



**ITEM ID:** 2024-343-0

**TRANSMITTAL DATE:** December 6, 2024

**MEETING DATE:** December 13, 2024

**TO:** Board of Directors

**FROM:** Arnold Hackett, Chief Financial Officer

**SUBJECT:** FY2024-25 Quarterly Fuel Purchase Program Update - Quarter Ending September 30, 2024

**Issue**

Staff is providing an update on the Authority's Fuel Purchase Program for the quarter ended September 30, 2024.

**Recommendation**

Receive and file.

**Strategic Commitment**

This report aligns with the Strategic Business Plan commitment of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, object metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair and investing in the development of our employees. Working together with our fuel purchase program partners we can provide better assurance we will meet our budgetary goals.

**Background**

The Agency's FY24 fuel budget is approximately 10.0% of the total Operating Budget. Given the volatility of fuel pricing, the Authority's actual fuel expense has ranged from \$18.6M to \$31.9M, accounting for 8.0% to 12.1% of the actual operating expenditures in the past four years (FY21-FY24).

Finance Policy FIN-11.1, Fuel Purchase Policy, was approved by the Board on December 11, 2020. This policy was implemented to minimize the budget risk resulting from the purchase of diesel fuel. In addition, it identifies how the fuel purchase program performance is monitored and reported to the Board. At the May 27, 2022, Board meeting, an update to the Fuel Purchase Program was made addressing the issue of purchasing contracts in light of the increase in diesel fuel costs.

The Board has requested that staff provide quarterly updates on our Fuel Purchase Program.

### **Discussion**

The primary function of the Fuel Purchase Program is to make the Agency's fuel costs predictable. On that basis, it is to be expected that the sale of positions may create a gain or loss depending on the movement of fuel contract prices.

Beginning in July 2024, Blue Lacy, LLC. assumed the day-to-day duties as the Authority's Fuel Hedge Advisor, replacing our previous advisor Linwood Capital, LLC. As of June 30, 2024, the Authority's hedging account had a value of \$12,801,128, a decrease of \$1,164,342 from June 30, 2024. This includes interest income on treasury bills purchased totaling \$504,426 during the quarter. The futures account report for quarter ended September 30, 2024, provided by Blue Lacy, LLC is included in Attachment A. The performance of contract purchases against the spot market with the realized gains achieved by the program are included in Attachment B. A current fuel hedging and petroleum market update from Blue Lacy is included in Attachment C.

### **Next Steps**

Staff will provide quarterly updates on our Fuel Purchase Program.

Prepared by: Alex Barber, Assistant Director, General Accounting

Approved by: Arnold Hackett, Chief Financial Officer

### **Attachment(s)**

[Attachment A - Futures Account Report FY25 Q1](#)

[Attachment B - Performance of Futures Purchased FY25 Q1](#)

[Attachment C - Fuel Hedging Commentary](#)