



ITEM ID: 2023-362-0

TRANSMITTAL DATE: December 1, 2023

MEETING DATE: December 8, 2023

TO: Board of Directors

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: FY2023-24 Quarterly Fuel Purchase Program Update - Quarter Ending September 30, 2023

Issue

Staff is providing an update on the Authority's Fuel Purchase Program for the quarter ended September 30, 2023.

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 September 30, 2023, the Authority's hedging account had a value of \$14,912,881.25 an increase of \$1,811,405.02 from June 30, 2023. This includes interest income on treasury bills purchased totaling \$164,887 during the quarter. The futures account report for quarter ended September 30, 2023, 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.

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Approved by: Arnold Hackett, Chief Financial Officer

Attachment(s)

[Attachment A - Quarter Ended September 30 2023](#)

[Attachment B - Performance of Futures Purchased - Quarter Ended September 30, 2023](#)

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

[Presentation - FY24 Q1 - Quarterly Fuel Hedge](#)