



metrolinktrains.com/meeting

ITEM ID: 2026-300-0

TRANSMITTAL DATE: October 16, 2026

MEETING DATE: October 23, 2026

TO: Board of Directors

FROM: Tom Schamber, Chief Financial Officer

SUBJECT: FIN 11.1 - Fuel Purchase Policy Update

Issue

Updates to the Fuel Purchase Policy are to revise Strategy 1 to provide more budget certainty when budgeting fuel for a full fiscal year.

Recommendation

It is recommended that the Board approve the updates to the Fuel Purchase Policy - FIN 11.1.

Strategic Commitment

This report aligns with the Strategic Business Plan commitment of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective 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

Metrolink has adopted and maintained a very conservative fuel hedging strategy designed to limit the risk of locking in hedging contracts that could subsequently decline in price. Over the past few years, this approach has served the agency well, as fuel markets generally experienced an upward pricing trend since the pandemic.

However, the current market has shifted to an uncertain price environment. Prices may go up or down. Adopting a more flexible hedging policy that is effective in both increasing and decreasing fuel price environments would better position Metrolink to achieve the primary objective of the Fuel Purchase Program: to minimize budget risk associated with fuel purchases. Also, expanding the available hedging horizon from six months to twelve months would enhance budget certainty while maintaining prudent risk management practices.

To reduce the financial risk associated with fuel price volatility over the fiscal year, we recommend expanding Metrolink's fuel hedging strategy to provide coverage for a full 12-month fiscal period.

Discussion

Given the agency's current budget challenges and the anticipated increase in fuel costs beyond the existing hedge period, Staff believes there is significant value in securing fuel pricing for an entire fiscal year whenever market conditions are favorable. Establishing known fuel costs for the full fiscal year improves budget certainty, enhances financial planning, and reduces exposure to unexpected market volatility.

While the intent remains to adhere to the existing principles of Strategy 1, we recommend modifying the policy to allow execution of hedge contracts for up to a full fiscal year when pricing conditions are advantageous to Metrolink, rather than limiting purchases to six months.

The objective of extending the hedge horizon is not to predict future fuel prices, but to strengthen Metrolink's overall risk management strategy by improving cost certainty, protecting operating budgets, stabilizing cash flows, and enhancing longer-term financial planning.

A phased 12-month hedging strategy reduces exposure to fuel price volatility while avoiding the risk of committing the entire annual fuel requirement at a single market price. This layered approach provides flexibility to respond to changing market conditions while maintaining meaningful protection against significant price increases.

Although fuel prices remain elevated today, high prices do not necessarily indicate that prices will decline in the near term. Structural market factors—including geopolitical tensions, global supply constraints, refinery capacity limitations, and shipping disruptions—may continue to support higher fuel prices for an extended period. Consequently, the financial risk of remaining under-hedged may exceed the risk of extending hedge coverage.

By gradually expanding hedge coverage to 12 months, Metrolink balances downside risk if prices decline with protection against further price increases. A layered hedging strategy provides greater budget stability while preserving flexibility to adjust future positions as market conditions evolve.

Budget Impact

There is no budgetary impact as a result of this report.

Next Steps

Updated Fuel Purchase Policy will be provided to the Fuel Hedge Advisor.

Prepared by: Alex Barber, former Assistant Director, General Accounting

Approved by: Tom Schamber, Chief Financial Officer

Attachment(s)

[Attachment A - FIN-11.1 Fuel Purchase Policy - Clean](#)

[Attachment B - FIN-11.1 Fuel Purchase Policy - Red Line](#)

[Presentation - Fuel Hedge Policy](#)