



BOARD OF DIRECTORS REPORT

MEETING DATE: JUNE 18, 2024 **AGENDA ITEM #:** 9

TYPE: ACTION ITEM

PREPARED BY: SENIOR PURCHASING AGENT, VALERIE WHITE

REVIEWED BY: GENERAL MANAGER, JERRY ESTRADA

SUBJECT: **Advanced Award Authority to Execute Renewable Diesel Contract**

RECOMMENDATION:

Staff requests that the Board provide advanced award authority to the General Manager to enter into a renewable diesel supply contract resulting from an upcoming bid solicitation subject to the following conditions:

- The gross price does not exceed \$3.38 per gallon;
- The fixed price contract term shall not exceed 18 months; and,
- The contract is awarded to the low bidder found to be responsive and responsible.

DISCUSSION:

Background: MTD's recent solicitation for a six-month renewable diesel contract, July 1, 2024 – December 31, 2024, yielded competitive bids. Based on current market conditions, Staff anticipates similar aggressive pricing for a year-long term, January 1, 2025 – December 31, 2025, or an 18-month term, January 1, 2025 – June 30, 2026.

Price Bid Maximum: In a market-based estimate, Staff projects bids to be below \$3.38 per gallon. This price aligns with historical margins between the fuel futures trading prices and past MTD contracts and thus is deemed fair and reasonable. Also, locking in a price at or below \$3.38 per gallon shall exceed MTD's expectations by being below the estimates used for the FY24-25 budget while still allowing for potential market changes that would require Staff to return to the Board for increased spending authority. Note: The price includes delivery to MTD's Terminal 1, but excludes applicable fees and taxes.

Advanced Bid Award Authority: MTD seeks advanced authority to minimize the impact of price volatility. Advanced authority allows the General Manager to award a contract on the same day bids are received, minimizing the risk of price fluctuations and premium markups by suppliers hedging their bids. Faster contract award reduces the risk window for potential futures price changes, encouraging lower bid prices from suppliers. With the Board's approval, Staff will issue an Invitation to Bids to those qualified firms identified as responsive and responsible, where the lowest bidder shall be awarded the contract.