



ITEM ID: 2024-191-0

TRANSMITTAL DATE: May 3, 2024

MEETING DATE: May 10, 2024

TO: Audit and Finance Committee

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: FY2023-24 Quarterly Fuel Purchase Program Update - Quarter Ended March 31, 2024

Issue

Staff is providing an update on the Authority's Fuel Purchase Program for the quarter ended March 31, 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 10.1% 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 (FY20-FY23).

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.

As of March 31, 2024, the Authority's hedging account had a value of \$13,873,962.40 an increase of \$279,622.84 from December 31, 2023. This includes interest income on treasury bills purchased totaling \$156,677 during the quarter. The futures account report for quarter ended March 31, 2024, provided by Linwood Capital, 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 Linwood Capital is included in Attachment C.

Next Steps

An annual fuel hedge audit will be conducted during Q4 of 2024.

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Approved by: Arnold Hackett, Chief Financial Officer

Attachment(s)

[Attachment A - Quarter Ended March 31 2024](#)

[Attachment B - Performance of Futures Purchased - Q3 FY24](#)

[Attachment C - Fuel Hedging and Petroleum Market Commentary](#)