FY2013 Fuel Hedging Program

Board of Directors

May 9, 2012

Presentation Outline

- Program Purpose
- Historical Data
- Conclusions and Next Steps

Fuel Hedging Program Overview

- Began in FY2010
- Designed to reduce volatility and uncertainty in the budget for fuel expenses
- In FY2010, fuel budget was reduced by $1 million due to the hedging program
- Price cap option is akin to insurance
- Cap gives protection against price increases, allows District to benefit from price decreases
- SamTrans and Caltrain together hedge approximately 50% of their total projected fuel usage

Historical Data

	FY2010	FY2011	FY2012
Cap Price	$2.00	$2.25	$2.90
Cost of Cap	$147,000	$164,000	$217,000
Payments Rec'd	$54,000	$336,000	$123,000*
Total Fuel Exp	$4.1 million	$4.4 million	$5.6 million**
Counterparty	Deutsche Bank	Barclays Bank	Deutsche Bank

*data through April 2012 only

**FY2012 revised budget for fuel

Associated Parties

- Orrick, Herrington & Sutcliffe LLP
  - Negotiate with counterparties
  - Review documents
  - Advise on technical legal matters
- Financial Advisors
  - Identify bidders
  - Develop bidding package
  - Review and evaluate bids
  - Monitor market
  - Monthly calculation of price differences and evaluation of counterparty credit ratings

Next Steps

- Solicit bids from selected counterparties for FY2013 transaction
- Review bids and make go/no-go decision
- At the request of the District, staff will offer to present the fuel hedging program to local city and county financial officers

Questions?

Historical Data

	FY2010	FY2011	FY2012
Orrick	$41,700	$31,900	$34,500
Ross	$7,500	$7,500	$7,500
PFM Monthly	$2,500	$2,500	$2,500
Total	**$51,700**	**$41,900**	**$44,500**