

Legislation Text

File #: 21-0156, **Version:** 1

Summary

To: Town Commission
From: Stefan Massol, Director of Support Services
Date: 7/20/2021

Subject:

First Reading of Ordinance 536: Renewal of Clearwater Gas Franchise Agreement

Summary:

Town Commission will consider renewal of the Town's expiring Gas Franchise agreement with the City of Clearwater.

Background/Problem Discussion: Under Ordinance 298 the Town of Belleair entered into a Gas Franchise Agreement with the City of Clearwater on April 17, 1990. In the agreement, Clearwater would agree to consider requests for extension of service based on a feasibility formula. The formula is in effect system-wide for purposes of determining the financial feasibility of extending services to new addresses. The agreement also establishes a franchise fee rate of 6% for natural gas receipts in Belleair, which would be a slight increase from the 5.5% fee currently in place.

The entire agreement is available for review.

Financial Implications: The updated agreement would reflect a reduction from 30-year term to a 15-year term. Additionally, the franchise fee payment to the Town of Belleair by City of Clearwater would rise slightly from 5.5% to 6%. Payments are made quarterly, and the franchise fee is calculated based on gross gas receipts for addresses located within the jurisdictional boundary of the Town of Belleair.

There are 20 jurisdictions that have gas service agreements with Clearwater Gas. Four jurisdictions have no franchise fees. The remaining 16 have rates varying from 5% to 6%, with 7 at 5% and 9 at 6%. The Town's franchise fee rate of 5.5% is right in the middle of other jurisdictions. This generates approximately \$22,000 annually for the Town's General Fund. If the Town were to increase the franchise rate to 6%, that could result in additional revenue of roughly \$2,000.

As part of the Strategic Plan, the Town is committed to "develop and maintain a diverse portfolio of funding sources". As shown in the attachment most other jurisdictions covered by Clearwater Gas charge what is known as a public services tax on gas sales of 10%, which is the maximum rate allowed. Currently the Town charges a utility services tax of 10% on electric sales as a funding source for the Infrastructure Fund, but does not have this tax for other utilities in the Town.

Meanwhile, the Town is forecasting other reductions in electric franchise revenues and electric public services tax revenues resulting from future energy efficiency and continued investments by customers into solar power.

If the Town were to adopt a 10% public services tax on gas sales, consistent with other jurisdictions in Pinellas

County, it could generate an estimated \$26,000 per year of additional revenues, which could help offset some anticipated revenue reduction for communication services tax. If Town Commission would like to explore this possibility, staff can request a more precise calculation from Clearwater Gas based on consumption over the past 12-month period.

Recommendation: Approval of Ordinance 536: Renewal of Gas Franchise Agreement.

Proposed Motion: I move approval of Ordinance 536: Renewal of Gas Franchise Agreement.