AGENDA ITEM
CITY COUNCIL MEETING DATE – OCTOBER 14, 2025
BUSINESS ITEM

TO	:	City Manager
FROM	:	Finance Director
SUBJECT	:	**VALERO BENICIA REFINERY ECONOMIC IMPACT STUDY**

EXECUTIVE SUMMARY:
On April 16, 2025 the Valero Energy Corporation notified the City of Benicia and submitted notice to the California Energy Commission of its intent to idle, restructure, or cease refining operations at the Benica Refinery by the end of April 2026. The direct and indirect economic activity related to operating the Benicia Refinery have a significant impact on the revenues for the City of Benicia. The City engaged HdL ECONSolutions to conduct an Economic Impact Study and report on the projected revenue loss associated with a closure of the Valero Benicia Refinery.

RECOMMENDATION:
Receive the reports (Attachment 1 & 2) and presentation (Attachment 3) and discuss projected impacts to the City of Benicia.

BUDGET INFORMATION:
There are no direct budget actions related to this item. The expense for the report has been charged to the Finance Department contract services account within the adopted budget.

The report projects a revenue loss of $10.7 million annually, comprised of a General Fund loss of $7.7 million and a Water Fund loss of $3.0 million. The City has initiated implementation of a Priority Based Budgeting tool, the results of which are intended to be used to recommend budget reductions to Council.

BACKGROUND:
Valero Energy Corporation has owned and operated the Benicia Refinery since 2000. The refinery was originally built for Humble Oil, later called Exxon. Construction of the facility began in 1968 and was completed in 1969. The refinery, along with the direct and indirect economic activities of supporting businesses, have been a significant contributor to the City's revenue. A variety of revenue types are generated from this activity, including Utility Users Tax, Water sales, Property Tax, Sales and Use Tax and Transaction Tax (TUT), Transient Occupancy Tax, and Business License Tax. The Economic Impact Study (Attachment 1) assessed projected revenue loss for each of these categories. The study also identified two indirect impacts, (1) job loss and

consumer spending and (2) loss of philanthropic and community support. HdL ECONSolutions also prepared a supplemental report (Attachment 2) to summarize job loss and consumer spending. The job loss and consumer spending impacts have a regional impact, and as such, the City will first focus on the revenue streams affecting the City of Benicia while conducting outreach and partnering with regional organizations to support mitigation and resiliency efforts for job loss and consumer spending.

HdL ECONSolutions was selected to complete this study in part because the City has an existing agreement with HdL Companies to provide TUT consulting and TUT audit services, which grants HdL Companies access to confidential TUT records. HdL ECONSolutions has partnered with all functional areas of HdL Companies that provide services to the City of Benicia.

NEXT STEPS:
Staff will continue to be engaged with site reuse planning efforts, and the City Manager's Office will coordinate with regional agencies who can support economic diversification, business retention and expansion, and workforce transition. Recommended budget reductions to be effective for the fiscal year 2026/2027 budget will be presented to Council for consideration at a future meeting.

ALTERNATIVE ACTIONS:
None.

CEQA Analysis	This action is exempt from the California Environmental Quality Act (CEQA) Guidelines Section 15061(b)(3), the "general rule" exemption which states that where it can be seen with certainty that there is no possibility the activity in question may have a significant effect on the environment, the activity is exempt from CEQA.

ATTACHMENTS:
1. Economic Impact of Valero Refinery Closure Report
2. Labor Market and Economic Impact from Refinery Closure Report
3. Presentation

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ECONOMIC IMPACT OF VALERO REFINERY CLOSURE

CITY OF BENICIA, CA

Submitted by:
EconSolutions
HdL Companies
September 2025

Contents

Economic Impact of Valero Refinery Closure on Benicia

Executive Summary

In early 2025, the City of Benicia was formally notified of Valero Energy Corporation's announcement that its subsidiary, Valero Refining Company-California, has submitted notice to the California Energy Commission of its intent to idle, restructure, or cease refining operations at the Benicia Refinery by the end of April 2026. This decision marks a major economic inflection point for Benicia, with far-reaching consequences for municipal revenue, employment, and local business activity.

To assess the scope of these impacts, the City of Benicia engaged HdL ECONSolutions to conduct a comprehensive Economic Impact Study. The analysis draws on quantitative data, business outreach, and industry-standard multipliers to estimate the direct and indirect effects of the refinery's closure. It is important to note that the findings do not account for potential mitigating factors such as site remediation, environmental clean-up, or interim land uses during the transition period.

Key findings include:

- **Utility Users Tax (UUT):** Valero is the City's largest UUT contributor, projected to pay \$4.42 million in FY 2025–2026. This revenue will be lost unless a replacement high-utility-consuming business is identified. The timing of the loss depends on the pace of decommissioning.

- **Water Utility Revenue Impact:** Valero Refining Company has historically been the City of Benicia's largest water customer, contributing approximately \$2.7 to \$3 million annually to the City's Water Enterprise Fund. While this revenue does not support the General Fund directly, the loss represents a significant financial impact to the City's self-sustaining water utility operations.

- **Property Tax Revenue:** Valero-owned parcels currently generate approximately \$2.9 million annually in property tax revenue to the City. With the anticipated removal or devaluation of improvements, personal property, and fixtures, the City could face a 90% reduction in Valero's property tax contributions, or a loss of approximately \$2.64 million annually.

- **Sales and Use Tax and Transaction Use Tax (TUT) Revenue:** Benicia's sales tax base relies heavily on industrial businesses, many of which are directly or indirectly connected to refinery operations. Preliminary outreach indicates that several of Benicia's top 30 sales tax-generating businesses expect revenue declines due to the closure. A conservative 5% reduction could result in a $785,000 annual loss.

- **Transient Occupancy Tax (TOT):** Business travel tied to the refinery—particularly contractor and vendor stays—represents a significant portion of weekday hotel occupancy. As those bookings significantly decline, Benicia's TOT revenues are expected to fall. Hotels estimate a 40-50% decline in business travel which would result in an estimated loss of $213,000 in TOT revenue.

- **Business License:** Valero Refining Company, has consistently contributed to this revenue stream. Valero's annual contribution of $5,160 will be lost, with additional $45,000 risk from affected subcontractors and vendors totaling approximately $50,000

- **Job Loss and Consumer Spending:** Job Loss and Consumer Spending: The closure will eliminate approximately 400 direct jobs, with a total estimated payroll loss of $46 million. Using an industry standard 3.0 employment multiplier, up to 1,200 additional jobs may be affected, resulting in a regional payroll loss of $138 million and a potential $103.5 million reduction in annual consumer spending. [1]

  It is important to emphasize that the job loss and consumer spending estimates are **regional** in nature. The City does not have access to employee residency data, and consumer spending typically occurs across multiple communities. These figures should be interpreted as directional estimates to inform planning and policy discussions, rather than precise forecasts of economic loss within city limits.

- **Loss of Philanthropic and Community Support:** Valero has historically contributed millions of dollars annually to Benicia's nonprofit, youth, education, and civic organizations. Its departure represents an intangible but meaningful loss to the community fabric, including the potential reduction of long-standing charitable support and event sponsorships.

[1] Note: The local spending estimate is based on conservative assumptions that 75% of wages are typically spent by households, and of that, approximately 40% is likely to be spent within Benicia. This accounts for non-resident workers and regional spending patterns and provides a directional estimate of potential loss.

- **Total City Fiscal Exposure:** Combining potential revenue losses from UUT, property tax, business license tax, and anticipated reductions in sales tax and TOT collections, the City could face annual fiscal losses exceeding $10.6 million, with some estimates suggesting this figure may rise further as secondary impacts unfold. However, the exact timing of these losses remains uncertain, as the duration and pace of the refinery's wind-down have not been clearly defined. Revenue losses from sources such as property tax, sales tax, and TOT could begin to materialize in the quarters immediately following the cessation of operations, while other impacts may take longer to be fully realized. This creates both short-term and long-term fiscal challenges that will require close monitoring and proactive planning.

This study underscores the urgent need for strategic planning around fiscal stability, economic diversification, and workforce transition. The City will need to consider a range of responses—from attracting new industrial users to supporting affected workers and businesses—while continuing to preserve core services and long-term community resilience.

Introduction

In early 2025, the City of Benicia was formally notified of Valero Energy Corporation's announcement that its subsidiary, Valero Refining Company-California, has submitted notice to the California Energy Commission of its intent to idle, restructure, or cease refining operations at the Benicia Refinery by the end of April 2026. This marks a major economic turning point, as the refinery—located in Solano County along the Carquinez Strait—has been a significant industrial and economic fixture in Benicia for several decades. It has played a central role in the city's economy, employing hundreds of workers and indirectly supporting a wide network of local businesses. The closure of the facility is projected to result in the direct loss of approximately 400 jobs, with further ripple effects expected throughout the broader business community. In response, the City of Benicia has retained HdL ECONSolutions to conduct a detailed Economic Impact Study to better understand the financial and economic implications of this major transition.

While Valero is the only refinery located in Benicia and Solano County, there are two other major refineries in nearby Contra Costa County—the Chevron Refinery in Richmond and the Phillips 66 Refinery in Rodeo. Although these facilities remain operational, the closure of Valero—like the loss of any major regional employer—will likely have broader economic implications across the North Bay Area. Given the interconnected nature of local labor, supply chains, and business ecosystems, the impacts of Valero's departure are expected to extend beyond Benicia's borders, affecting surrounding communities as well.

The purpose of this study is to provide a data-driven analysis of how the refinery's closure may affect the local economy, including impacts on municipal revenues, job loss, consumer spending. Specifically, the report estimates potential declines in key city revenue streams such as utility users tax, water fund revenue, property tax, sales tax, and transient occupancy tax (TOT) and business license revenue. The report will also evaluate and briefly discuss both direct and indirect employment losses and analyzes potential changes in consumer behavior due to income reduction.

In addition to quantitative analysis, the study incorporates outreach to local businesses, particularly those that may rely on the refinery as a customer or service partner. This outreach also included direct engagement with business owners in the downtown area, specifically along First Street, to assess how the closure may indirectly affect the city's small business community. HdL's goal is to equip the City with clear, actionable insights that can support future planning, policy decisions, and potential mitigation strategies.

Introduction to Revenue Impacts

Municipal governments rely on a combination of local revenue sources to fund essential public services such as police and fire protection, road maintenance, parks and recreation, community development, and administrative operations. In the City of Benicia, the primary general fund revenue sources include Utility Users Tax (UUT), Water Utility revenue, Property Tax, Sales and Use tax (both Bradley Burns – local tax and TUT – district tax), Transient Occupancy Tax (TOT), and Business License Tax. Each of these revenue streams plays a vital role in maintaining the city's fiscal health and its ability to provide quality services to residents and businesses.

The impending closure of the Valero Refinery—a major economic driver in Benicia—will clearly impact each of these revenue sources to varying degrees. The UUT, which is assessed on services such as electricity, gas, water, telecommunications, and cable, is a significant contributor to the City's general fund and is directly tied to utility consumption. Property taxes will decline due to the devaluation or removal of equipment and improvements on the site. Sales tax revenue may decrease if service providers and industrial businesses that rely on Valero experience reduced activity or close altogether. The hotel industry may also be affected if business-related travel connected to the refinery ceases, thereby lowering TOT revenue collections. Finally, business license revenues will be impacted if affiliated businesses downsize or shut down operations. The following sections of this report examine these impacts in greater detail and estimate the potential loss of revenue resulting from the refinery's closure.

Utility Users Tax Revenue and Fiscal Implications

The Valero Benicia Refinery is currently the largest single contributor to the City of Benicia's Utility Users Tax (UUT), a 4% levy applied to electricity and natural gas purchased for commercial use. This tax plays a critical role in funding essential City services and general government operations.

Under a longstanding agreement executed in 2007 between Valero and the City of Benicia, the refinery's annual UUT obligation is calculated based on the five-year average of its total utility expenditures—including natural gas and electricity—multiplied by the 4% tax rate. Payments are made in twelve equal monthly installments and are periodically adjusted to reflect changes in energy consumption and pricing trends.

For the 2025–2026 fiscal year, Valero has committed to a UUT payment of $4,422,112, an increase from the previous year's payment of $4,024,062. The projected payment for FY 2026–2027 is expected to rise further to $4,621,987, largely driven by fluctuations in global energy markets and internal refinery consumption forecasts.

The scale of this contribution is underscored by utility cost data: in 2024 alone, the refinery's utility expenditures reached approximately $116.5 million, including $63 million in electricity and $53 million in natural gas. This level of utility usage is tied to the highly energy-intensive nature of refinery operations and makes Valero uniquely significant in the City's tax base.

Should the refinery close as planned, the City stands to lose more than $4 million annually in guaranteed revenue from the UUT, presenting a significant fiscal challenge. However, it is currently unknown how long the wind-down of operations will take, meaning the full extent of this revenue loss may not be realized immediately. Depending on the timeline of decommissioning and utility usage tapering off, the City could see gradual reductions over several months. Once the facility is fully shut down, the actual magnitude of UUT loss will become clearer.

The City's agreement with Valero ensures payment continuity through the refinery's operational period, but no long-term obligation exists post-closure. As such, the planned shutdown of the facility will have an immediate and material effect on the City's ability to fund public services unless new high-utility-consuming businesses are recruited to backfill the loss.

This fiscal consideration will play a central role in Benicia's transition planning and underscores the importance of strategic economic diversification and industrial redevelopment efforts at the refinery site.

Recommended Action

The loss of Utility Users Tax (UUT) revenue stemming from the refinery's closure presents a significant fiscal challenge for the City. Valero's operations currently generate over $4 million in annual UUT payments—an amount that will be difficult to replace given the refinery's unique energy consumption levels and limited comparable users within the city's current economic base.

To address this risk, the City should prioritize strategies that focus on long-term economic diversification and industrial recruitment. Efforts should be made to:

- Attract energy-intensive or advanced manufacturing businesses to the refinery site or other industrial zones.
- Leverage economic development incentives and partnerships to draw private investment.
- Evaluate infrastructure and land use readiness to support new business attraction efforts aligned with high utility usage.
- Proactive planning and outreach—particularly as part of any site redevelopment or reuse process—will be essential to stabilizing UUT revenues over time and minimizing long-term fiscal disruption.

Water Utility Revenue Impacts

The City of Benicia provides municipal water service through its Water Enterprise Fund, which is a self-sustaining fund separate from the General Fund. Valero Refining Company has historically been the City's largest single water customer, accounting for approximately $2.7 to $3 million in annual water usage revenue. The anticipated closure of the refinery will significantly reduce overall water consumption, resulting in a substantial loss to the Water Enterprise Fund. While this revenue decline does not directly affect the City's General Fund, it may have broader implications for the financial stability of the City's water operations.

The $2.7 million loss may be partially offset by lower operational and treatment costs and future planned development, but further analysis by City staff will be necessary to determine the full extent of the net impact. Continued monitoring and potential adjustments to rate structures or operating budgets may be required to ensure the long-term sustainability of the water utility system.

Recommended Action

The City should coordinate closely with its Public Works and Finance teams to analyze the operational and financial implications of losing a major industrial water customer. While water enterprise funds are distinct from the General Fund, rate structures may need to be reevaluated if fixed costs are no longer offset by large users like Valero. The City may consider developing a long-term rate stabilization strategy, including exploring opportunities to attract new water-intensive users to maintain system balance. Any new development will help offset the loss; however, the timing of such projects—including the proposed redevelopment by Signature Development Group—remains uncertain at this time.

Property Tax Impact

The City of Benicia derives a significant portion of its property tax revenue from parcels owned and operated by Valero, which collectively contribute approximately $2.9 million annually to the City's General Fund based on FY 2024–2025 assessments. This figure is calculated using the current assessed property values and the City's share of the 1% general levy property tax.

The Valero site encompasses multiple parcels that include land, buildings (classified as improvements), personal property, and fixtures. Upon closure of the refinery, the assessed value of these components is expected to change significantly.

Land values are expected to remain relatively stable, increasing only with the Prop 13 inflation adjustment unless or until a sale or redevelopment triggers reassessment.

- Personal Property and Fixtures, which are tied to active business use, will be entirely removed from the assessment roll. These values typically reflect machinery, equipment, and other non-permanent assets used in refinery operations.
- Improvements (i.e., structures and buildings) may remain intact physically, but if they are deemed no longer in productive use, they could see a significant reduction in assessed value—potentially down to $0. This outcome depends on the Assessor's evaluation of their functional utility post-closure.

Based on this expected devaluation—assuming full elimination of personal property and fixtures, and full write-down of the improvements—the City's annual property tax revenue from Valero could decrease by approximately $2.64 million. This would represent a loss of more than 90% of the existing property tax contributions from Valero properties, with only the land value component remaining on the tax rolls.

This projected loss underscores the critical fiscal implications of the refinery closure and will require careful financial planning by the City to address potential long-term revenue shortfalls.

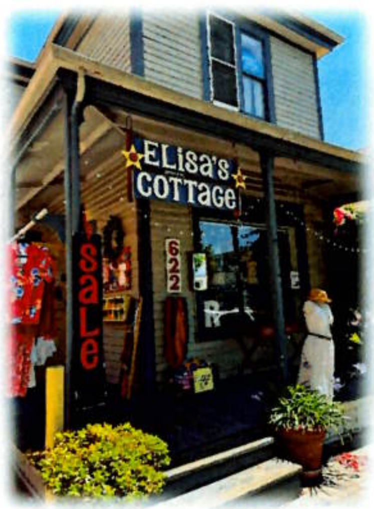
Recommended Action

In response to the refinery closure, Valero has engaged Signature Development Group, a well-regarded Oakland-based firm known for large-scale, community-focused redevelopment projects, to explore the long-term reuse of the 900-acre Benicia site. The City should remain closely involved throughout this process to ensure that future land use decisions align with community goals, General Plan priorities, and long-term fiscal sustainability. While redevelopment presents opportunities to eventually replace lost property tax and other revenues, this transformation is expected to take several years. The City should monitor timelines and anticipated property valuation changes closely and begin adjusting near-term budgets accordingly to account for the expected interim decline in assessed valuation and associated revenue. Early engagement with the developer can help mitigate surprises and position the City to benefit from eventual site reuse.

Sales and Use Tax and District Tax Revenue

Retail Market Overview

As of the most recent reporting period, Benicia's retail inventory remains steady at approximately 896,000 square feet, with no new retail developments currently under construction. This indicates a stable but stagnant retail environment, showing neither significant expansion nor contraction. According to Costar, over the past 12 months, the city experienced a net negative absorption of 7,000 square feet—down from a positive 1,800 square feet in the prior year—suggesting a modest softening in tenant demand and leasing activity, likely influenced by broader economic headwinds and evolving retail trends. This softening may be attributed to broader economic uncertainty, shifting in consumer preferences, and continued transformation within the retail sector.



According to Costar, despite the recent negative absorption of retail space—indicating a modest decline in tenant demand—Benicia's retail vacancy rate has only moderately increased from 2.0% to 2.8%, a figure that reflects a relatively healthy market compared to national benchmarks. Asking rents have remained consistent, with a slight uptick from $2.35 to $2.36 per square foot, signaling sustained interest for retail space. The average market sale price per square foot stands at $325, and the market capitalization rate is 6.7%, both showing minimal change from the previous period. These indicators suggest that while there is some downward pressure on occupancy, property values and investment yields remain resilient.[2]

While Benicia's retail inventory includes many standard retail categories—such as restaurants and beverage outlets, general merchandise, and personal services—the city's sales tax base is uniquely influenced by its industrial character. Unlike more traditionally retail-focused communities, a substantial share of Benicia's sales tax revenue is generated by industrial and service-oriented businesses that support refinery operations and related sectors. These include parts suppliers, engineering and construction services, industrial wholesalers, and logistical providers—businesses that technically fall outside the traditional definition of "retail," but contribute significantly to taxable sales.

[2] Capitalization Rate (Cap Rate): A real estate valuation metric used to estimate the return on investment of an income-producing property. It is calculated as the ratio of the property's net operating income (NOI) to its current market value or acquisition cost. A higher cap rate generally indicates a potentially higher return—and greater risk—while a lower cap rate suggests a more stable investment with lower risk. In formula form: Cap Rate = Net Operating Income ÷ Market Value

Estimated Sales Tax Impact from Business Outreach

Because of the uniqueness of Benicia's industrial sales tax base—particularly among businesses that provide specialized goods and services to the Valero Refinery—the HdL team prioritized outreach to these sectors as part of its economic impact analysis. Many of these businesses do not operate as traditional retailers, but nonetheless generate substantial sales tax due to the nature of their products, services, and industrial sales volumes.

As part of the outreach effort, HdL contacted approximately 30 of the city's top sales tax-generating industrial businesses, focusing on those likely to be affected by the closure of Valero. This outreach sought to assess not only operational impacts, but also potential losses in taxable sales and business continuity.

Preliminary Outreach Results

- 30 businesses were contacted
- 11 reported being either directly or indirectly impacted by the Valero closure
- 10 had not responded as of the close of this report's preparation
- 9 confirmed no current business relationship with Valero and do not anticipate impacts

Among those that expect to be impacted:

- Reported losses ranged from 6% to 45% of total business volume tied to Valero
- Several companies cited millions of dollars in lost business, including one business estimating a current \$5 million annual loss (down from \$10 million in prior years), and another projecting a \$2–3 million impact
- A few businesses indicated that layoffs or potential closure could result, describing the situation as "kill the business, kill the town"
- Others reported indirect ties, such as providing goods or services to Valero contractors or vendors, contributing to broader downstream impacts

Sales Tax Loss Estimation

To translate business-reported impacts into fiscal estimates, HdL staff utilized existing sales tax data in conjunction with the percentage-based or dollar-based impact figures provided by local businesses. These estimates were conservatively applied to taxable sales to project potential revenue reductions. It is important to note that some reported losses may include non-taxable sales or services, and not all businesses responded to the outreach effort. As a result, this analysis offers a general estimate—intended to illustrate the potential scale and trend of fiscal impacts—rather than a complete or definitive accounting of total exposure. Nevertheless, based on HdL's direct engagement with many of Benicia's top sales tax-generating businesses, the projected impact to industrial-related sales tax revenue is estimated at 5% to 10%. Using the more conservative 5% estimate, the annual loss to the City's sales tax revenue is approximately $785,000.

It is important to acknowledge that sales tax revenues are confidential under state law, and individual business data cannot be disclosed. Therefore, while general trends and aggregate estimates are provided in this public report, detailed figures will only be shared directly with City officials for internal planning purposes.

While this preliminary analysis provides insight into the vulnerability of Benicia's industrial sales tax base, it likely underrepresents the full scope of future losses. Some affected businesses may not yet know the full implications of Valero's closure, and additional effects may unfold over time. HdL recommends ongoing monitoring, additional outreach to non-respondents, and proactive economic development strategies to support impacted businesses and diversify the city's tax base.

Other Business Impacts

In addition to the top sales tax-generating businesses, it is important to recognize that a significant portion of Benicia's business community consists of non-sales tax generating entities that may also experience adverse impacts from the Valero Refinery closure. These include professional services, industrial contractors, logistics firms, and specialized service providers that support the refinery directly or indirectly. While these businesses may not contribute to the City's sales tax revenue, they are vital to the local employment base and economic ecosystem.

"Valero represented approximately $2–3 million in annual revenue for our company. While that number has declined in recent years, they remain an important customer. Currently, most of our work with Valero is related to maintenance rather than capital projects, which further limits our engagement as investment levels have dropped. We believe this decline is due in large part to the increasingly stringent regulatory environment in California, which restricts Valero's ability to operate and expand. Without the opportunity for them to grow, our own opportunities for growth are similarly limited."

During HdL's outreach, several business owners within these categories expressed concern that the reduction in refinery-related work would result in lower revenues, leading to operational adjustments such as workforce reductions, restructuring, or downsizing of local operations. These ripple effects, though less visible in municipal revenue streams, are expected to place additional strain on the community's economic resilience and employment stability.

Recommended Action

To prepare for projected reductions in sales tax revenues, the City should continue outreach to major industrial and retail sales tax generators to assess long-term business impacts stemming from the refinery closure. Establishing regular check-ins with key accounts may improve forecasting and allow for early identification of vulnerable sectors. Benicia may also want to explore retail and industrial recruitment strategies to backfill lost activity, and leverage data tools like HdL's InSight to identify potential growth opportunities aligned with the city's zoning and market profile.

Transient Occupancy Tax (TOT) and Hotel Sector Impact

In addition to its industrial suppliers, the Valero Refinery has supported a broader ecosystem of service-oriented businesses in Benicia, including hospitality, dining, and personal services. These businesses have benefited both directly and indirectly from the refinery's ongoing operations, serving Valero employees, contractors, visiting engineers, and support staff who rely on local establishments for lodging, meals, and other essential services.

With the planned closure of the refinery, it is anticipated that hotels may experience a measurable decline in weekday occupancy, particularly as contractor and vendor-related travel ceases. Similarly, restaurants—especially those located near industrial areas and along First Street—may see reduced lunch and dinner traffic tied to the loss of worker patronage. The extent of this impact will depend on several factors, including the pace and duration of the shutdown, the retention of staff during decommissioning, and whether other businesses emerge or expand to fill the resulting demand gap.

To assess the magnitude of these potential impacts more precisely, the HdL team-initiated outreach to each of Benicia's hotel operators and selected food service establishments. These conversations aim to quantify the share of City revenues attributable to Valero-related activity and to understand what operational changes, if any, businesses are considering in response to the closure.

Role of the Hotel Industry

Benicia's hotel sector, though relatively small, plays a meaningful role in supporting the city's tourism economy and generating General Fund revenues through the Transient Occupancy Tax (TOT)—a 13% tax levied on overnight stays. TOT revenues help fund essential municipal services, maintain infrastructure, and support local tourism initiatives.

The city is home to four lodging establishments offering a total of approximately 163 rooms. These include:

- **Union Hotel** – A boutique inn in the downtown historic district featuring 12 uniquely styled rooms with Victorian charm. With average daily rates (ADRs) between $160 and $190, it primarily serves leisure travelers.
- **Best Western Plus Heritage Inn** – The city's largest hotel, offering 96 rooms and a traditional suite of amenities. With ADRs typically between $140 and $190, it attracts a steady stream of both business and leisure guests.
- **Holiday Inn Express** – Featuring 49 rooms, this mid-scale hotel caters largely to business travelers and contractors. Its offerings include business services, breakfast, and fitness amenities, with ADRs similar to the Best Western.

- **Shorelight Inn** – A luxury, adult-only waterfront inn with six upscale suites and ADRs between $180 and $250, appealing to high-end leisure guests seeking a scenic, relaxing experience.

While weekend and leisure travel contribute to occupancy year-round, business-related stays—particularly those associated with the refinery—have historically accounted for a significant share of demand during the workweek. The closure of the Valero Refinery is therefore expected to disproportionately impact hotels such as the Best Western Plus and Holiday Inn Express, which rely more heavily on corporate and contractor bookings.

Benicia's transient occupancy tax revenue is generated primarily from two larger hotels, which together provide approximately 145 guest rooms. These hotels cater to both leisure travelers and a significant volume of business-related stays, particularly from contractors, vendors, and employees working with the Valero Refinery.

During HdL's outreach, representatives from both hotels noted that the pending closure of the refinery could lead to a substantial decline—estimated at 40% to 50%—in business-related hotel stays. Based on historical TOT collections from these properties, such a reduction in occupancy could result in a notable loss of approximately $214,000 in annual revenue for the City.

"Benicia's potential as a tourism destination should not be overlooked. With its historic waterfront, art scene, and proximity to key Northern California attractions, the city is well-positioned to grow its leisure visitor base, especially if supported by collaborative marketing and infrastructure investment."

A drop of this magnitude could translate into a substantial decline in annual TOT revenue, potentially totaling several hundred thousand dollars.

Recommended Action

To help offset this projected loss, the City may want to consider initiatives to attract additional tourism. Strategies could include hosting more downtown events, enhancing marketing efforts, and promoting Benicia's waterfront, historic character, and walkable downtown as a weekend or getaway destination. These efforts would not only help diversify the city's visitor base but also strengthen the long-term resilience of the hospitality sector during the post-refinery transition.

Business License Tax Revenue Impacts

In addition to major revenue sources like sales tax, property tax, and utility users tax, the City of Benicia collects annual business license taxes to support general municipal services. Valero Refining Company, classified under Manufacturing (Class C), currently pays an annual business license tax of approximately $5,160, based on a combination of gross receipts, employee counts, and processing fees.

While Valero's direct contribution represents a relatively small portion of the City's overall revenue portfolio, it has been a consistent and reliable source of funding. However, following the refinery's closure, this revenue stream will be eliminated unless a comparable business with similar employment levels and operational scale occupies the site.

Importantly, Valero's presence also supports a substantial network of subcontractors and vendors. At the time of this reporting, approximately 110 vendors and contractors were operating on-site, contributing an estimated $45,000 in additional business license revenue. Combined with Valero's own payment, the total business license revenue associated with the refinery's operations amounts to approximately $50,000 annually.

It's important to note that this figure does not capture all business license revenue potentially linked to Valero. Many businesses operate across multiple sites or clients, and their license fees—based on gross receipts and payroll—may reflect a mix of activities not solely tied to the refinery.

The closure of the refinery not only removes Valero's direct contribution but also introduces significant risk to this broader ecosystem of industrial service providers. These businesses may experience revenue declines or cease operations altogether, further impacting Benicia's business tax base and local employment. While the full extent of these secondary losses is not yet quantifiable, they represent a meaningful threat to the City's economic stability and municipal funding.

Recommended Action

Although Valero's direct business license tax contribution of $5,160 may appear modest in isolation, the total annual business license revenue associated with its operations—including over 100 on-site vendors and contractors—amounts to approximately $50,000. This represents a more substantial and interconnected revenue stream tied to both employment and industrial activity.

The City, with the assistance of HdL should continue to monitor business license renewals and identify early signs of attrition among Valero-related subcontractors, as their departure could compound the financial impact of the refinery's closure. Strengthening business license tracking systems to flag changes in workforce size, operational status, or vendor activity will be critical. Additionally, Benicia should explore targeted incentives and outreach strategies to attract and retain businesses in the manufacturing, logistics, and industrial services sectors to help preserve revenue diversity and mitigate long-term economic disruption.

Annual Projected Revenue Losses

Annual Projected Revenue Loss Estimates	
General Fund Revenue	
Utility Users Tax	$4,000,000
Property Tax	$2,644,272
Sales Tax	$785,000
TOT	$213,615
Business License	$50,000
Total General Fund	**$7,692,887**
Water Utility Fund	
Water Utility	$2,959,678
Total	**$10,652,565**

Summary of Job Loss and Economic Impact

The closure of the Valero Refinery in Benicia is expected to have a significant ripple effect across the **regional economy**. Approximately 400 direct jobs will be lost, with an average annual wage of $115,000, according to data from the California Employment Development Department (EDD). This equates to an estimated $46 million in direct annual payroll loss.

However, the total economic impact extends well beyond direct employment. Based on industry-standard multipliers from the U.S. Bureau of Economic Analysis (BEA), each refinery job supports roughly two additional jobs in the broader economy. Using this 3.0 multiplier, the total potential job loss could range from 1,200 to 1,400 positions, affecting sectors such as transportation, maintenance, hospitality, retail, and professional services.

It is important to emphasize that these spending estimates reflect regional patterns, not impacts exclusive to Benicia. Accordingly, these figures should be interpreted as directional or general estimates intended to inform planning and policy discussions, rather than precise forecasts of economic loss within city limits.

Note: A more complete Job Loss and Consumer Spending Impact Report has been prepared under separate cover, providing detailed assumptions, methodology, and data tables.

Loss of Community Support and Philanthropic Partnership

Beyond its role as a major employer and taxpayer, Valero Refining Company has long served as a key community partner in Benicia. During HdL's outreach to local small businesses and stakeholders, many expressed deep concern over the anticipated loss of Valero's philanthropic and civic engagement.

Beyond its role as a major employer and taxpayer, Valero Benicia Refining Company has been a long-standing and deeply engaged community partner. Stakeholders and residents frequently highlighted Valero's outsized contributions during HdL's outreach, expressing concern about the vacuum its departure will leave in the civic landscape.

Over the past several decades, Valero has contributed millions of dollars in funding to local schools, youth organizations, nonprofits, and community events. Beneficiaries have ranged from academic programs and STEM initiatives in the Benicia Unified School District, to youth sports like Benicia Youth Football and Benicia High School Baseball and Cheerleading, to cultural and service organizations such as VOENA, St. Paul's Peddlers Fair, the Society of St. Vincent de Paul, and the Rotary Club of Benicia Foundation. Valero's philanthropic footprint helped sustain events, scholarships, after-school activities, food assistance, and numerous causes integral to community well-being.

While these contributions are not reflected in the City's General Fund, they represent an intangible but significant loss of civic and cultural infrastructure. The departure of such a foundational partner will likely leave nonprofits, schools, and volunteer-led groups scrambling to fill the void.[3]

Supporting Outreach and Qualitative Observations

As part of the economic impact assessment, HdL staff conducted a comprehensive site visit to Benicia's downtown corridor and met with numerous local businesses to better understand potential effects stemming from the closure of the Valero Refinery. These in-person conversations provided valuable insights into the level of awareness among small businesses and allowed for direct feedback on how the closure might influence customer traffic, supply chain relationships, and overall business activity in the downtown area.

In addition to the downtown outreach, HdL staff participated in the monthly meeting of the Benicia Industrial Park Association (BIPA) to engage directly with industrial businesses located in the Benicia Industrial Park. This forum allowed for broader outreach to companies that may be more directly or indirectly tied to Valero's operations. The discussion provided further context in an effort to further assess potential revenue loss, workforce disruptions, and uncertainty surrounding future business continuity for suppliers, contractors, and service providers.

This two-pronged outreach approach—engaging both the downtown business community and the industrial sector—was instrumental in shaping the findings of this report and ensures that the analysis reflects the diverse economic impacts across Benicia's business landscape.

[3] Valero Benicia Community Advisory Panel (CAP) presentations and donation history are available at: https://www.beniciacap.com/presentations

While some of the direct revenue impacts of the Valero refinery closure are known—such as losses in utility users tax, water revenue, property tax, sales tax, and business license revenue—many broader implications remain uncertain. The true scope of the economic fallout, including both direct and indirect effects, may extend well beyond initial projections.

Conversations with both the industrial business community and downtown small business owners reveal a shared sense of uncertainty about what lies ahead. Many expressed concerns about the long-term viability of their operations and the potential ripple effects across their customer base, supply chains, and staffing. Business owners may be turning to the City for leadership and collaboration, understanding that economic recovery and reinvention will be a long-term process.

Recommended Next Steps and Regional Support Resources

The City is facing substantial fiscal exposure—potentially exceeding $10.6 million annually—across key revenue streams including utility users Tax, water fund revenue, property tax, sales tax, transient occupancy tax, and business license fees. The closure also represents the loss of approximately 400 direct jobs and up to regional 1,200 regional indirect and induced jobs, resulting in a projected $138 million reduction in regional payroll and over $100 million in lost regional consumer spending.

Given the scale of the impact, the City must begin preparing now to ensure a stable fiscal and economic future.

As a small city with limited internal staff capacity, the City of Benicia will require support from external agencies and regional partners to effectively navigate the economic challenges stemming from the Valero Refinery closure. The following recommended strategies are critical to long-term resilience and economic recovery—but will likely need to be executed in coordination with state, regional, and county-level organizations:

Economic Diversification

Recommendation: Actively pursue new industrial and commercial uses for the Valero site and surrounding areas, focusing on sectors that offer high job creation and utility consumption to offset lost revenue. While a new refinery use is unlikely, and another heavy industrial use may not be feasible or popular with the community, the City should still pursue and help attract other users—such as advanced manufacturing, clean energy, or technology firms—that may help alleviate some of the fiscal impacts of Valero's departure.

Potential Partners:

- Governor's Office of Business and Economic Development (GO-Biz) – Site selection assistance, investment attraction.
- Solano Economic Development Corporation (Solano EDC) – Business recruitment and site marketing support.
- Association of Bay Area Governments (ABAG) – Economic resilience planning and regional economic recovery tools.

Business Retention and Expansion

Recommendation: Support existing local businesses affected by the closure—particularly those in the refinery supply chain—by offering technical assistance, financing, and contract opportunities.

Potential Partners:

- Small Business Development Center (SBDC) – Business consulting, access to capital, and continuity planning.
- Workforce Development Board of Solano County (WDBSC) – Employer services, hiring incentives, and layoff aversion programs.
- Benicia Industrial Park Association (BIPA) – Local coordination with industrial tenants and business networking.

Workforce Transition

Recommendation: Collaborate with workforce development agencies to support displaced workers with retraining, certification, and job placement programs.

Potential Partners:

- Workforce Development Board of Solano County (WDBSC) – Dislocated worker services, individualized employment plans, retraining funds.
- California Employment Development Department (EDD) Northbay Region– Unemployment insurance, job fairs, and rapid response services.
- Solano Community College – Customized training programs and short-term workforce credentials.

Site Reuse Planning and Land Use Support

Recommendation: Valero has retained Signature Development Group, an experienced Oakland-based real estate developer, to explore long-term redevelopment opportunities for the 900-acre refinery property. The City of Benicia should remain closely engaged with Signature throughout the planning process to help guide outcomes that align with community goals, infrastructure capacity, and economic diversification needs. Given the scale and complexity of the site, the redevelopment effort is expected to span several years and require sustained coordination between the City, the developer, and other stakeholders.

To support this effort, the City may also consider engaging a regional land use and environmental planning firm experienced in:

- Industrial site reuse and economic transition planning,
- Community engagement and visioning,
- General Plan or Specific Plan updates,
- Infrastructure and mobility planning, and
- Environmental review under CEQA.

Firms with this expertise can help the City evaluate zoning adjustments, infrastructure needs, and community priorities to ensure that the redevelopment contributes meaningfully to Benicia's long-term fiscal health and quality of life.

Recommendations to Support Downtown Tourism and Economic Vitality

Benicia's downtown corridor remains a beloved destination with its historic charm and eclectic mix of locally owned bookstores, boutiques, cafés, restaurants, and galleries. This vibrant mix contributes to a walkable environment that appeals to residents, day-trippers, and regional tourists alike.

Strengthen Ground-Floor Retail Clustering

While the core blocks of First Street feature a strong concentration of visitor-serving retail, service-oriented businesses such as real estate offices, insurance agencies, and fitness studios continue to occupy several ground-floor spaces—particularly in the northern portion of the corridor. Although these businesses contribute to employment and the local economy, they do not generate the same level of pedestrian activity, window shopping, or impulse visits typically associated with a strong retail environment.

To encourage continued retail clustering and protect First Street's tourism appeal, the City may consider evaluating its zoning policies or establishing a downtown overlay district that prioritizes retail and restaurant uses at the ground floor. Current non-retail businesses could be grandfathered in, with transitions occurring naturally as leases expire or businesses relocate. This strategy has been used effectively in other small cities to support economic vitality without imposing immediate displacement.

Optimize Parking for Visitors

Concerns about parking availability are common in downtown Benicia, particularly during events. However, prior studies and recent observations indicate that parking supply generally meets demand outside of peak festival periods. The greater challenge lies in parking management—specifically, the tendency for long-term employee parking to displace short-term visitors in prime spaces along First Street.

To improve customer access, the City could implement low-cost, low-disruption parking strategies such as:

- Enforcing the existing three-hour parking limit to promote turnover;
- Encouraging downtown employees to park in less central locations to preserve convenient spots for visitors;
- Working with private lot owners to create shared parking arrangements during weekends or off-hours.

These approaches can improve the parking experience without the need for paid systems or costly infrastructure upgrades.

Encourage Downtown Programming

Expanded programming—such as evening art walks, seasonal night markets, sidewalk sales, or live music—can enhance foot traffic and reinforce Benicia's identity as a cultural and historic destination. These events do not require major capital investment and can often be executed through collaboration with local organizations such as the Chamber of Commerce, Main Street groups, or tourism partners.

These recommendations are intended as potential strategies, drawn from economic development best practices, to enhance the downtown experience and support tourism-based revenue streams such as increased Sales Tax and Transient Occupancy Tax (TOT).

Consideration of a Property-Based Business Improvement District (BID)

The City of Benicia currently has a business-based Business Improvement District (BBID) managed by the Downtown Benicia Alliance. This district has provided targeted benefits to downtown businesses, including marketing, promotions, and beautification efforts, all funded through assessments on participating businesses. The Alliance has been an active partner in supporting the vibrancy of First Street and ensuring that downtown remains a hub for shopping, dining, and community activity.

As the City looks to strengthen the long-term vitality of the downtown corridor, one option may be to expand or transition the existing business-based BID into a property-based BID—if downtown property owners express the desire to further invest in their shared district. Unlike business-based BIDs, which rely solely on business assessments, property-based BIDs broaden the base of investment to include property owners who directly benefit from a thriving downtown.

Potential benefits of a property-based BID include:

- A more stable and predictable funding stream tied to property rather than business operations, providing long-term financial sustainability.
- Greater alignment of property-owner interests with business vitality, ensuring reinvestment in downtown infrastructure, maintenance, and marketing.
- Expanded ability to finance capital improvements such as enhanced streetscape, lighting, parking management, and public safety measures.
- Increased property values and tenant attraction, as a more vibrant and well-maintained downtown directly benefits landlords and investors.

If pursued, the City could facilitate exploratory conversations with downtown property owners and the Alliance to gauge interest, outline benefits, and assess feasibility. This process would build on Benicia's existing BID framework while considering a new structure that expands resources and ensures downtown remains a strong economic anchor.

These recommendations are especially important given the anticipated economic impacts of the Valero Refinery closure. However, they also reflect longstanding priorities identified in earlier planning efforts, including the 2007 Economic Development Strategy and the Downtown Mixed-Use Master Plan. Their continued relevance underscores the importance of sustained implementation and strategic coordination.

Business-Based vs. Property-Based BIDs		
Feature	**Business-Based BID (Current in Benicia)**	**Property-Based BID (Potential Option)**
Who Pays	Businesses within the district	Property owners (and in some cases tenants)
Assessment Basis	Fee per business, often tied to location or type	Fee tied to property frontage, square footage, or parcel size
Stability of Funding	May fluctuate with business openings/closures	More stable, tied to property ownership
Primary Benefits	Marketing, promotions, advocacy, beautification	Broader capital improvements, maintenance, safety, and marketing
Governance	Business owners represented through the Downtown Benicia Alliance	Property owners (with possible business input)
Impact on Downtown	Supports merchants with marketing and events	Expands reinvestment potential, increases property values, and strengthens infrastructure

Conclusion

The closure of the Valero Refinery represents a defining moment for the City of Benicia—one that will reshape its fiscal landscape, employment base, and community identity for years to come. This report has outlined the multifaceted impacts of the refinery's departure, including significant losses in municipal revenue, job displacement, and the erosion of philanthropic and civic support. While the scale of these challenges is substantial, they are not insurmountable.

Benicia's path forward will require proactive leadership, strategic partnerships, and a commitment to economic diversification. The City must continue to engage with regional agencies, business stakeholders, and community organizations to attract new investment, support affected workers, and stabilize its revenue base. Redevelopment of the Valero site, while complex and long-term, offers a unique opportunity to reimagine Benicia's industrial future in a way that aligns with community values and fiscal sustainability.

Equally important is the preservation and enhancement of Benicia's downtown corridor, which remains a vital anchor for tourism, small business activity, and cultural life. As the City navigates this transition, it must balance immediate mitigation efforts with long-range planning that positions Benicia for resilience, innovation, and inclusive growth.

This report is intended to serve as a foundation for informed decision-making and collaborative action. The challenges ahead are real—but so are the opportunities. With thoughtful planning and sustained engagement, Benicia can emerge from this transition stronger, more diverse, and better prepared for the future.

SOURCE: VALERO REFINERY

LABOR MARKET AND ECONOMIC IMPACT FROM REFINERY CLOSURE

SEPTEMBER 2025

PREPARED BY: ECONSOLUTIONS
HDL COMPANIES

Contents

Labor Market and Economic Impact from Refinery Closure

Background on California's Oil and Refinery Industry

Valero's announcement to close its Benicia refinery represents a significant disruption to the city's economic foundation. With over 400 direct jobs at risk, the closure is expected to trigger substantial ripple effects across multiple sectors. This section outlines the projected economic consequences using occupational and wage data, along with industry-standard multiplier models to quantify broader impacts.

As background, the Los Angeles County Economic Development Corporation (LAEDC), commissioned a report "Oil and Gas in California: An Economic Impact Analysis" (March 2025), to quantify the role of California's oil and gas industry in generating jobs, tax revenues, and economic activity, and to provide policymakers and local jurisdictions with a clearer picture of the industry's contributions at both the state and county level.

California's oil and gas sector encompasses upstream extraction, midstream transportation and storage, and downstream refining and distribution. While the state is committed to transitioning toward renewable energy, petroleum products remain critical to California's economy and daily life. They power transportation, fuel industrial operations, and support the production of countless consumer goods.

Statewide, the industry supports more than 536,000 jobs, contributes $166 billion annually to California's Gross State Product, and generates nearly $48 billion in state and local taxes. Within this system, refineries play a particularly important role: because of California's unique fuel blend requirements, in-state refining capacity is essential to maintaining supply stability and cost competitiveness.

Regional Significance: Solano and Contra Costa Counties

Two Northern California counties — Solano and Contra Costa — are at the heart of the state's refining capacity.

- **Solano County** - Solano County is home to the Valero Benicia Refinery, a major employer and source of local tax revenue. The facility anchors a supply chain that includes contractors, transportation providers, and local small businesses. The announced closure of the Valero refinery will disrupt both the City of Benicia's and Solano County's economies and create ripple effects across the broader Bay Area, affecting suppliers, service providers, and regional fuel markets.

- **Contra Costa County** hosts multiple refineries — Chevron Richmond, Phillips 66 Rodeo, and Marathon Martinez — forming one of the largest industrial clusters in the Bay Area. Beyond direct refinery jobs, these facilities sustain thousands of additional positions across engineering, logistics, construction, and port operations.

Refining Industry Economic Impact: Solano & Contra Costa Counties		
Metric	**Solano County**	**Contra Costa County**
Direct Employment	2,387 jobs	12,233 jobs
Total Employment Impact (direct, indirect & induced)	4,490 jobs	~38,000 jobs
Labor Income	$300 million	$1.5 billion
Value Added (GDP Contribution)	$1.1 billion	$8.4 billion
Total Output	$3.5 billion	$32.7 billion
State & Local Taxes Generated	$231 million	N/A (not specified in report)

SOURCE: LAEDC Report- *Oil and Gas in California: An Economic Impact Analysis*

The area's refinery sector has historically represented a smaller share of California's refining network but delivered a proportionally large impact on the county's economy and fiscal revenues. However, with the closure of the Valero Benicia Refinery, these contributions will decline sharply, creating ripple effects across the Bay Area economy. In contrast, Contra Costa's concentration of multiple refineries positions it to remain the dominant refining hub in Northern California, generating significant economic value in absolute terms even as the industry adapts to long-term energy transitions.

Economic Impact Methodology and Assumptions

The analysis began by identifying the types of occupations typically employed in the petroleum refining industry (NAICS 324110), cross-referenced with Standard Occupational Classification (SOC) codes. Employment and wage data from the California Employment Development Department (EDD) Labor Market Data specific to Solano County were used to estimate wage levels, job classifications, and projected employment loss.

Based on EDD occupational data, the average annual wage for refinery-related positions in the region is estimated at $115,000. This figure was applied to the estimated 400 direct jobs at Valero to calculate a total annual direct payroll loss of approximately $46 million.

To assess the broader impact, we applied industry-standard multipliers from the Bureau of Economic Analysis' Regional Input-Output Modeling System (RIMS II). Although county-specific RIMS II multipliers were not acquired for this study, we relied on widely accepted multipliers for petroleum refining jobs, which typically range from 3.0 to 3.5. Using a conservative multiplier of **3.0**, each direct job loss is estimated to affect an additional two jobs in the regional economy, including those in supply chains, logistics, maintenance, food services, and other support industries.

Total Estimated Impact

Applying the 3.0 multiplier, the closure could result in the loss of up to 1,200 total jobs—including both indirect and induced employment—across the region. This implies a total estimated annual payroll loss exceeding $138 million when accounting for direct, indirect, and induced effects.

In addition, reduced wages and employment will significantly impact local consumer spending. Using a conservative estimate that approximately 40% of wages are spent in the local economy, the estimated loss in spending power is projected at $19.2 million annually, affecting retail, hospitality, and service-oriented businesses throughout Benicia and the surrounding area.

Summary of Job Loss and Economic Impact	
Category	**Estimated Value**
Direct Jobs Lost	400
Indirect & Induced Jobs Lost	800
Total Jobs Affected	1,200
Average Salary	$115,000
Total Annual Wages Lost	$138 million (est.)
Estimated Lost Spending Power	$19.2 million (est.)

This analysis provides a conservative estimate of the labor and income losses associated with the refinery's closure. While direct job losses are substantial on their own, the broader economic consequences—totaling over $138 million in lost payroll and nearly $20 million in reduced local spending power—underscore the importance of planning for workforce transition, business support, and economic diversification in the months and years ahead.

Direct and Indirect Consumer Spending Loss

The closure of the Valero refinery in Benicia is projected to result in the loss of approximately 400 well-paying jobs. Based on the occupational wage data provided by the California Employment Development Department (EDD), the average annual wage for refinery workers in Solano County is approximately $115,000. This results in a total direct wage loss of $46 million annually (400 jobs × $115,000).

Not all wages are spent directly in the local economy; a portion is saved or taxed. Assuming a conservative 75% spending rate[1], the direct consumer spending loss is estimated at $34.5 million

[1] The 75% spending rate is a conservative estimate based on national and state-level data from sources like the U.S. Bureau of Labor Statistics (BLS) Consumer Expenditure Survey and assumes that approximately 75% of household income is spent on goods and services, while the remaining 25% is allocated to taxes, savings, and other non-consumable uses (e.g., debt payments or investment). This percentage is commonly used in economic impact modeling to estimate the portion of income that circulates back into the local or regional economy through consumer purchases.

annually. Typical spending includes housing-related costs (rent, utilities, home maintenance), food and beverage, Transportation (fuel, car payments, maintenance, public transportation), healthcare, apparel and personal care, entertainment and recreation, education-related expenses, miscellaneous retail purchase, etc.

Beyond the direct losses, there are indirect and induced regional impacts. These occur as former refinery employees reduce spending on goods and services, which affects local businesses and workers in sectors such as retail, restaurants, healthcare, and personal services. Utilizing BEA's RIMS II employment multiplier of 3.0 for petroleum refining, we estimate that each refinery job supports two additional jobs indirectly.

Applying this 2x multiplier to the $34.5 million in direct spending loss, the indirect and induced spending loss is estimated at $69 million, leading to a total potential consumer spending loss of approximately $103.5 million annually.

It is important to note, however, that the extent to which this spending loss will be directly experienced within Benicia remains uncertain. The City does not have detailed data on where Valero employees reside or how their spending patterns are geographically distributed. As such, while the BEA multipliers provide a credible framework for estimating the economic impact at a regional level, the precise share of these consumer spending losses that will materialize within Benicia itself is difficult to quantify. These estimates represent a directional indicator of economic exposure rather than a localized accounting of specific fiscal impacts.

Valero has indicated that it is unable to share specific employment information—including residential locations of employees or whether any may be offered relocation options—and described the situation as "very fluid." This information was communicated directly to HdL ECONSolutions staff in a meeting with Valero staff. As such, while the BEA multipliers provide a reliable framework for estimating economic impacts at a regional level, the precise share of these consumer spending losses that will materialize within Benicia itself is difficult to quantify.

Summary of Consumer Spending Loss	
Type	Estimated Loss
Direct Spending Loss	$34.5 million
Indirect & Induced Spending Loss	$69.0 million
Total Estimated Loss	$103.5 million

Conclusion

The closure of the Valero Benicia Refinery marks a significant economic inflection point for the region, with far-reaching implications for employment, household income, and consumer spending. While the direct loss of 400 jobs is substantial, the broader ripple effects—estimated at over 1,200 total jobs and more than $100 million in lost consumer spending—underscore the urgency of coordinated planning and response.

These estimates are directional in nature, intended to help the City of Benicia and its partners understand the scale of potential economic exposure. The actual impact will depend on a range of factors, including the pace of the refinery's wind-down, the geographic distribution of affected workers, and the success of efforts to attract new employers and support displaced workers.

As Benicia prepares for this transition, it will be critical to invest in workforce development, business retention, and strategic economic diversification. While the challenges are considerable, they also present an opportunity to reimagine the city's economic future in a way that is more resilient, inclusive, and aligned with long-term community goals.

Appendix A: Key Assumptions and Methodology – Job Loss & Payroll Impact Estimate

Overview of Assumptions and Data Sources

The following outlines the key assumptions and sources used to estimate total job loss and wage-related economic impacts resulting from the closure of the Valero Benicia Refinery:

- **Wage Data**: Occupational wage estimates are based on data from the California Employment Development Department (EDD), specifically from the *Refinery Occupations Projections and Wages* crosswalk file.
- **Job Loss Estimate**: A total of 400 direct refinery positions are assumed to be eliminated. This figure was confirmed by the City of Benicia and validated against Valero-related internal communications.
- **Multiplier**: A 3.0 employment and income multiplier was applied based on industry-standard RIMS II Type II multipliers from the U.S. Bureau of Economic Analysis (BEA), specific to the Petroleum Refining sector. This multiplier captures:
    - Direct effects (refinery jobs)
    - Indirect effects (impacts on suppliers and contractors)
    - Induced effects (economic activity from household spending)

While a Solano County-specific multiplier was not used (due to licensing limitations), the 3.0 figure is consistent with published petroleum refining multipliers in similar California regions and peer-reviewed economic studies.

Step-by-Step Calculation of Total Payroll Impact

1. Direct Payroll Loss

- Estimated Jobs Lost: 400
- Average Annual Wage: $115,000
- Total Direct Payroll Loss:
  > 400 jobs × $115,000 = $46 million

2. Total Payroll Loss Using BEA RIMS II Multiplier (3.0)
This multiplier estimates the ripple effects on wages and employment across the broader regional economy.

- Total Regional Payroll Impact:
  > $46 million × 3.0 = $138 million

This $138 million estimate provides the basis for evaluating consumer spending loss and broader economic consequences, including reductions in sales tax, utility user tax, and local business activity. It is intended as a directional tool to understand the magnitude of regional impact rather than a precise local forecast.

Appendix B: Estimating Local Consumer Spending Loss

Understanding the 75% Spending Assumption

When estimating the potential loss in consumer spending resulting from job losses—such as the closure of the Valero refinery—economists rely on household expenditure data to estimate how much of a worker's income is typically spent versus saved. A widely accepted benchmark, drawn from the U.S. Bureau of Labor Statistics (BLS) Consumer Expenditure Survey, assumes that approximately 75% of household income is spent on goods and services, while the remaining 25% is allocated to savings, debt repayment, or investments. This conservative assumption provides a foundation for modeling economic impacts.

Typical Spending Categories for Middle-Income Households

Based on BLS data and regional adjustments for the Bay Area, a household earning $115,000 annually—comparable to the average wage for Valero employees—would typically allocate spending across the following categories:

Typical Spending Categories for Middle-Income Households		
Category	**% of Annual Spending**	**Example Uses**
Housing	~30–35%	Rent/mortgage, utilities, home maintenance
Transportation	~15–17%	Vehicle payments, fuel, insurance, public transit
Food (at home & dining out)	~12–15%	Groceries, restaurants, takeout
Healthcare	~7–9%	Insurance premiums, co-pays, prescriptions
Personal Insurance & Pensions	~8–10%	Employer-sponsored retirement, life insurance
Entertainment & Recreation	~5–6%	Streaming, movies, sporting events, hobbies
Clothing & Personal Care	~3–4%	Apparel, grooming, toiletries
Education & Childcare	~2–3%	Tuition, childcare, tutoring
Miscellaneous / Other	~2–3%	Charitable giving, household services, travel

Note: Actual spending varies based on household size, housing status, commuting distance, and personal preferences.

Explaining the 40% Local Spending Estimate

To estimate local spending loss—that is, how much of displaced workers' income would have been spent within Benicia—HdL applied a 40% local capture rate to the 75% spending assumption. This two-step estimate accounts for:

1. Overall Spending Behavior (75%)
   National data supports that 75–85% of wages are typically spent. HdL used the lower end of this range to remain conservative.
2. Local Capture Rate (40%)
   Of that spending, only a portion is expected to occur within Benicia's city limits. The 40% estimate accounts for:
   - Workforce geography: It is unknown where Valero employees reside, and many likely commute from outside the city.
   - Shopping patterns: Residents and workers may travel to larger cities nearby (e.g., Vallejo, Concord, Fairfield) for major purchases.
   - Service availability: Limited in-town retail and service options can result in spending leakage to surrounding areas.

Illustrative Example

If the average Valero employee earns $115,000 annually:

- **$86,250** (75%) is estimated to be spent.
- **$34,500** (40% of that spending) is assumed to occur locally within Benicia.

A Directional Estimate, Not a Precise Forecast

This analysis provides a directional estimate—meaning it is intended to illustrate the *likely magnitude and trend* of economic impact rather than offer a precise prediction. Actual local spending loss will depend on where displaced workers live, how their consumption habits shift post-closure, and whether they secure new employment. As such, the $34,500 figure per worker should be viewed as a planning tool, not a definitive forecast.