

**MEETING DATE: 3-18-2024**

## **AGENDA ITEM SUMMARY**

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### **Valero Water Rate Agreement**

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#### **Background Summary: Steve**

We are currently working with Valero to renew a three-year agreement for provision of water to their facility. Since they are a very large user of more than 100 million gallons per year, we do not have a specific rate structure and must negotiate a price and provisions to the contract separately.

We are coming off of the first three-year agreement that had been put in place since the original development agreement ended. As you may recall that that agreement included a number of incentives and the lease purchase agreement that had Valero install the water main to the plant that was ultimately bought back by the city over time.

The current agreement would implement a new rate for the remainder of FY24 as well as rates for FY25 & FY26. We have been in negotiations for an extended period of time as there was some discussion about additional volume being needed on their end, and then more discussion on what the rates should be. At the time of this write up we are still discussing rate structure. The proposed rates include bigger increases that done historically to get the pricing more in line with our costs both currently while keeping in mind current and future projects associated with drinking water production.

Previous contract had Year 1,2 & 3 at- \$1.80, \$1.95 & \$2.05, respectively. The new contract would be Year 1,2,3 at \$2.80, \$3.20 & \$3.60 respectively.

Additionally, we would be committing to added max flow requirements, which Cory Speiker says we can meet:

Previous agreement: 1.3 million gallons per day, 35 million gallons per month, 420 million gallons per year

New Agreement: 2 million gallons per day, 58 million gallons per month, 470 million gallons per year

We recommend approval of this resolution.

**RESOLUTION NO. 40-24**

*RESOLUTION APPROVING WATER USAGE AGREEMENT BETWEEN THE CITY OF CHARLES CITY, IOWA AND VALERO RENEWABLE FUELS COMPANY, LLC*

WHEREAS, the City of Charles City and Valero Renewable Fuels Company, LLC (Valero) are parties to a water usage agreement which defines the various rights and responsibilities of each party in respect to water usage, and

WHEREAS, said agreement needs to be renewed with some changes, and

WHEREAS, the parties desire to enter into a new water usage agreement effective April 1, 2024

WHEREAS, an agreement has been prepared by the city attorney, reviewed by both parties and a draft is hereby attached to this resolution,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Charles City, Iowa, meeting in regular session on the 18<sup>th</sup> day of March, 2024, that the Water Usage Agreement between the City of Charles City and Valero be approved.

COUNCIL MEMBER moved the adoption of the foregoing Resolution;

COUNCIL MEMBER seconded the motion to adopt, and on roll call the voting was as follows:

AYES:

NAYS:

Passed and approved this 18<sup>th</sup> day of March, 2024.

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Dean Andrews, Mayor

Attest:

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Trudy O'Donnell, City Clerk