



Staff Report

Report To: Dan Best, Chief Administrative Officer
From: **Don Giberson, General Manager of Infrastructure & Development**
Date: June 6 2022
Report: ESD.22.16
Subject: Fuel Surcharge for 2022 Maintenance Gravel Contract

Recommendations:

That South Huron Council receive the report from Don Giberson, General Manager of Infrastructure and Development RE: Fuel Surcharge for Maintenance Gravel Contract AND;

That South Huron Council approves an increase in McKenzie and Henderson Ltd contract for the 2022 Provision of Crushed Granular "M" for Road Maintenance from \$400,727.95 (including HST) to \$416,681.85 (including HST) AND;

That South Huron Council authorize a transfer of \$14,366.99 (non-recoverable HST included) from the Working Fund Reserve if sufficient funds are not available in the Transportation Services 2022 Operating Budget.

Purpose:

The purpose of this report is to notify Council of the fuel surcharge for the 2022 Maintenance Gravel Contract and obtain approval transfer funds from the Working Fund Reserve, if sufficient funds are not available in the 2022 Operating Budget.

Background and Analysis:

At the February 7, 2022 Council Meeting a contract was awarded to McKenzie and Henderson Ltd. for the 2022 Provision of Crushed Granular "M" for Road Maintenance in the amount of \$354,626.50 plus HST.

Since the award of this contract there has been a significant increase in the cost of diesel fuel. Commercial/bulk diesel fuel cost has increased by 80% since January of this year and diesel fuel represents a significant expense for this type of contract. The Contractor has notified the Municipality that a fuel charge will apply, but has agreed to absorb a portion of the additional cost.

Diesel fuel price increases are a result of supply & demand issues associated with the pandemic, world price of oil, embargo on Russian oil, and the war in Ukraine.

Operational Considerations:

No alternatives were considered.

South Huron's Strategic Plan:

Section 6.2.2 of the Municipality of South Huron 2015- 2019 Strategic Plan identifies key objectives that are reflective of the collective perspectives of the strategic planning process. The recommendations and actions outlined in this report are reflective of the following strategic objectives:

- ✓ Administrative Efficiency and Fiscal Responsibility
- ✓ Increased Communications and Municipal Leadership
- ✓ Transparent, Accountable and Collaborative Governance
- ✓ Dedicated Economic Development Effort

Financial Impact:

The proposed fuel surcharge is \$0.55 per tonne (4.25% increase). Based on the total quantity of Granular "M" to be delivered in this contract of 25,670 tonnes, the total additional cost is \$14,118.50 plus non-recoverable HST.

$$25,670 \text{ tonnes} \times \$0.55/\text{tonne} = \$14,118.50$$

If the 2022 Transportation Services Operating Budget is not able to absorb this additional cost, Staff recommend that Council authorize the transfer of funds from the Working Fund Reserve to fund the shortfall.

Legal Impact:

There are no legal implications for the Corporation resulting from the proposed recommendation.

Staffing Impact:

There are no staffing implications for the Corporation resulting from the proposed recommendation.

Communication Actions:

The amended contract amount will be communicated to the public through the publishing of the Council Minutes.

Policies/Legislation:

1. Approved Transportation Services Operating Budget

Consultation:

Dan Best, Chief Administrative Officer; Sandy Becker, General Manager of Financial Services and Shane Timmermans, Manager of transportation Services.

Related Documents:

None

Respectfully submitted,

Don Giberson, General Manager of Infrastructure & Development