SANTA BARBARA MTD

BOARD OF DIRECTORS REPORT

MEETING DATE: SEPTEMBER 15, 2026 **AGENDA ITEM #:** 10

TYPE: ACTION ITEM

PREPARED BY: SENIOR PURCHASING AGENT, VALERIE WHITE

REVIEWED BY: GENERAL MANAGER JERRY ESTRADA

SUBJECT: ADVANCED AUTHORITY TO AWARD AND EXECUTE RENEWABLE DIESEL CONTRACT

RECOMMENDATION:

Staff recommends that the Board grant the General Manager delegated advance authority to award and execute a renewable diesel (RD) supply contract resulting from an upcoming competitive solicitation, subject to the following conditions:

- Delivered base price not to exceed $4.23 per gallon (excluding applicable regulatory fees and taxes);
- Fixed-price contract term not to exceed 18 months; and
- Contract award made to the lowest responsive and responsible bidder.

DISCUSSION:

Background: In preparation for the contract term starting January 1, 2027, Staff is actively qualifying vendors to ensure a competitive pool of responsive and responsible bidders for the upcoming RD contract. RD serves as a drop-in, non-fossil fuel alternative that matches petroleum diesel performance in heavy-duty transit buses while substantially reducing greenhouse gas lifecycle emissions.

Need for Advance Authority: To maintain budget certainty, MTD seeks a firm, fixed-price agreement. Qualified suppliers hedge their bid pricing through commodity futures contracts immediately upon award to lock in rates and mitigate market exposure. Requiring standard Board approval cycles between bid opening and execution introduces pricing risk, prompting bidders to add a risk premium to their proposals. Granting advance authority allows Staff to execute the contract on the day of bid opening, securing the lowest possible market rate.

Price Bid Maximum: RD pricing correlates closely with Ultra-Low Sulfur Diesel (ULSD) futures. Based on market projections, volatility modeling, and historical supplier margins, Staff estimates competitive bids will fall at or below the FY26-27 Operating and Capital Budget amount of $4.23 per gallon delivered (exclusive of taxes and statutory fees). Establishing this maximum provides necessary fiscal control while preventing procurement delays. If all responsive bids exceed this threshold, Staff will reject the bids and return to the Board for direction.