



Legislation Text

File #: ID#21-9642, **Version:** 1

SUBJECT/RECOMMENDATION:

Review Clearwater Gas System (CGS) Fiscal Year 20/21 Dividend transfer to the General Fund and discuss in concept the CGS Vision 2035 proposal.

SUMMARY:

By City Council policy, CGS commits to pay an Annual Dividend of at minimum \$1,700,000 to the City's General Fund. After the City books close for the year, the Gas System calculates the Annual Adjusted Dividend payment to return $\frac{1}{2}$ of its annual Net Income less debt service interest as a dividend to the City in the following year. CGS' financial performance for Fiscal Year 19/20 resulted in an annual adjusted dividend payment of \$3,184,867, an increase of \$1,484,867 above the minimum annual dividend payment to the City, which is an increase of \$1,184,867 above the original Fiscal Year 20/21 budget of \$2,000,000.

In past years, Council has considered the reinvestment of a portion of the CGS excess dividend payments, when available, back into the system. For FY 20/21, we are requesting a CIP Program in the amount of \$500,000 be established entitled CGS Vision 2035. A "CGS Vision 2035" Concept Paper is attached, which outlines the proposed use of the funds, to include business plan development and the potential rebranding of CGS as "CGS Energy", with a focus on expansion of services into the Solar PV, Electric Charging Station, and other Alternative Energy sources which are complementary with the natural and propane gas energy businesses. We do not anticipate that the study will cost the full \$500,000 that we have requested, however we included funding to help kickstart implementation, should CGS 2035 be found to be viable. We believe this proposal is consistent with the sustainability goals of the City and would support Greenprint's Green Energy & Building goal (Local Power Generation, Renewable Energy Challenge, Resilient Infrastructure), as well as the Green Economy goal, by creating more capacity for installation and maintenance of green infrastructure. We are recommending that the City Council provide consensus approval for the allocation of \$500,000 of the dividend payment to the capital fund at first quarter to support this program, which we would like prior to utilizing staff time to generate and advertise an RFP for consulting services.

This will still provide \$684,867 in additional dividend funds for the FY 20/21 City General Fund budget.

APPROPRIATION CODE AND AMOUNT:

Third quarter budget amendments will transfer \$1,184,867 of Gas Fund revenues to the General Fund representing the increased CGS dividend payment for FY 20/21.

A first quarter budget amendment in FY 21/22 will establish capital improvement project M2104, CGS Vision 2035, recognizing a budget transfer of General Fund reserves in the amount of \$500,000 back to the Gas Fund to establish this new program.