

Richmond reaches tax deal with Chevron refinery

Katherine Tam, Bay Area News Group, 5-12-10

Richmond and its largest taxpayer will avert a battle at the ballot box, and the city will receive an infusion of \$114 million under a deal approved Tuesday.

The 15-year deal was the culmination of months of negotiations with Chevron that both sides say provides financial certainty at a time when the economy remains shaky.

Chevron will continue to pay utility taxes as required under city law, plus an additional \$4 million to \$13 million a year under a set schedule. Those extra payments will guarantee the city \$114 million over the life of the agreement.

"It was a compromise," said Vice Mayor Jeff Ritterman. "By no stretch of the imagination did we get everything we hoped for."

The City Council approved the agreement Tuesday.

"This is a victory for everyone -- the city, Chevron and the residents of Richmond -- and is an important step in moving toward a more cooperative environment that benefits all of us," said Mike Coyle, refinery general manager.

Chevron and the city have long had a strained relationship and bickered over how much taxes the refinery should pay. The parties dodged what promised to be an ugly, public war for voters' affections this November by agreeing to pull the plug on their rival ballot measures.

The City Council withdrew a measure that sought to eliminate an alternate method for calculating utility taxes, which city officials say Chevron used to pay millions less than it would have if it had followed a 10 percent formula that other ratepayers use.

Chevron, meanwhile, promised to kill its counter-initiative that would have allowed the refinery to continue paying about what it pays now while slashing taxes in half for everyone else.

City officials feared Chevron's initiative would appeal to the average taxpayer and pass, costing the city at least \$8 million a year.

As part of Tuesday's agreement, the city will abandon its appeal of a December superior court ruling that favored Chevron by invalidating the Measure T manufacturers fee approved by voters in 2008. The city refunded the fees Chevron paid while the lawsuit was pending; the oil company will waive \$1.2 million in interest the city is required to pay.

It was a gamble, officials conceded. If Chevron's initiative were to win and the refinery prevails in court, the city could lose up to \$20 million a year and have to cut services.

"We could have virtually lost it all," Councilman Tom Butt said.

The Richmond Progressive Alliance, which fought to pass Measure T and was leading the campaign to approve the city's utility tax measure in November, supports Tuesday's deal.

"The city did not win everything it rightfully deserves," the RPA said in a statement. "But we did win a substantial increase in financial support for the city from Chevron and we can move on to other issues that we need to deal with like crime, jobs, education, public health and the environment."

Some residents complained the city should have held out for a better deal and said voters were robbed of the chance to consider a utility tax measure that would have brought in \$10 million in new revenue a year. Some asked the council to delay a decision so locals can have more time for review, but officials said time is running out.

Chevron indicated it would submit signatures Wednesday to qualify its counter-initiative if the deal was not approved, and an agreement afterward would not be possible, according to City Attorney Randy Riddle.

Also under the agreement, Chevron will not be bound by any new tax measure voters may pass during the 15-year term.

Chevron will complete three provisions in the derailed "community benefits agreement" the parties forged in 2008. The company will perform fence-line air quality monitoring, provide an easement for the Bay Trail and pay \$2 million to reduce greenhouse gas emissions.