



metrolinktrains.com/meeting

ITEM ID: 2026-290-0

TRANSMITTAL DATE: September 18, 2026

MEETING DATE: September 25, 2026

TO: Board of Directors

FROM: Tom Schamber, Chief Financial Officer

SUBJECT: FY2025-26 Quarterly Fuel Purchase Program Update - Quarter Ending June 30, 2026

Issue

Staff is providing an update on the Authority's Fuel Purchase Program for the quarter ended June 30, 2026.

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 FY25 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 \$21.2M to \$31.9M, accounting for 8.7% to 12.1% of the actual operating expenditures in the past four years (FY22-FY25).

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. Over the past five years, the policy has undergone multiple revisions, with the most recent version approved by the board on February 27, 2026. This latest update clarified previously ambiguous language throughout the document.

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

Discussion

The primary objective of the Fuel Purchase Program is to ensure predictability in the Agency's fuel costs. Accordingly, the sale of positions may result in a gain or loss, depending on fluctuations in fuel contract prices.

As of June 30, 2026, the Authority's hedging account had a value of \$4,194,414, a decrease of \$362,399 from March 31, 2026, after transferring excess funds back to a money market account. On March 24, 2026, the Authority returned \$2.7 million in excess funds held in the futures account. The futures account report for quarter ended March 31, 2026, 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. In addition, Attachment C graphically illustrates anticipated market movements and the associated risks related to those fluctuations.

Recent geopolitical events, including ongoing conflicts in the Middle East and Eastern Europe, as well as global shipping disruptions, have contributed to increased volatility in diesel fuel markets. While these developments have affected diesel fuel prices, the impact on the Authority's diesel fuel expense has been partially mitigated through existing fuel hedging activities.

To date, the Authority has not experienced a significant adverse impact on operating results because of these events. However, prolonged geopolitical instability may continue to influence fuel prices. Potential future impacts could include increased fuel costs, reduced effectiveness of hedging mitigation (under Strategy 1 of Metrolink's Fuel Purchase Policy), and decreased predictability of future fuel expenses.

Strategy 1 of Metrolink's Fuel Purchase Policy states: "When the 15-year average of the NYMEX futures contract price is \$219 and above, purchase futures contracts for up to six months and up to 80% of demand."

The Authority has started internal discussions regarding Strategy 1, including the purchasing of an additional six months into the future to provide up to 12 months of coverage for an entire fiscal year, rather than the current six-month coverage period contemplated under the existing strategy.

Next Steps

Staff will provide a quarterly update for the first quarter of FY27 in November.

Prepared by: Alex Barber, Assistant Director, Finance

Approved by: Tom Schamber, Chief Financial Officer

Attachment(s)

Attachment A - FY26 Q4 Blue Lacy Futures Report

Attachment B - FY26 Q4 Performance of Futures Purchased

Attachment C - FY26 Q4 Fuel Hedging Commentary

Presentation - FY26 Q4 Quarterly Fuel Hedge Report