



Introduction of an Ordinance to Renew a Franchise Agreement for Nitrogen Distribution

Chip Taylor
Public Works Director



Background

- Nitrogen is an inert gas used in packaging and manufacturing
- Current Franchise agreement in place with the city since 1978
- Franchise Ordinance was amended and extended over time
- Current 15-year agreement expires Dec. 31, 2025
- Air Products requested to extend the agreement for 15 years
- Current Revenue is approximately \$40K annually

Discussion

- Staff conducted a survey of rates in the area
- Rates methodologies vary between Cities
- Staff balance remaining competitive rate while maximizing revenue
- Recommended Rate consistent with Fremont and Milpitas
- Estimate annual review \$100k annually

Recommendation

Alternatives

1. Introduce an Ordinance awarding a fifteen-year extension to an existing franchise for the distribution of nitrogen gas
2. Do not introduce an Ordinance to renew the franchise agreement
3. Do not introduce an Ordinance and direct staff to negotiate different terms with Air Products.

Staff Recommendation

- Alternative 1 – Introduce an Ordinance awarding a fifteen-year extension to an existing franchise for the distribution of nitrogen gas