

RESOLUTION NO. 2009-40

AMENDING RESOLUTION NO. 2008-110, THE ENERGY PRICE RISK
MANAGEMENT POLICY, TO LENGTHEN THE MAXIMUM HEDGE MATURITY
FROM TWENTY-FOUR MONTHS TO THIRTY-SIX MONTHS

WHEREAS, the Board of Trustees of the Greater Cleveland Regional Transit Authority (GCRTA) approved the Energy Price Risk Management Policy pursuant to Resolution No. 2008-110, adopted on July 15, 2008; and

WHEREAS, Resolution No. 2008-110 was amended by Resolution No. 2008-170 to authorize use of swaps, derivatives and fuel futures contracts and to designate eligible financial institutions for the Energy Price Risk Management program adopted on January 13, 2009; and

WHEREAS, the GCRTA has hedged 86.6% of its 2010 fuel requirement at a considerable reduction in budgeted fuel cost; and

WHEREAS, the GCRTA, would like to hedge 2011 fuel at present low prices and hereby seek to increase the certainty of future fuel costs and to attain a lower annual cost of fuel in the long term while these low prices remain available.

NOW, THEREFORE BE IT RESOLVED by the Board of Trustees of the Greater Cleveland Regional Transit Authority, Cuyahoga County, Ohio:

Section 1. That Resolution No 2008-110 is hereby amended as follows:

2.3 Maximum Hedge Maturity -- The maximum maturity of heating oil futures is 36 months.

Section 2. That all other provisions of Resolution 2008-110 remain the same.

Section 3. That this resolution shall become effective immediately upon its adoption.

Attachment: Energy Price Risk Management Statement of Policy.

Adopted: May 19, 2009

President

Attest: _____
CEO, General Manager/Secretary-Treasurer



Greater Cleveland Regional Transit Authority
STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION: AMENDING THE ENERGY PRICE RISK MANAGEMENT POLICY	Resolution No.: 2009-40
	Date: May 14, 2009
	Initiator: OMB
ACTION REQUEST: <input checked="" type="checkbox"/> Approval <input type="checkbox"/> Review/Comment <input type="checkbox"/> Information Only <input type="checkbox"/> Other _____	

- 1.0 PURPOSE/SCOPE: This action will allow fuel hedging for all of 2011. The GCRTA would be able to take advantage of current low prices and to stabilize and control diesel fuel cost for an extended period.
- 2.0 DESCRIPTION/JUSTIFICATION: This action will allow the Energy Price Risk Management program currently in place to be used for 2011 diesel fuel while costs are at historic lows. Section 2.3 - Maximum Hedge Maturity is being amended to extend the maximum period from 24 to 36 months.
 - 2.3 Maximum Hedge Maturity -- ~~To allow the establishment of cost certainty in current and future budget periods,~~ the maximum maturity of heating oil futures positions taken in conjunction with the Program is 36~~24~~ months.
- 3.0 PROCUREMENT BACKGROUND: Does not apply.
- 4.0 DBE/AFFIRMATIVE ACTION BACKGROUND: Does not apply.
- 5.0 POLICY IMPACT: To extend the maximum hedge maturity of 24 months, which is currently in place, to 36 months.
- 6.0 ECONOMIC IMPACT: This action will allow fuel hedge contracts to be purchased at current low prices for 2011. This could result in savings of \$1.0 to \$1.5 million.
- 7.0 ALTERNATIVES: Continue the current 24-month maximum hedge maturity. Purchase contracts each month and achieve the best outcome possible for 2011.
- 8.0 RECOMMENDATION: It is recommended that the maximum hedge maturity be extended. The additional flexibility will allow added savings.
- 9.0 ATTACHMENTS: None.

Recommended and certified as appropriate to the availability of funds, legal form and conformance with the Procurement requirements.

CEO, General Manager/Secretary-Treasurer