



JPB Finance Committee
Meeting of May 20, 2024

Supplemental Reading File

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

**Peninsula Corridor Joint Powers Board
Staff Report**

To: Finance Committee
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

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 2024 History

- As of March 31st, the fuel hedging program had realized net gains of \$711,620.60 for the time period July 2023 through March 2024 – the first three quarters of FY (fiscal year) 2024. This is approximately \$0.23 per gallon of realized gain for the first three quarters of FY 2024. The approximate cost of fuel before taxes and fees and after the effect of the hedge is \$2.89 per gallon from July 2023 through March 2024.
- Total dollar budget for fuel for the first three quarters of FY24 is \$9,058,720 based on \$2.69 per gallon budget before tax and fees and budgeted consumption of 3,367,554 gallons for the first three quarters.
- Estimated total cost before tax and fees and after hedging for the first three quarters of FY24 is \$9,003,919 or \$2.89 per gallon on 3,113,947 gallons. This renders an approximate budget surplus for the first three quarters of FY24 of \$54,801 driven by lower than anticipated fuel consumption in conjunction with the effects of the fuel hedging program.

FY 2024 Prospective

- For the remainder of FY24, there is currently an unrealized gain of \$112,333.20 which is \$0.10 per gallon on all projected gallons for April 2024 through June 2024. This assumes projected consumption of 1,134,871 gallons for the last quarter of FY24.
- For the remainder of FY24, approximately 88 percent (after tax) of the anticipated fuel usage is hedged at an average price of \$2.63 per gallon excluding taxes and fees (\$3.34 per gallon with taxes and fees) versus a currently planned budget estimate of \$2.69 per gallon, excluding taxes and fees.
- The remaining un-hedged gallons for the remainder of FY24 have a projected cost of \$2.74 excluding taxes and fees (\$3.45 with tax and fees) as of 3/31/24.
- For the remainder of FY24, the expected weighted average cost of all gallons net of hedging and excluding tax and fees is \$2.64 per gallon and including taxes and fees is \$3.35 per gallon.
- Total dollar budget for fuel for the remainder of FY24 is \$3,052,803 based on \$2.69 per gallon before tax and fees and estimated total remaining consumption of 1,134,871 gallons. The estimated total cost before tax and fees and after hedging for the remainder of FY24 as of 3/31/24 is \$2,996,059 or \$2.64 per gallon. This yields an estimated surplus in the last quarter of FY24 of \$56,744.

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