



ITEM ID: 2025-138-0

TRANSMITTAL DATE: February 7, 2025

MEETING DATE: February 14, 2025

TO: Audit and Finance Committee

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: FY2024-25 Quarterly Fuel Purchase Program Update - Quarter Ending December 31, 2024

Issue

Staff is providing an update on the Authority's Fuel Purchase Program for the quarter ended December 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 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 December 2024, the Authority's hedging account had a value of \$13,490,023, an increase of \$688,895 from September 30, 2024. This includes interest income on treasury bills purchased totaling \$316,800 during the quarter. The futures account report for quarter ended December 31, 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 a quarterly update for the third quarter of 2025 in April.

Prepared by: Alex Barber, Assistant Director, General Accounting

Approved by: Arnold Hackett, Chief Financial Officer

Attachment(s)

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

[Attachment B - Performance of Futures Purchased - Quarter Ended December 31 2024](#)

[Attachment C - Fuel Hedging Commentary](#)