



FY2013 Fuel Hedging Program

Board of Directors
May 3, 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 \$2.5 million due to the hedging program**
- **Price cap option is akin to insurance**
- **Cap gives protection against price increases, allows JPB to benefit from price decreases**
- **JPB and SamTrans 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	\$293,000	\$383,000	\$506,000
Payments Rec'd	\$108,000	\$784,000	\$231,000*
Total Fuel Exp	\$10.3 million	\$12.9 million	\$15.2 million**
Counterparty	Deutsche Bank	Barclays Bank	Deutsche Bank

*data through March 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 San Mateo County Transit District, staff will offer to present the fuel hedging program to local city and county financial officers**

Questions?