the total property tax revenue received by the city that year.¹¹ The total value of Chevron's property is assessed at \$3,391 million, which amounts to 34% of the net value of all property in Richmond.¹²

Figure 1. SOURCES OF CITY OF RICHMOND REVENUE, FISCAL YEAR 2006-07 (JULY 1, 2006 – JUNE 30, 2007)



* Information on a specific company's sales tax payments is not publicly available; this estimate is based on information that the City of Richmond does not receive sales tax payments from the Chevron refinery.

** The rate used to calculate Chevron's UUT payment is confidential. The figure here is an estimate based on publicly available information (see methods section).

Sewer and Storm Drain Fee (Charges for Services)

The storm and sewer drain fee, while part of a category of city revenue known as “Charges for Services” that includes other sources of revenue, is the only fee from this category that applies to Chevron. Last year, city revenue from “Charges for Services” was \$41.1 million. Chevron contributed \$587,967—about 1.45% of the revenue from Charges for Services.¹³

Sales Tax

All businesses with sales in Richmond must pay 8.75% of the gross receipts of their qualifying sales transactions.¹⁴ Sales tax does not apply to transactions involving a buyer who is going to resell the purchased item.¹⁵ As a result, Chevron is only required to pay sales tax on the sales it makes at retail outlets (gas stations) in Richmond—not on the sales of what is produced at the refinery.¹⁶ The total sales tax revenue received by the City of Richmond last fiscal year was \$28.2 million. The amount Chevron contributed is not publicly available. Even if it were available, it does not speak to our research interest, which is tax revenue associated with refinery operations.

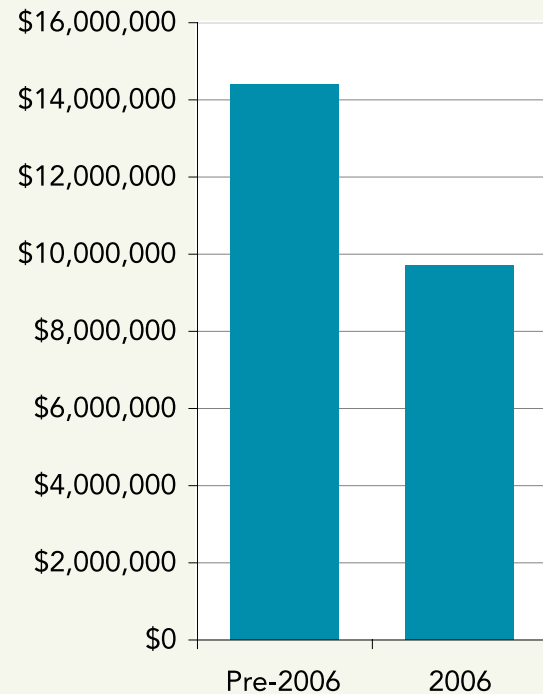
Utility Users Tax (UUT)

This tax on every utility (water, electricity, gas, telephone) user is imposed at the rate of 8% of the costs of utilities.¹⁷ Chevron however, has historically negotiated its own UUT rate; for 20 years (from 1986 to 2006), the city allowed Chevron to pay a flat rate of \$1.2 million monthly, amounting to \$14.4 million annually.

In 2006, Chevron decided to start using the 8% tax rate all other utility users have to use; however, the company has stated that it cannot publicly release information about its utility usage; therefore the public, and even city officials, have had to rely on Chevron itself to calculate how much 8% of utility costs amounts to.¹⁸

According to a September 2006 article in the *Contra Costa Times*, the change in Chevron’s method of calculating their UUT reduced the first month’s payment from \$1.2 million to \$810,000—a reduction of \$390,000.¹⁹

Figure 2. ESTIMATED ANNUAL CHEVRON UTILITY USERS TAX PAYMENTS



If one uses this information, the yearly total revenue from Chevron’s UUT payments would be \$9.72 million, \$4.68 million less than it has paid each year for two decades.

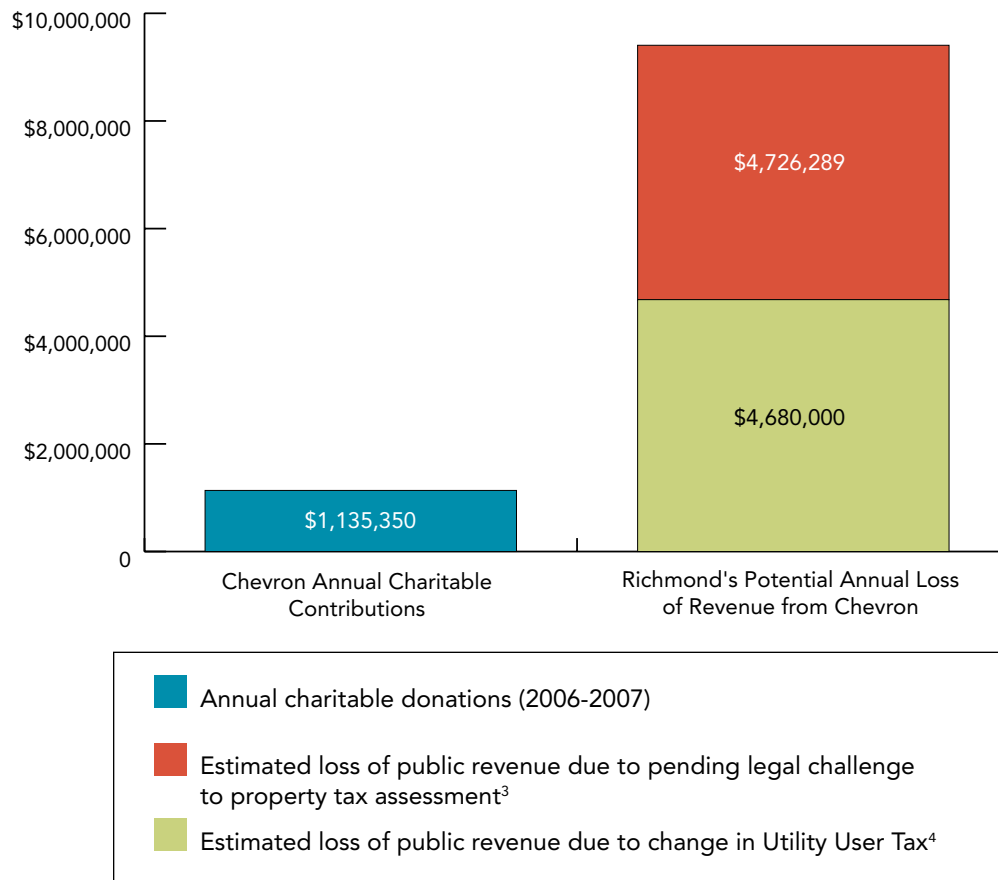
Other Taxes

Every person engaged in the manufacturing, wholesaling, or retailing business, or providing any service to the public, has to pay an annual business license fee. Total Richmond revenue categorized as “Other Taxes,” which includes the business license fee, was \$4.7 million last fiscal year. Chevron’s 2006/07 payment in the Other Taxes category amounted to \$420,000—about 9.71% of all the Other Taxes revenue.²⁰ About a quarter of Chevron’s contributions to Other Taxes comes from the business license fee, which, based on public records stating the number of employees as 2,461,²¹ would have been \$99,088.

CHARITABLE DONATIONS AND LOSSES IN RICHMOND'S REVENUE

Chevron reported giving \$1.25 million to service providers in Richmond and Contra Costa County during 2006¹ and \$1.02 million in 2007.² Contrasting the company's local charitable donations with the money it has already removed and is attempting to remove from public revenue presents a contradiction, however, in Chevron's stated goals of being "committed to contributing to the social and economic development of the Richmond community."

CHEVRON'S ANNUAL CHARITABLE DONATIONS VS. ESTIMATED ANNUAL LOSS IN PUBLIC REVENUE FROM CHEVRON TAX/FEE PAYMENT REDUCTIONS



During a two-year period when the company donated an annual average of \$1.1 million in charitable donations for service providers, Chevron also took action in court to reduce property tax payments to Richmond and changed its UUT payment formula, potentially reducing its annual contributions to city revenue by an estimated \$9.4 million. It is also important to note that Chevron does not have a nonprofit foundation through which it makes donations in Richmond. Therefore, it is not required to publicly release complete information regarding how much and to whom money is donated.

1 Chevron Corporation. (2007). Community Involvement. On file with author.

2 Chevron Corporation. (2008). Community Involvement. Retrieved June 23, 2008 from http://www.chevron.com/products/sitelets/richmond/pdfs/Richmond_Donations_Char_9.pdf.

3 Borenstein, D. (2007, November 25). Chevron refund would harm county. *Contra Costa Times*.

4 Geulardi, John. (2006, September 8). Utility Tax Recalculation Costs City. *Contra Costa Times*. Accessed on April 21, 2008 from <http://www.gaylemclaughlin.net/press-2006.htm>.

WHAT DOES THIS MEAN FOR RICHMOND RESIDENTS?

A lack of public revenue can prevent the adequate maintenance and expansion of public infrastructure and services. Addressing many of the health and environmental justice issues documented in this report will require healthy public revenue. Further, without the means to pay for alternatives to many of these services, low-income residents are particularly impacted when public revenue falls short and services and infrastructure fall into disrepair. Forty-four percent of Richmond residents are considered low, very low, or extremely low income.

Industries like the Chevron refinery offer both a benefit and a cost to the cities in which they are located. The benefits can include the generation of local and regional jobs, charitable contributions, and local and county tax revenue. The costs can include environmental and community impacts on local residents and other businesses, including:

- Lost work time, reduced quality of life, and experiences of stress and fear for local residents when

accidental releases of air pollution trigger an emergency warning system, requiring residents and workers to stay indoors, and at times to seal windows and doors;

- Long-term, chronic exposure to pollutants that are routinely emitted from refineries;
- Diesel pollution, traffic congestion, and increased risk of hazardous accidents from the ships, trains, and trucks that bring liquid petroleum to the refinery and move finished oil products from the refinery.

Because many of these risks are physically specific to the refinery operation itself, while the benefits, such as jobs and tax revenue, may be dispersed throughout a wider geographic area, industrial operations can concentrate risks in a local area, without offering a proportional set of benefits in that area. For a city or community to evaluate these benefits and risks, local residents must have an accurate assessment of what those local benefits are.²²

WHAT CAN WE DO?

Increase transparency and reporting.

The costs and benefits of industries cannot be fully assessed without public access to accurate and timely information. When communities have to rely on information that is self-reported by a company, suspicion and mistrust are inevitable. Regular and reliable access for City of Richmond staff to record Chevron's utility use, along with the public reporting of this information by the city, would help give the community a transparent look at Chevron's contributions to public revenue.

Adopt resident-driven ballot initiatives.

Concerned Richmond citizens gathered 5,300 signatures in support of a November 2008 ballot initiative, Measure T or "A Fair Share for Richmond." The measure—designed to change the city's business license fee structure requiring large manufacturers to pay a rate based on the

volume of raw materials they process—was passed in the November election. It is expected to increase revenue from the business license fee on large manufacturers by \$26 million annually.²³ For more information, contact the Richmond Progressive Alliance, listed below.

Pursue other solutions.

Other solutions may include impact mitigation fees paid by developers and conducting fiscal impact studies of new policies and projects. Information on how these tools have been used by Bay Area communities is available in the report, "Building a Better Bay Area: Community Benefit Tools and Case Studies to Achieve Responsible Development" by the East Bay Alliance for a Sustainable Economy (www.workingeastbay.org).²⁴ Additional ideas may arise from community leaders working to improve the wide range of issues that depend on solid city revenue.

COMMUNITY RESOURCES FOR INFORMATION AND CHANGE

Richmond Progressive Alliance

The Richmond Progressive Alliance is an alliance of progressive Democrats, Greens, and Independents coming together in progressive unity for a better Richmond. Meetings are public and held monthly. For more information, visit www.richmondprogressivealliance.net or contact info@richmondprogressivealliance.net, or call 510.595.4661.

Get to Know Your City's Financial Records

One of the main sources for information on your city's financial situation is the City Annual Financial Report (CAFR). The CAFR reports how much revenue is coming from each different type of tax and how much revenue is

being spent by all the different departments. The CAFR can be found on the City of Richmond website: www.ci.richmond.ca.us.

Attend City Council Meetings

The Richmond City Council meets the first and third Tuesday of every month at 7:00 p.m. at City Hall, 1401 Marina Way South. The meetings are open to the public and often include a time for public comment. The budget is negotiated every year in May-June, with a mid-year budget review in February. You can also watch video recordings of City Council and other city government meetings by going to the website: http://richmond.granicus.com/ViewPublisher.php?view_id=10.

RESEARCH METHODS

This research began by identifying what taxes and fees apply to businesses located in Richmond and generate revenue for the city. The Comprehensive Annual Financial Report (CAFR) for the City of Richmond—produced and released after June 30th each year by the City's Finance Department—includes information on the income to the general fund and overall city budget, the spending of each city department, and the top employers in the city, the number of city employees by department, and other useful information.

The second phase of the research was to identify all types of taxes and fees that Chevron is required to pay that

generate revenue at the city level. Much of this public data was obtained by meeting with the Richmond Finance Department. While the department can legally share some information, it is not permitted to release information about sales tax payments by individual businesses, nor Utility Users Tax (UUT) fees paid by Chevron. The Finance Department did confirm that the sales tax that applies to Chevron is limited to their retail gasoline sales.

Chevron's UUT payment was estimated using a publicly available figure released by the company to the *Contra Costa Times*. The figure reported the lost revenue in the month following the change in how Chevron's UUT charges would be calculated. The Indicators Project estimated a figure for annual loss (in "Chevron's Charitable Donations" box), limited by the assumption that the first month was a predictor of average monthly loss.

The analysis of Chevron's business license fee used the formula the municipal code before Measure T required all Richmond businesses to use to calculate their license fee. The business license fee is \$234.10 plus \$46.80 per employee for the first 25 employees and \$40.10 per employee in excess of 25 employees.²⁵ The number of Chevron employees was taken from the 2007 CAFR "Principal Employers" appendix on page 160. Information on Chevron's payments in the Other Taxes category comes from the Richmond Finance Department.



A Richmond park maintained with public revenue

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- 1 Metropolitan Transportation Commission. (2006). Bay Area Pavement Quality Remains in Danger Zone. Retrieved September 5, 2007 from http://www.mtc.ca.gov/news/press_releases/2006/rel376.htm.
- 2 National Research Center. (2007). The National Citizen Survey, City of Richmond, CA. Boulder, Colorado: NRC, 24.
- 3 See "City Park Conditions" chapter on page 84.
- 4 Additionally, public institutions such as public schools and public transportation are partially funded by taxes that are collected by Contra Costa County.
- 5 Chevron Richmond Refinery. About the Refinery. Retrieved June 19, 2008 from <http://www.chevron.com/products/sitelets/richmond/about/>.
- 6 Associated Press. (2008, April 22). Chevron tops in Bay Area at third on Fortune 500 list. *San Francisco Chronicle*.
- 7 Hoover's. Chevron Income Statement. Retrieved October 7, 2008 from http://www.hoovers.com/chevron/--ID_103877,ticker_CVX--/free-co-fin-factsheet.xhtml.
- 8 For example, *Contra Costa Times* political editor Lisa Vorderbrueggen wrote Chevron comprises one third of the city's revenue sources. Vorderbrueggen, L. (2008, March 2). Richmond facing Chevron decision. *Contra Costa Times*. Alternatively, activists gathering signatures for the Fair Share for Richmond campaign report many residents estimate Chevron's payments to be much less. Langlois, Marilyn. Richmond Progressive Alliance. Personal communication, (2008, June, 12).
- 9 Some previous estimates have not looked at Richmond's entire annual budget, but instead focused on the General Fund, which comprises about half of the city's revenue and is used for a majority of expenses related to local services. However, the revenue from taxes and fees that apply to Chevron go partially into the General Fund and partially into other funds. For instance, less than half (\$33 million) of the city's total revenue from property tax went into the General Fund in fiscal year 2006/07. In terms of spending, less than half of the city's spending last year came out of the General Fund. Some of the non-general fund expenses last year were: \$15 million for public works, \$4 million for community development, and \$2.5 million for culture and recreation. For these reasons, it is more appropriate to look at Chevron's contributions as a portion of the total annual budget.
- 10 City of Richmond. (2006/07). Comprehensive Annual Financial Report (CAFR). Richmond, CA, 8.
- 11 Meeting with City of Richmond Finance Department, March 27, 2008.
- 12 City of Richmond. (2006/07). Comprehensive Annual Financial Report (CAFR). Richmond, CA, 148.
- 13 Meeting with City of Richmond Finance Department, March 27, 2008.
- 14 California State Board of Equalization. (2008). California City and County Sales and Use Tax Rates. Retrieved April 21, 2008 from <http://www.boe.ca.gov/cgi-bin/rates.cgi?LETTER=R&LIST=CITY>.
- 15 California State Board of Equalization. Sales and Use Tax Regulation 1668.
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- 19 Ibid. (same as above)
- 20 Meeting with City of Richmond Finance Department, March 27, 2008.
- 21 City of Richmond Comprehensive Annual Financial Report (CAFR), 2006/07, p. 160.
- 22 The West County Indicators project initially attempted to research information about another benefit of the Chevron refinery, the number of jobs at the refinery that are held by local residents. However, this information is unavailable.
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- 25 City of Richmond Business Tax Code 7.04.030. Available online at, <http://bpc.iserver.net/codes/richmond/index.htm>.



Upkeep of Richmond streets like this one rely on local tax revenue funds.