

2/17/2009 From Richmond City Councilmember Tom Butt:

Tonight the Richmond City Council voted to accept a proposal from Chevron to settle a dispute over two years of underpaid utility user taxes for a total of \$28 million paid out as follows:

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\$3 million for the Bay Trail
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\$13 million immediately into the general fund
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\$15 million to the general fund over the next three years.

Ever since the utility tax was implemented in the 1980s, the ordinance allowed taxpayers to either pay an arbitrary lump sum (commonly referred to as the "cap") or pay a percentage of utility costs. Chevron was the only taxpayer to elect to pay under the "cap," except for two recent fiscal years when the corporation paid under the percentage method, reducing its taxes by several million dollars a year.

Chevron had maintained that it had selected the cap for many years, even though it was more expensive, because it felt sorry for Richmond and wanted to help. When Chevron finally changed and elected to pay under the percentage method, it simply wrote a check to the City without revealing how the amount was calculated. The City objected and moved to exercise its right to audit the calculation of the tax.

An audit was performed, and subsequently the City of Richmond disputed the way Chevron had calculated its own tax. After protracted negotiations and the threat of litigation, the matter was settled today.

For years, the matter of the cap and whether or not the City would collect more tax without it has been debated. It seems this settlement should also end that debate. It seems likely that the cap, which was a result of Chevron lobbying in the 1980s, has probably cost Richmond and saved Chevron perhaps \$200 million, or more.

Unfortunately, the settlement also included the provision that the City will not initiate an effort to amend the ordinance to remove Chevron's prerogative to select either the cap or the percentage method to calculate its utility user tax for the next four years.