

Chevron appeals for cut in property tax

If refinery successfully argues its rates were unfairly calculated, cities and schools could lose millions of dollars

By Katherine Tam

STAFF WRITER

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Chevron began its appeal Wednesday to change the way the county calculates property tax at the oil giant's Richmond refinery, a request that could cut millions of dollars that flow to cities, schools, parks and fire districts throughout Contra Costa every year.

Chevron argues that the county has incorrectly assessed its land since 2004 and that the company paid \$59.7 million more than it should have from 2004 to 2006. But county officials charged with figuring property values countywide and tallying how much owners should pay say that if anything, the refinery ought to pay more.

The issue is a highly technical one, mired in land values broken down by the square foot and tax methodology, but it has grabbed the attention of public officials who fear losing revenue that helps pay for everything from road repairs and park upkeep to teacher salaries and bus drivers. Public agencies could be asked to refund anywhere from a couple hundred dollars to millions.

Among the hardest hit would be the county, which could be asked to refund \$7.9 million and lose an additional \$2 million a year. The city of Richmond, which is stabilizing itself financially after years of a fiscal crisis that in 2004 resulted in massive layoffs, would be asked to refund \$1.4 million and reduce future budgets by \$4.7 million.

County Supervisor John Gioia, who represents most of West County, is asking Chevron to withdraw its appeal.

"The result of these property tax revenue reductions would be devastating on all of these agencies," Gioia said. "All of us would have to cut services dramatically. At a time when we are trying to fight crime and violence through increased prevention and enforcement activities and trying to save the vital emergency room at Doctors hospital, these revenue cuts would seriously impact our collective ability to be successful at these efforts."

School districts also would be affected, according to county assessor Gus Kramer. Although the state, by law, would reimburse them for any impact on their general funds, he said, it would not do the same for any lost property tax revenue generated from voter-approved school bond measures. He said he did not know how much money that might be.

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Chevron says the key issue is whether the county properly calculated the refinery's property tax in the first place. And if not, local agencies got money they shouldn't have received, the company argues.

"We understand why politicians want to focus on what the outcome may be, but we need to focus on whether the process is being fairly applied," Chevron refinery spokesman Dean O'Hair said.

The hearing before the three-member Contra Costa Assessment Appeals Board began Wednesday in Martinez with an opening statement from attorneys representing the county assessor's office. The hearing continues through Friday before taking a five-week hiatus. Chevron is expected to deliver its opening statement when the hearing resumes Jan. 7.

Chevron is the county's largest property taxpayer and accounts for 2 percent of all revenue. The 105-year-old refinery sits on 2,900 acres that includes ballfields and wetlands. It can process 245,000 barrels of crude oil into gasoline and other products every day.

Chevron and the county assessor disagree on how to correctly assess the property value of the refinery, from how much the land is worth to what investors should expect as a reasonable annual return on investment. In 2004, the first year under debate, the county assessed the refinery land at \$2.5 billion, but Chevron says its assessment should have been \$600 million. For 2005, the county's assessment was \$2.6 billion compared with Chevron's estimated \$940 million. And in 2006, the county's figure was \$2.7 billion compared with Chevron's \$1.14 billion.

Those numbers are higher than the assessment in 2003 before the dispute, Chevron attorney Stephen Davis said. The county's assessment in 2003 was \$1.9 billion, and Chevron made no improvements at the refinery that would warrant such a jump, O'Hair said. Other properties are not assessed the same way as Chevron, the company argues.

"We are trying to reconcile what we think is the correct value," O'Hair said. "This is a process everyone should want to see fairly applied."

County officials stand by their numbers, adding that the Chevron Richmond refinery is being assessed using the same method as other properties, including other refineries.

"It has been the best of time for refineries," said Kevin Lally, the attorney representing the county assessor's office.

Reach Katherine Tam at 510-262-2787 or ktam@bayareanewsgroup.com.

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By the numbers

- If Chevron's appeal is successful and the company seeks a refund, public agencies across the county would be asked to give back a combined \$59.7 million in tax money. The agencies that would pay the most in a 2004-06 refund are:

Contra Costa County: \$7.9 million

Contra Costa Fire District: \$4 million

San Ramon Valley Fire District: \$1.9 million

East Bay Regional Parks: \$1.7 million

City of Richmond: \$1.4 million

- This is how much local agencies would lose in the future if the Chevron appeal succeeds:

Contra Costa County General Fund: \$2,015,347

Contra Costa Flood Control District: \$24,283

Contra Costa Water Agency: \$4,947

Contra Costa County Mosquito Abatement District: \$21,627

West Contra Costa County Healthcare District: \$212,006

EBMUD Special District 1: \$207,714

AC Transit Special District 1: \$767,199

BART: \$87,461

Bay Area Air Pollution Control District: \$25,483

East Bay Regional Park District: \$415,964

City of Richmond: \$4,726,289

Richmond Sewer District 1: \$45,397

Source: Contra Costa County

Note: Supervisor Gioia's Letter to Chevron on next page.

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John Gioia (say "Joy-a")
District One
Board of Supervisors

Contra Costa County

11780 San Pablo Avenue, Suite D
El Cerrito, CA 94530
Phone: (510) 374-3231
Fax: (510) 374-3429

November 27, 2007

Mr. Dean O'Hair
Chevron-Texaco
P.O. Box 1272
Richmond, CA 94802



Dear Mr. O'Hair:

I am greatly concerned about the financial impact that Chevron-Texaco's ("Chevron") property tax assessment appeal will have on the ability of local governments in Contra Costa to serve our residents. I appreciate that Chevron is the largest property taxpayer in Contra Costa County and accounts for approximately two percent of all property tax revenue.

The County Administrator's Office has prepared a detailed chart itemizing the revenue impact upon local government if your property tax assessment appeal is successful. Based on the reduced values sought by Chevron in its filed Application for Changed Assessment, nearly all local governments throughout Contra Costa County would share the costs of a substantial property tax refund to Chevron.

Specifically, Richmond's share of the refund back to Chevron would be \$1,472,147, the County general fund share (including library fund) would be \$8,813,327, Contra Costa Fire District's share would be \$4,026,758, and the West Contra Costa Healthcare District (Doctor's Hospital) share would be \$159,091. Even the San Ramon Valley Fire District would suffer a \$1,917,948 loss as its share of the refund.

Furthermore, the amount of property tax collected from Chevron in future years would be substantially reduced. Based on the County Administrator's Office calculations, the following agencies would lose annual revenue in the following amounts:

Contra Costa County General Fund	\$2,015,347
Contra Costa Flood Control District	\$24,283
Contra Costa Water Agency	\$4,947
CCC Mosquito Abatement District	\$21,627
West CCC Healthcare District	\$212,006
EBMUD Special District 1	\$207,714
AC Transit Special District 1	\$767,199
BART	\$87,461
Bay Area Air Pollution Control District	\$25,483
East Bay Regional Park District	\$415,964
City of Richmond	\$4,726,289
Richmond Sewer District 1	\$45,397

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EAST RICHMOND HEIGHTS ♦ EL CERRITO ♦ EL SOBRANTE ♦ KENSINGTON ♦ MONTALVIN MANOR
NORTH RICHMOND ♦ RICHMOND ♦ ROLLINGWOOD ♦ SAN PABLO

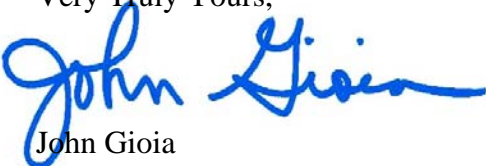
The district that I represent, West County, would be hardest hit by the revenue reduction resulting from your successful property tax appeal.

The result of these property tax revenue reductions would be devastating on all of these agencies. All of us would have to cut services dramatically. At a time when we are trying to fight crime and violence through increased prevention and enforcement activities and trying to save the vital emergency room at Doctors' Hospital, these revenue cuts would seriously impact our collective ability to be successful at these efforts. I cannot think of a worse time for local government to reduce the number of firefighters, police officers, sheriff deputies, district attorneys, employment counselors, and probation officers. Also, these revenue cuts could cause reductions in park and recreation programs and library hours which are all important in fighting crime.

I urge Chevron to reconsider its property tax assessment appeal and withdraw its request for a substantially lower property tax assessment of its Richmond Refinery. There is precedent for such action. Just last year, Conoco-Phillips withdrew a similar appeal to reduce the value of its Rodeo Refinery, saving local government from having to make significant cuts in services.

I would welcome the opportunity to discuss this matter with you in more detail.

Very Truly Yours,



John Gioia
Supervisor, District One