LOCALNEWS
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THURSDAY, DECEMBER 14, 2006

City Council considers oil tax increase

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LONG BEACH — In her first major public announcement since taking office in July, City Auditor Laura Doud on Wednesday said the city is missing out on millions of dollars in tax revenue because its oil production tax is far below market price.

In a memo, Doud asked the City Council to change the city code that sets the tax rate by placing the item up for a vote of the people.

"This is an urgent issue. It's a source of revenue for the city, so we need to act as quickly as possible," Doud said.

At stake is the 15 cents-per-barrel tax generated from millions of barrels of oil extracted by dozens of oil companies in Long Beach. In fiscal year 2006, these companies produced 14.8 million barrels of oil, which translated into $2.2 million in tax revenue for the city, Doud said.

Councilman Gary DeLong, who has been working with the City Auditor's office on the issue, said a reasonable increase would be doubling the tax and adjusting it annually based on the Consumer Price Index and for inflation.

"It seems like a no brainer to me. It's a reasonable increase," DeLong said.

But James Eastlack, president of Tidelands Oil Production Company, which extracts about 8,000 barrels of oil a day in the city, said a tax increase would hurt his company's bottom line.

"Additional taxes add to the cost of production," Eastlack said. "To some degree, it will leave some barrels in the ground."

He said he expected the city to raise the tax.

Doud compared Long Beach's 15 cent tax to the rates set by nine nearby cities, including Signal Hill, which imposes a tax of 60 cents per barrel, the highest among the cities her office studied. Only one other city studied — El Segundo at 2 cents per barrel — had a lower rate than Long Beach.

If the tax is raised to 30 cents per barrel, that would give the city an additional $2.2 million, doubling the current revenue stream.

The revenue could be used to hire more police officers and to repair sidewalks and streets, DeLong said, an idea that he said has general support from his council colleagues.

Mayor Bob Foster said he supports a "substantial increase" in the oil tax and said it would not affect oil production.

The council may decide by February if the matter should be placed on a ballot, DeLong said. The council will also propose by how much to raise the tax.

If council members decide to place a general tax measure, one that doesn't specify a use for the money, the earliest election would be in April 2008. This requires majority vote to pass.

But if the council places the item as a special tax, which would designate the revenue for a specific use, it could go on a likely special election ballot in April 2007. Under this scenario, at least two-thirds of voters must approve.

Debating government

The head of a city management group and the former city manager of Cincinnati on Tuesday praised the council-city manager form of government, which Long Beach currently uses.

Addressing the mayor and the council at a Charter Amendment Committee meeting at council chambers, Bob O'Neill, executive director of the International City Management Association, said most cities, both big and small, use the council-manager structure.

"Cities that operate under the council-manager form of government have a proven performance record that is generally superior to their mayor-council counterparts," O'Neill said.

He cited AAA bond ratings, which he said gave more higher grades to council-manager governments than to mayor-council forms.

The council-manager structure, O'Neill explained, emerged at the turn of the 20th century in response to rampant corruption and nepotism by powerful city bosses.

He said the mayor-council form shifts significant power to the mayor, a move that he said could mean "less responsiveness, not more, to the needs of city residents and their neighborhoods."