



AGENDA REPORT

Mayor's Office

DATE:	May 21, 2024
TO:	Members of the City Council
FROM:	Mayor Eduardo Martinez and Vice Mayor Claudia Jimenez
Subject:	Richmond Refining Tax Act
FINANCIAL IMPACT:	Staff time to research the issue and develop the necessary ballot measure language.
PREVIOUS COUNCIL ACTION:	May 7, 2024 (Item P.1.) April 16, 2024 (Item V.4.d)
STATEMENT OF THE ISSUE:	To improve quality of life for Richmond residents, the City is seeking new sources of tax revenue. Oil refining has negative impacts on the City, including environmental hazards, public health harms, and stressing emergency services. Community groups have a proposal to generate new tax revenue to improve the City's financial position. In raising new revenue, the City could raise new tax revenue from the oil industry, justified by its negative impacts on the City.
RECOMMENDED ACTION:	RECEIVE a presentation on general tax proposal related to oil refining and DIRECT the City Attorney to review and prepare a Richmond Refining Tax Act ballot measure and related documents- Mayor's Office (Mayor Eduardo Martinez 510-620-6503) and Councilmember Claudia Jimenez (510-620-6565).

DISCUSSION:

In recent years, the City of Richmond has taken a proactive and strategic approach to improving its financial health. Key strategies have included a) implementing new taxation measures ; b) careful adherence to recommendations made by the state auditor and HUD; c) terminating its use of credit swaps; and d) updated, prudent fiscal policies (i.e. the reserve and assumed vacancy rates).

The City has also actively engaged the community in its budgeting process. The annual budget cycle is accompanied by multiple community meetings, wherein the public can learn about the process and provide input on resident priorities. Transparent Richmond, launched in 2020, is a citywide open data and performance reporting system that offers the community access to the City’s financial data and infrastructure projects.

City leadership is, in short, prioritizing its financial health in order to provide budgetary stability and quality services to all Richmond residents.

The draft Fiscal Year 2024-25 Annual Operating Budget, presented to City Council on May 7th, 2024, underscores the need for increased revenue streams. Table 3 of the agenda report illustrates the General Fund currently cannot meet almost \$34 million dollars in budgetary requests across City departments.

Table 3: Additional Funding Requests by Fund

Fund	Amount	Funding Source
General Fund	33,774,274	Unfunded
Planning and Building	971,681	Fund Balance
Port of Richmond	288,551	Fund Balance
Encroachment	167,629	Fund Balance
Wastewater	279,644	Fund Balance
Transportation	300,000	To Be Determined
Kids First	195,489	Fund Balance
Total Budget Requests	35,977,268	

In the same agenda report, tables 4 and 5 provide a General Fund Five-Year Forecast “Middle of the Road” revenues and expenditures scenario, both of which indicate that, within the next 2

¹ Approved by 72.53% of Richmond voters in November 2020, [Measure U](#) authorized a business tax of 0.06% to 5% of gross receipts, with higher rates being assigned to marijuana businesses, firearm businesses and big businesses, generating an estimated \$9.5 million per year for city services including emergency response, street repair, homeless services and youth services.

² Approved by 64.89% of Richmond voters in November 2018, [Measure H](#) authorized the district to increase the real estate transfer tax for properties with a sale price of over \$1 million from 0.7 percent to 1.25 percent for sale prices below \$3 million, 2.5 percent for sale prices between \$3 million and \$10 million, and 3.0 percent for sale prices over \$10 million.

years, the City of Richmond will not be able to achieve a balanced budget without increased revenue streams.

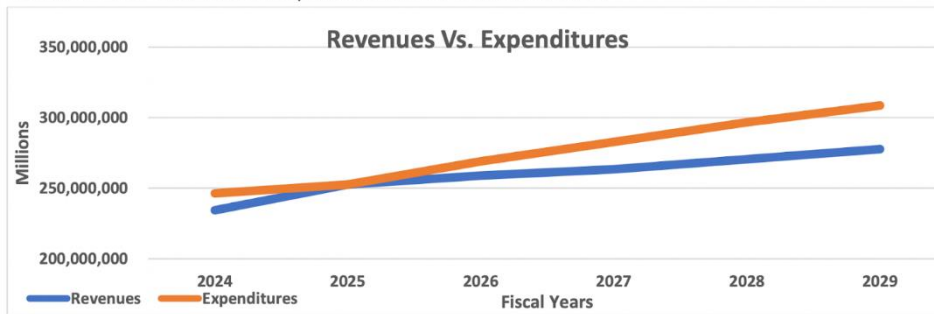
General Fund Five-Year Forecast

Finance staff members prepared General Fund Five-Year Forecast with three revenue and expenditures scenarios: A) Middle of the Road, B) Pessimistic, and C) Optimistic. Table 4 and Table 5 below show Scenario A of the forecast.

Table 4: Five-Year Forecast, Middle of the Road Scenario A

	FY2023-24	FY2024-25	FY2025-26	FY2026-27	FY2027-28	FY2028-29
Revenues	234,380,287	252,509,054	258,768,166	263,390,666	270,439,947	277,655,295
Expenditures	246,295,113	252,509,054	268,890,495	282,679,629	296,698,997	308,571,964
Surplus/(Deficit)	(11,914,826)	-	(10,122,329)	(19,288,963)	(26,259,050)	(30,916,669)

Table 5: Five-Year Forecast, Middle of the Road Scenario



There are also anticipated budgetary needs that the City currently cannot fund but has recognized it must prioritize. The state auditor, for example, takes care to emphasize a dilemma in continuing to improve Richmond’s financial health: high staff turnover and lower staffing levels have historically impacted the City’s finances and economic development; at the same time, the staffing levels the City needs to provide quality services are difficult for the City to afford, given current revenue streams and its commitment to its employees’ retirement packages. The City’s pavement network, as another example, is degrading each year; even preventing further degradation requires millions more each year in budgetary allocations.

Public Impacts Associated with the Refining Industry

There are ongoing negative externalities associated with proximity to a large, pollutive industrial facility. As further described in the attached presentation, the City and its residents face negative public impacts from oil refining, including public health and environmental impacts, and additional stresses on emergency services. With respect to public health, particulate matter from the refinery alone is linked to 5 to 11 premature deaths in Richmond each year. The federal EPA estimates that the health impacts of oil refining in Contra Costa County range from \$70 million to \$140 million annually. Oil spills and other toxic releases underscore the environmental risks and

⁴ Current projections indicate that at the anticipated pavement rehabilitation funding level of \$4 million per year, the PCI will decrease. In order for the City's PCI to remain at the current level of 61, City staff recommend the City Council direct City staff to allocate an additional \$11 million per year above and beyond the anticipated budget, for a sum total of approximately \$15 million per year for the next five years. See February 6, 2024, [Agenda Item Y.4](#).

impacts. Incidents like the 2012 explosion demonstrate that refinery emergencies are Richmond emergencies.

These burdens are each a justification for the City to impose tax liability proportional to the many impacts that oil refining has on our community. These costs are also illustrative, non-binding examples of what the City could allocate, on an annual basis at Council discretion, future revenue towards. Other examples include growing the City's tax base through economic development activities or increasing financial reserves to support public sector employment and general City services in the case of future economic shifts.

Proposal

The City of Richmond has the legal authority to levy taxes within its jurisdiction. Communities for a Better Environment (CBE) and Asian Pacific Environmental Network (APEN) have a proposal on how to raise new revenue from oil refining within the City to improve the City's financial position. By raising additional revenue, it would be possible for the City to also address the impacts associated with the refining sector; if the City chooses to put a general tax forward to the electorate, and should the tax measure succeed, such funding allocation decisions would be made by the City through the ordinary budgeting process for the General Fund. CBE and APEN hope to work with the City on developing a measure to be put forward to the electorate to raise revenue from the refining sector to augment revenue for the General Fund. The purpose of this presentation is to begin such discussions before the Council.

DOCUMENTS ATTACHED:

Attachment 1 — Richmond Refining Tax Presentation