Metropolitan Nashville and Davidson County, TN

Legislation Details (With Text)

File #:	BL2022-1174	**Name:**	
Type:	Bill (Ordinance)	**Status:**	Passed
File created:	3/25/2022	**In control:**	Metropolitan Council
On agenda:	5/5/2022	**Final action:**	5/5/2022
Title:	An ordinance approving a master agreement between The Metropolitan Government of Nashville and Davidson County and Cargill, Inc., for the purpose of stabilizing the net expenses incurred in the purchase of gasoline and/or diesel fuel.		
Sponsors:	Burkley Allen		
Indexes:			
Code sections:			
Attachments:	1. Agreement		

Date	Ver.	Action By	Action	Result
5/10/2022	1	Mayor	approved	
5/5/2022	1	Metropolitan Council	passed on third reading	
4/19/2022	1	Metropolitan Council	passed on second reading	
4/18/2022	1	Budget and Finance Committee	approved	
4/5/2022	1	Metropolitan Council	passed on first reading	
3/29/2022	1	Metropolitan Council	filed	

An ordinance approving a master agreement between The Metropolitan Government of Nashville and Davidson County and Cargill, Inc., for the purpose of stabilizing the net expenses incurred in the purchase of gasoline and/or diesel fuel.

WHEREAS, pursuant to T.C.A. § 7-51-911, the Metropolitan Government is authorized to enter into a negotiated contract with other financial institutions for the purpose of stabilizing the net expenses incurred in the purchase of gasoline and/or diesel; and,

WHEREAS, it is contemplated that each transaction pursuant to a master agreement will not exceed eighty percent of the annual gasoline and/or diesel fuel quality usage; and,

WHEREAS, it is contemplated that the Director of Finance, the Treasurer or their respective designees will execute each transaction pursuant to the terms of the master agreement, this Ordinance, and the Fuel Cost Management Policy; and,

WHEREAS, it is prudent and advisable for the Metropolitan Government to enter into a master agreement for which the purpose is to acquire bids for a set cost for the purchase of gasoline and diesel fuel which will benefit the budget process of the Metropolitan Government; and,

WHEREAS, in accordance with the Fuel Cost Management Policy, the Fuel Cost Management Program Advisor performed a competitive search to engage financial institutions as counterparties to a master agreement; and,

WHEREAS, it is in the interest of the public welfare of The Metropolitan Government of Nashville and

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Davidson County to enter into such fuel stabilization agreements.

NOW, THEREFORE, BE IT ENACTED BY THE COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY:

Section 1. That the master agreement and schedule between The Metropolitan Government of Nashville and Davidson County and Cargill, Inc., in the form attached hereto is hereby approved and the Director of Finance is authorized to execute the same on behalf of the Metropolitan Government with only such necessary and required modifications as to give full effect to this Ordinance.

Section 2. That the Director of Finance shall provide a monthly report, posted to the Department of Finance's Web site in accordance with RS2020-667, regarding the use of the financial hedging program for fuel authorized pursuant to this Ordinance. Such report shall include, but not be limited to: (1) a list of transactions identifying the quantity of fuel purchased, the agreed-upon price, and the market price at the time of the transaction: (2) a copy of the contract for each transaction; and (3) a comparison between the amount budgeted for fuel and the amount actually paid under the hedging contract(s).

Section 3. That this Ordinance shall take effect from and after its passage, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

Analysis

This ordinance approves the form of and authorizes the Director of Finance to execute a master agreement and schedule between the Metropolitan Government and Cargill, Inc. to allow for hedging contracts for the purchase of gasoline and diesel fuel. Cargill, Inc. is rated A2 by Moody's and A by S&P. Tenn. Code Ann. § 7-51-911 authorizes local governments, upon approval of the local governing body, to enter into negotiated contracts with financial institutions for the purpose of stabilizing the net expense incurred in the purchase of gasoline and/or diesel fuel. The statute was enacted in 2008 at a time when fuel prices were behaving like 2022 fuel prices. The purpose of the statute is to provide flexibility to enter into fuel hedging contracts for budgetary purposes given the extreme market volatility. The master agreement and schedule provide the terms for each transaction. Each transaction entered into pursuant to the terms of the master agreement is limited by state law to twenty-four months. Currently, the Metropolitan Government has two other master agreements in place; one with Bank of America Corp/Merrill Lynch Commodities Inc. and another with Fifth Third Bank, N.A. The terms of the master agreement and schedule with Cargill, Inc. are more favorable for the Metropolitan Government than the current master agreements. If both this ordinance and Ordinance No. BL2022-1173 are approved, this will be the fourth master agreement under which the Metropolitan Government can execute fuel pricing transactions that are deemed most advantageous for Metro.

A competitive search for the financial institution counterparty was conducted by the Program Advisor, Swap Financial Group in accordance with the 2021 Fuel Cost Management Policy. The ordinance will require the Finance Department to post a monthly Fuel Hedging Report to its website detailing the list of transactions, quantity of fuel purchased, agreed-upon price, market price at time of purchase, copy of transaction contract, a budget vs. actual cost comparison. The most recently posted report for March 2022 discloses a settlement of $1,069,156.99 paid to the Metropolitan Government for 448,700 contract gallons.

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