

How Will Measure T Affect Small Businesses?

Most small businesses in Richmond are not manufacturers and will have no fee increase.

For a manufacturing company, whether small or large, to calculate any effect from Measure T, they need to compare their current business license fee, or BLF (based on number of employees) and one fourth of one percent of the value of raw materials used in a year.

It's important to note that as a company spends more for its raw materials, it will also be making more products and bringing in more money in sales. The more expensive the raw materials, the more expensive the product will be, with or without Measure T.

Assuming a common manufacturing business model of **raw material costs equaling about 25% of gross sales**, the examples below give some possible scenarios. (Figures are rounded for ease of reading.)

Company	A	B	C	D	E	F
# employees	0	0	10	10	100	100
raw mat.value	\$107,000	\$150,000	\$300,000	\$700,000	\$2,000,000	\$6,000,000
gross sales	\$428,000	\$600,000	\$1,200,000	\$2,800,000	\$8,000,000	\$24,000,000
current BLF	\$268	\$268	\$750	\$750	\$5,000	\$5,000
BLF under T	\$268	\$375	\$750	\$1,750	\$5,000	\$15,000

Note that company A is doing very well as a sole proprietorship with no employees and has no increase in their fee under Measure T. Company B is also a sole proprietorship, and is extraordinarily successful for a one-person operation (\$600,000 in gross sales per year), yet its fee increase is only about \$100, equivalent to what a homeowner might pay for a parcel tax.

Companies C and D each have 10 employees. Company C, with \$1.2 million in sales, has no fee increase. Company D, with over double the sales (\$2.8 million), would only have a \$1000 fee increase, equivalent to about \$3 dollars per day—a small price to pay for improving the overall community.

Companies E and F each have 100 employees. Company E, with \$8 million in sales, has no fee increase. Company F, with triple the sales (\$24 million), would have a \$10,000 per year or \$30 per day fee increase, which given the very large business volume, is again a nominal price to pay for improving the overall community.

These scenarios can also be viewed as stages in one company's growth from a sole proprietorship to a multi-million dollar enterprise with 100 employees. In this case as well, the company is doing extraordinarily well. At many stages it will have no increase in fees at all, and those small fee increases that may occur are easily affordable relative to the substantial volume of business.

When viewed within the context of the overall success of the company, any fee increases under Measure T are minimal. If a company spends more on raw materials than in the examples given, their sales will presumably be higher, too. For those affected, it is a small price to pay to improve the community. A majority of homeowners vote for and willingly pay school bonds and parcel taxes to improve the community, and those few manufacturers with a nominal Measure T increase will likely do the same.

The calculations for Chevron are of a completely different magnitude, given the amount of crude oil they refine in Richmond, current oil prices, and the immense and growing profits of the Chevron corporation. That is why the Richmond City Attorney estimates over \$26 million in annual revenue from Measure T coming from Chevron.