



The Corporation of the Municipality of Arran-Elderslie

Staff Report

Council Meeting Date: 2021-09-13

Subject: SRFIN.21.32 Historical Review of the Natural Gas Project

Report from: Tracey Neifer, Treasurer

Appendices: Appendix A – Financial Overview

Recommendation

Be It Resolved that Council hereby,

1. Approve the transfer of \$34,293 from the Community Well Being Reserve Fund (03-0150-3016) to the Reserve – Water (01-0000-2136), representing the final balance owing for expenditures related to the Natural Gas Project.

Report Summary

In follow up to discussions at the August 30, 2021 Special Council Meeting, this report has been prepared to provide:

- a) a historical overview of the costs and financing of the Natural Gas Project,
- b) a review of the Community Well Being Reserve Fund

Background

In preparation of this report, the following Staff Reports were noted with reference to the Natural Gas Project:

SRCLK.18.18 – Update – Natural Gas Pipeline (March 12th, 2018)

SRFIN.18.02 – Natural Gas Project Expenses and Funding (May 24th, 2018)

SRCLK.19.27 – Legislative Update – Expansion of Natural Gas (March 25th, 2019)

Staff worked with municipal contacts to locate additional documentation regarding the terms surrounding the primary and secondary payments from EPCOR. The primary payment was received in 2016. Further discussion on this matter was In Closed Council. No further payments are owing to the municipality.

The Municipality of Arran-Elderslie entered into a Franchise Agreement with EPCOR Utilities Inc., as per the following By-Laws:

By-Law 09-2016 being a By-Law to authorize a municipal franchise agreement between the Corporation of the Municipality of Arran-Elderslie and EPCOR Utilities Inc. (January 29th, 2016); repealed by By-Law 14-2016.

By-law 14-2016 being a By-Law to authorize a municipal franchise agreement between the Corporation of the Municipality of Arran-Elderslie and EPCOR Utilities Inc. (February 19th, 2016); repealed by By-Law 49-2018.

By-Law 49-2018 being a By-Law to authorize a municipal franchise agreement between the Corporation of the Municipality of Arran-Elderslie and EPCOR Utilities Inc. (July 30th, 2018).

The form of the Franchise Agreement changed from what was originally adopted on February 26th, 2016 to the final document on July 30th, 2018. The agreement was updated to a "Model Franchise Agreement" which resulted in the removal of a number of clauses. Those clauses included details surrounding termination of the agreement, the annual fee to Arran-Elderslie upon commencement of operations of the gas system, the tax rebate, and details on the assignment of the agreement.

Analysis

The costs attributed to the Natural Gas Project began in 2014 when the municipalities of Arran-Elderslie, Huron-Kinloss and Kincardine began working together to bring Natural Gas to the area. The services of BLG LLP were retained to assist in the undertaking of an RFI process that opened up the market to proponents to bid on the natural gas project. This process resulted in the Franchise Agreement with EPCOR Utilities Inc. Kincardine managed the process and each of the partnering municipalities shared 1/3 of the professional/legal fees that were incurred.

Appendix A provides a financial overview of the project.

From 2014 to 2020 the municipality incurred costs of \$510,008, which were largely financed by the temporary use of funds from the Water Reserve, 01-0000-2136, \$503,780, with the balance, \$6,228 being offset by municipal operations. In 2016, \$250,000 was received from EPCOR, and these funds were used to replenish a portion of the funds borrowed from the Water Reserve.

In 2018, Council passed Resolution 11-249-2018:

"Be it resolved, That Council of the Municipality of Arran-Elderslie hereby authorize the transfer of funds from the Nuclear Waste Management Organization (NWMO)

"Community Well-Being Reserve Fund" in the amount of \$226,768.84 to reimburse the water reserve for the expenses up to February 28th, 2018 for the South Bruce Natural Gas Project."

The above resolution stemmed from the Staff Report SRFIN.18.02. The report included comment that the Paisley Classroom Rental (\$17,640) and Paisley Cenotaph (\$7,136) were intended to be funded by the Community Well-Being Reserve Fund. A resolution to support this information has not been located at this time. This transaction was not recorded in 2018, and the expenditures were financed by the Working Capital Reserve (01-0000-2101).

Based on the analysis completed, \$219,487 was transferred to the Water Reserve in 2018. After this payment, a balance of \$34,293 is left owing to the Water Reserve for the expenses incurred for the Natural Gas Project.

Link to Strategic/Master Plan

Not applicable

Financial Impacts/Source of Funding

It is the recommendation of this report, that \$34,293 is transferred from the Community Well Being Reserve Fund to the Water Reserve to pay off the remaining balance of the funds borrowed to finance the Natural Gas Project.

The Community Well Being Reserve Fund, after the transfer of \$34,293 and inclusive of interest earned to September 3rd, has a balance of \$95,466.

Approved By: Sylvia Kirkwood, CAO