



JPB Finance Committee  
Meeting of May 22, 2023

Supplemental Reading File

<u>#</u>	<u>Subject</u>
1	Acceptance of Quarterly Fuel Hedge Update

**Peninsula Corridor Joint Powers Board  
Staff Report**

To: Board of Directors  
Through: Michelle Bouchard, Executive Director  
From: Kate Jordan Steiner, Chief Financial Officer  
Subject: **Acceptance of Quarterly Fuel Hedge Update**

Finance Committee Recommendation     Technology, Operations, Planning, and Safety Committee Recommendation     Advocacy and Major Projects Committee Recommendation     Staff Coordinating Council Reviewed

**Action**

Staff proposes the Board to review, accept, and enter into the record the presentation providing an update on the implementation of a fuel hedging strategy for Caltrain.

**Significance**

The purpose of this presentation is to provide an update on the implementation and performance status of the Fuel Hedging Program (Program) established for Caltrain.

Under this Program, the staff will continue to work with Linwood Capital, LLC in order to:

- Purchase new fuel hedge contracts for the upcoming fiscal year as market conditions allow.
- Maintain the size of the hedge in order to protect Caltrain's fuels budget against volatile price movements in the diesel fuel market.

**Budget Impact**

There is no impact on the budget.

**Background**

The Program implemented for Caltrain is designed to minimize large budget variances resulting from the volatility of diesel fuel prices. An effective hedging strategy can increase budget certainty and facilitate a more effective utilization of budgetary resources. The purpose of the

Program is not to speculate on the price of fuel but to manage risk, particularly as it relates to Caltrain's annual budget.

### **FY 2023**

- As of March 31st, the fuel hedging program had realized net gains of \$1,179,519.57 for the time period July 2022 through March 2023 – the first three quarters of FY 2023. This is approximately \$0.38 per gallon of realized gain for the first three quarters of FY 2023. The approximate cost of fuel before taxes and fees and after the effect of the hedge is \$3.09 per gallon from July 2022 through March 2023.
- Additionally, for the remainder of FY 2023, the hedge currently reflects unrealized loss of \$(558,188.40) which is \$(0.49)/gallon on all gallons April 2023 through June 2023. This assumes projected consumption of 1,134,833 gallons for the remainder of FY 2023.
- For the remainder of FY 2023, approximately 93% (85% after tax) of the anticipated fuel usage through June 2023 is hedged at an average price of \$3.17/gallon, excluding taxes and fees (\$3.92 with taxes and fees), versus a currently planned budget estimate of \$3.12/gallon, excluding taxes and fees based on a 104 train/day schedule.
- The remaining un-hedged gallons for FY 2023 through June 2023 have a projected cost of \$2.64/gallon as of 3/31/23 excluding taxes and fees (\$3.34 with tax and fees).
- Expected weighted average cost of all gallons for April through June 2023 including hedging excluding taxes and fees is \$3.13/gallon and including taxes and fees is \$3.83/gallon as of 3/31/2023.
- Total dollar budget for fuel for FY 2023 is \$15,521,648 based on \$3.41 per gallon before tax and fees and estimated total consumption of 4,551,803 gallons. Estimated total cost before tax and fees and after hedging for the entirety of FY 2023 as of 3/31/23 is estimated to be \$13,618,382 or \$3.07 per gallon. The current expected FY 2023 budget surplus is \$1,903,267.

### **FY 2024**

- For FY 2024, there is currently an unrealized loss of \$(483,667.80) which is \$(0.11)/gallon on all projected gallons July 2023 through June 2024. This assumes projected consumption of 4,564,274 gallons for FY 2024.
- For FY 2024, approximately 98% (89% after tax) of the anticipated fuel usage during FY 2024 is hedged at an average price of \$2.70/gallon excluding taxes and fees (\$3.40/gallon with taxes and fees) versus a currently planned budget estimate of \$2.80/gallon, excluding taxes and fees.
- The remaining un-hedged gallons for FY 2024 have a projected cost of \$2.60 excluding taxes and fees (3.28 with tax and fees) as of 3/31/23.

- For FY 2024, the expected weighted average cost of all gallons net of hedge and excluding tax and fees is \$2.70/gallon and including taxes and fees is \$3.39/gallon.
- Total dollar budget for fuel for FY 2024 is \$12,779,967 based on \$2.80 per gallon before tax and fees and estimated total consumption of 4,564,274 gallons. The estimated total cost before tax and fees and after hedging for FY 2024 as of 3/31/23 is \$12,324,363 or \$2.70 per gallon. The current expected budget surplus for FY 2024 is \$455,604.

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