

AGENDA ITEM SUMMARY

Subject: MainStreet Bridge/Mill Race Park- Railing Painting & Decorative Street light painting

Background Summary:

Following up from the recent workshop session where we discussed the LJP/Jendro fuel surcharge request, I spoke to LJP/Jendros and asked them about establishment of the \$3.50/gallon fuel price, future CPI cost increase requests and here is what I gathered. They indicated that the previous 6 - month average fuel cost was \$2.69/gallon, and followed by stating that "We chose the \$3.50 as a starting point for the fuel after reviewing the timing of most of their contracts and a basic understanding of how they compare to fuel costs. We feel that a certain amount of fuel cost uncertainty has to be built into any contract but when it goes up exponentially, as we have seen, we used a number that would be more than fair in comparing to fuel costs at time of contract signing."

I asked them about their plans for a fall 2022 CPI rate increase and fuel costs being included in that increase, and that that time would make sense to look at discontinuing the fuel surcharge. They agreed that a good portion of added fuel costs would be captured there, but they are also seeing increases in maintenance, labor and other costs and so they would like to review those this fall as things become more clear.

With that we had Brad draft the acceptance of the fuel surcharge to be effective through the end of September 2022.

LJP/Jendro Sanitation is making a request to the city to allow an additional surcharge for fuel under the current contract waste hauling contract. The request is going out to all the communities they serve as prices have jumped in recent weeks.

Attached is letter from Steve Metz, LJP/Jendro CEO will follow a phone conversation that we had discussing the request. As you will see they are basing the requested amount on fuel pricing base price of \$3.50 a gallon. Additional amount on top of that would be prorated between communities based on hours of operation withing the respective community.

Calculations to be based on the <https://www.eia.gov/petroleum> website pricing which for the March 2022 billing had a price of \$4.65 a gallon. That \$1.15 a gallon difference equates to about \$557 for the first month. Pricing will be based on previous four week average. Roughly speaking if/when diesel reaches \$5.00 a gallon that would mean a \$726 surcharge to the city.

Since our residential waste hauling operation is a "money in /money out" operation we should consider a user rate adjustment if this continues for an extended period of time. At this time, I would suggest that we consider approval of this temporary surcharge to be paid to LJP/Jendro's but elect not to adjust user rates up until we see several months of this pricing. Additional costs for the next several months can be paid with existing cash balance of the fund.

RESOLUTION NO. 44-22

**RESOLUTION APPROVING A TEMPORARY SURCHARGE FOR FUEL COSTS
PURSUANT TO THE RESIDENTIAL SOLID WASTE AND RECYCLABLE
MATERIALS COLLECTION AGREEMENT WITH JENDRO, INC.**

WHEREAS the City of Charles City, Iowa (the City) and Jendro, Inc. (the Contractor) entered into a Residential Solid Waste and Recyclable Materials Collection Agreement (the Agreement) dated October 16, 2017 and previously approved by the City Council on October 16, 2017; and

WHEREAS Exhibit 1 to Agreement provides for the Monthly Residential Tote Rate charged to each residence and payable by the City to the Contractor; and

WHEREAS Paragraph 5, subsection c of the Agreement provides that the Contractor may request rate adjustments based on unanticipated and documented cost increases, subject to the approval of the City Council; and

WHEREAS the Contractor has experienced temporary unanticipated cost increases in the form of significant increases in diesel fuel prices; and

WHEREAS, the Contractor has agreed to absorb a portion of the rise in diesel fuel costs up to \$3.50 per gallon, but the Contractor has requested that the City pay a temporary monthly surcharge to the extent monthly diesel fuel prices exceed \$3.50 per gallon; and

WHEREAS, the Contractor has proposed the temporary surcharge be calculated as follows, as further illustrated in Exhibit A attached hereto and by this reference made a part hereof:

484.64 Gallons of Fuel/Month x (Previous Four-Week Average for Diesel Fuel Pricing for the Midwest as Determined by the Department of Energy Website less \$3.50 Base Fuel Price) = Monthly Surcharge to be paid by the City

WHEREAS, the City finds that the Contractor has provided quality service to the City; that the additional costs incurred by the Contractor constitute a significant and unanticipated increase in its costs and arise from market changes beyond its control; that the requested temporary surcharge is justified based on the substantial increase in diesel fuel costs; and that the temporary nature of the surcharge renders it unnecessary to amend the monthly residential user/tote rates at this time.

NOW THEREFORE BE IT RESOLVED that the City agrees to pay to the Contractor a temporary monthly surcharge effective for the March 1, 2022, billing cycle to be calculated as follows:

484.64 Gallons of Fuel/Month x (Previous Four-Week Average for Diesel Fuel Pricing for the Midwest as Determined by the Department of Energy Website less \$3.50 Base Fuel Price) = Monthly Surcharge to be paid by the City

as further illustrated in Exhibit A hereto

BE IT FURTHER RESOLVED that this temporary surcharge shall expire and be of no further force and effect from and after September 30, 2022, unless further approved and extended by the City Council.

Passed and approved this ____ day of _____, 2022.

Dean Andrews, Mayor

Attest:

Trudy O'Donnell, City Clerk



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[**customerservice@jendrosanitation.com**](http://customerservice@jendrosanitation.com)

March 14, 2022

City of Charles City
Attn. Steve Diers
105 Milwaukee Mall-STE #2
Charles City, IA 50616

RE: Temporary Fuel adjustment

This letter is a follow up to the phone conversation we had regarding our need to implement a temporary fuel adjustment on your account.

As you know the current unrest overseas is leading to an unprecedented increase in global fuel prices. In addition, the waste and recycling business is considered a very high user of fuel. To that end, it's imperative that we implement a temporary fuel adjustment on your account effective March 1, 2022. Per our phone conversation we will be adding a line item to your invoice with a fuel adjustment which will be based on the increase in our fuel expense to service your city. I have enclosed a sample of the fuel adjustment calculation for your review.

Jendro Sanitation values the partnership we have with the City of Charles City, we absorbed the significant rise in fuel costs up to \$3.50 a gallon and will remove the adjustment when fuel prices fall below that level. Please feel free to contact Deb, Melisa or myself if you have any questions.

Sincerely

Steve Metz, CEO

Fuel Surcharge Calculation

Municipality	Charles City	
Average Hours/Month	121.2	
Average Fuel consumption/hour	4	
Fuel Gallons Used per month	484.64	
Base Fuel Price	\$ 3.50	
Current Fuel Price	\$ 4.65	https://www.eia.gov/petroleum/
Fuel Surcharge Overage Calculation	\$ 557.34	