

RESOLUTION NO. 2021-68

AMENDING CHAPTER 480 OF THE CODIFIED RULES AND REGULATIONS OF
THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

WHEREAS, pursuant to Resolution No. 1989-176, the Board of Trustees of the Authority codified the resolutions establishing its policies and procedures; and

WHEREAS, the Authority has conducted a review and determined that Chapter 480 should be updated; and

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

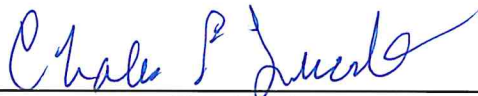
Section 1. That Chapter 480, Energy Price Risk Management Policy is hereby amended to read as specified in Attachment A hereto.

Section 2. That the Board of Trustees hereby waives the fourteen-day period provided for in Article XI, Section 2 of the Bylaws.

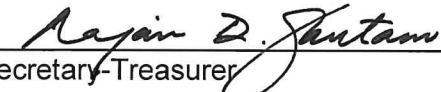
Section 3. That this resolution shall become effective immediately upon its adoption.

Attachment: A. Chapter 480

Adopted: June 29, 2021



President

Attest: 

Secretary-Treasurer

Attachment A to Resolution

CHAPTER 480 Energy Price Risk Management Policy

- 480.01 Mission statement.
 - 480.02 Program infrastructure.
 - 480.03 Physical supply.
 - 480.04 Strategy.
 - 480.05 Execution, monitoring and reporting.
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480.01 MISSION STATEMENT.

(a) The Greater Cleveland Regional Transit Authority (“GCRTA”) will establish and maintain an energy price risk management program as permitted by Ohio R.C. § 9.835 (hereinafter "Program") that will:

- (1) Seek to mitigate the impact of the volatility of fuel cost on GCRTA budget;
- (2) Seek to increase the likelihood that actual net fuel cost will remain below the budgeted cost;
- (3) Seek to increase the certainty of future fuel cost;
- (4) Seek to attain a lower overall cost of fuel in the long-term;
- (5) Seek to manage year-over-year changes in fuel cost.

(b) The purpose of the Program is not to make or lose money but to manage risk. This Program is not an investment and should not be construed as such. Cash flows produced or consumed by the Program will be considered as an element of fuel cost.

(Res. 2008-110. Passed 7-15-08. Res. 2021-XXX. Passed XX-XX-XX.)

480.02 PROGRAM INFRASTRUCTURE.

(a) Instruments. The GCRTA will establish and maintain a futures account with a futures broker (Futures Commission Merchant). GCRTA will engage an advisor (“Advisor”) to determine financial strategies which will facilitate the Program. Within this account, the GCRTA will, with the advice of the Advisor, acquire, hold, and dispose of positions in exchange-traded futures contracts according to the strategies in order to operate the Program. These futures contracts will enable the GCRTA to fix the cost of ultra-low sulfur diesel fuel (“Fuel”) in forward periods providing budget stability.

(b) Maximum Hedge Ratio. The maximum hedge ratio will be ninety percent of forecasted consumption. This means that the Program will not hedge more than ninety percent of GCRTA’s forecasted needs within any fiscal year.

(c) Maximum Hedge Maturity. The maximum allowed maturity of Fuel futures is thirty-six months from the date of acquisition.

(d) Exiting Market Positions. Market positions will be exited as Fuel is consumed to make the end of the hedge and the pricing of Fuel simultaneous. Futures contracts will otherwise be held to maturity and there will be no interim trading allowed. The only exception to this is if the forecasted Fuel usage decreases in which case the hedge position may be adjusted to comply with this energy price risk management policy ("Policy"). Futures contracts will not be exited early for the purpose of generating a profit.

(Res. 2008-110. Passed 7-15-08; Res. 2009-40. Passed 5-19-09. Res. 2021-XXX. Passed XX-XX-XX.)

480.03 PHYSICAL SUPPLY.

The physical supply of Fuel will continue according to the current process of GCRTA. The physical supply will be priced according to a daily floating price determined by the supply contract.

(Res. 2008-110. Passed 7-15-08. Res. 2021-XXX. Passed XX-XX-XX.)

480.04 STRATEGY.

- (a) The Strategy is how the Program's objectives are achieved.
- (b) The Strategy will utilize a process:
 - (1) That addresses market opportunities and market risks;
 - (2) That holds the risk of exceeding budget at or below an acceptable level;
 - (3) That uses historical pricing ranges as pricing parameters;
 - (4) That is continuous;
 - (5) That will use dollar cost averaging as a tool;
 - (6) That mitigates transaction timing risk by making more numerous smaller volume transactions, i.e. 42,000 gallons per transaction.

(c) These things will be accomplished by the Advisor executing the appropriate transactions at the appropriate times to create the desired effect within the constraints of the Policy in consultation with GCRTA.

(Res. 2008-110. Passed 7-15-08. Res. 2021-XXX. Passed XX-XX-XX.)

480.05 EXECUTION, MONITORING AND REPORTING.

(a) The Advisor will be responsible for the day-to-day execution of the Program including the execution of transactions, generating reports on the Program's status and results, and monitoring the Program and the energy markets.

(b) The Advisor will generate an update on the status and results of the Program, including an analysis of market risk, on at least a monthly basis.

(c) The Advisor will generate a monthly report summarizing the activity in the futures account.

(d) GCRTA will have online access to daily and monthly statements from the futures broker.

(e) The online access will be given to appropriate individuals at GCRTA. Oversight of the Program will be primarily the responsibility of the Accounting Department in the Finance Division.

(f) Presentations to the Board on the performance of the Program will occur periodically as the Board deems appropriate.

(Res. 2008-110. Passed 7-15-08. Res. 2021-XXX. Passed XX-XX-XX.)



TITLE/DESCRIPTION: AMENDING CHAPTER 480 OF THE CODIFIED RULES AND REGULATIONS OF THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY	Resolution No.: 2021- 68
	Date: June 24, 2021
	Initiator: Finance
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 resolution will amend Chapter 480, Energy Price Risk Management Policy, of the Codified Rules and Regulations ("Code") of the Greater Cleveland Regional Transit Authority.
- 2.0 DESCRIPTION/JUSTIFICATION: The energy price risk management policy was adopted in 2008. It is being updated to reflect current operations. In particular, staff recommends removing the statement that GCRTA's consumption of ultra-low sulfur diesel fuel is highly predictable and the restriction on transactions within a calendar month. In addition, the references to swaps and derivative transactions should be removed because the Authority no longer uses those types of transactions.
- 3.0 PROCUREMENT BACKGROUND: Does not apply.
- 4.0 AFFIRMATIVE ACTION/DBE BACKGROUND: Does not apply.
- 5.0 POLICY IMPACT: Adoption of the resolution will bring the Authority's energy price risk management policy up to date.
- 6.0 ECONOMIC IMPACT: Does not apply.
- 7.0 ALTERNATIVES: Not adopting this resolution. Not adopting this resolution would result in a policy that remains out of date.
- 8.0 RECOMMENDATION: This resolution was discussed at the June 15, 2021 Committee of the Whole meeting and recommended for consideration by the full Board of Trustees. It is recommended that this resolution be adopted.
- 9.0 ATTACHMENT: A. Red-line of proposed amendments to Chapter 480

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

General Manager, Chief Executive Officer

Attachment A to Staff Summary

CHAPTER 480 Energy Price Risk Management Policy

- 480.01 Mission statement.
 - 480.02 Program infrastructure.
 - 480.03 Physical supply.
 - 480.04 Strategy.
 - 480.05 Execution, monitoring and reporting.
 - 480.06 ~~Swaps, derivatives, and fuel futures contracts; eligible financial institutions designated.~~
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480.01 MISSION STATEMENT.

(a) The Greater Cleveland Regional Transit Authority ("GCRTA") will establish and maintain an energy price risk management program (as permitted by Ohio R.C. § 9.835(A), (B) and (C) ~~which qualifies Ohio R.C. § 135.14~~ (hereinafter "Program")) that will:

- (1) ~~Seek to mitigate the impact of the volatility of fuel cost on GCRTA budget~~ decrease the volatility of fuel cost;
- (2) Seek to increase the likelihood that actual net fuel cost will remain below the budgeted cost;
- (3) Seek to increase the certainty of future fuel cost;
- (4) Seek to attain a lower overall cost of fuel in the long-term;
- (5) Seek to manage year-over-year changes in fuel cost.

(b) ~~The purpose of GCRTA's energy price risk management program~~ the Program is not to make or lose money but to manage risk. ~~This program~~ Program is not an investment and should not be construed as such. Cash flows produced or consumed by the Program will be considered as an element of fuel cost. (Res. 2008-110. Passed 7-15-08. Res. 2021-XXX. Passed XX-XX-XX.)

480.02 PROGRAM INFRASTRUCTURE.

(a) Instruments. The GCRTA will establish and maintain a ~~Futures Account~~ futures account with a ~~Futures Broker~~ futures broker (Futures Commission Merchant). GCRTA will engage an advisor ("Advisor") to determine financial strategies which will facilitate the Program. Within this account, the GCRTA will, with the advice of the Advisor, acquire, hold, and dispose of positions in exchange-traded futures contracts according to the strategies in order to operate the Program. ~~The GCRTA will consider various financial instruments (e.g. fixed price contract, price floor discount, maximum price contract, minimum/maximum price contract, fixed price value trigger, and trigger price contract or others deemed prudent) in concert with this policy. These~~ Future ~~contracts~~ futures contracts ~~instruments~~ will enable the GCRTA to fix the cost of ultra-low

sulfur diesel fuel ("Fuel") in forward periods providing budget stability, determine the range of price volatility and variability.

(b) Maximum Hedge Ratio. ~~GCRTA's fuel consumption is highly predictable and without significant variability over time. Given this, t~~The maximum hedge ratio will be ninety percent of forecasted consumption. This means that the Program will not hedge more than ninety percent of GCRTA's forecasted needs within any fiscal year and ~~will not liquidate/offset futures contracts within a single calendar month that represent more than ninety percent of forecasted consumption in that month.~~

(c) Maximum Hedge Maturity. The maximum allowed maturity of Ultra Low Sulfur Diesel Fuel heating oil futures is thirty-six months from the date of acquisition.

(d) Exiting Market Positions. Market positions will be exited as ~~fuel~~ Fuel is consumed to make the end of the hedge and the pricing of ~~fuel~~ Fuel simultaneous. Futures contracts will otherwise be held to maturity and there will be no interim trading allowed. The only exception to this is if the forecasted ~~fuel~~ Fuel usage decreases in which case the hedge position ~~may~~ will be adjusted to comply with ~~Policy~~ this energy price risk management policy ("Policy"). Futures contracts will not be exited early for the purpose of generating a profit.

(Res. 2008-110. Passed 7-15-08; Res. 2009-40. Passed 5-19-09. Res. 2021-XXX.
Passed XX-XX-XX.)

480.03 PHYSICAL SUPPLY.

The physical supply of ~~fuel~~ Fuel will continue according to the current process of GCRTA. The physical supply will be priced according to a daily floating price determined by the supply contract.

(Res. 2008-110. Passed 7-15-08. Res. 2021-XXX. Passed XX-XX-XX.)

480.04 STRATEGY.

- (a) The Strategy is how the Program's objectives are achieved.
- (b) The Strategy will utilize a process:
 - (1) That addresses market opportunities and market risks;
 - (2) That holds the risk of exceeding budget at or below an acceptable level;
 - (3) That uses historical pricing ranges as pricing parameters;
 - (4) That is continuous;
 - (5) That will use dollar cost averaging as a tool;
 - (6) That mitigates transaction timing risk by making more numerous smaller volume transactions, i.e. 42,000 gallons per transaction.

(c) These things will be accomplished by the Advisor executing the appropriate transactions at the appropriate times to create the desired effect within the constraints of the Policy in consultation with GCRTA.

(Res. 2008-110. Passed 7-15-08. Res. 2021-XXX. Passed XX-XX-XX.)

480.05 EXECUTION, MONITORING AND REPORTING.

(a) The Advisor will be responsible for the day-to-day execution of the Program including the execution of transactions, generating reports on the Program's status and results, and monitoring the Program and the energy markets.

(b) The Advisor will generate ~~a weekly~~ an update on the status and results of the Program, including an analysis of market risk, on at least a monthly basis.

~~The Advisor will generate a monthly report regarding the status and results of the Program including an analysis of risk.~~

(c) The Advisor will generate a monthly report summarizing the activity in the futures account.

(d) GCRTA will have online access to ~~receive~~ daily and monthly statements from the futures broker.

(e) The online access will be given to ~~reports will be received by the~~ appropriate individuals at GCRTA. Oversight of the Program will be primarily the responsibility of the ~~Oversight Panel at GCRTA~~ Accounting Department in the Finance Division.

(f) ~~Reporting Presentations~~ to the Board on the performance of the Program will occur periodically as the Board deems appropriate.

(Res. 2008-110. Passed 7-15-08. Res. 2021-XXX. Passed XX-XX-XX.)

480.06 SWAPS, DERIVATIVES, AND FUEL FUTURES CONTRACT; ELIGIBLE FINANCIAL INSTITUTIONS DESIGNATED.

~~(a) The General Manager, Chief Executive Officer is hereby authorized to execute fuel hedging contracts, as well as contracts for the purchase of swaps and derivatives with financial institutions governed by the International Swaps & Derivatives Association ("ISDA") and documents necessary for the execution and/or performance of these contracts.~~

~~(b) ISDA agreements may be made with Key Bank, Fifth Third Bank and any other institution qualified by the ISDA.~~

~~(c) The GCRTA Procurement Department is authorized to solicit bids from~~

~~those financial institutions with which the General Manager, Chief Executive Officer has entered into ISDA agreements, including but not limited to Key Bank and Fifth Third Bank, when it determines that entering into said contracts would be advantageous to the GCRTA.~~

~~(d)The General Manager, Chief Executive Officer is hereby authorized to enter into hedging contracts and to enter into contracts for swaps and derivative transactions with whichever ISDA qualified institution provides the price most advantageous to the GCRTA.~~

~~(e)The purchase of fuel hedging contracts will be funded through a line of credit with National City Bank. Payment for the purchase of swaps and derivatives is the difference between the bid price for these contracts and the market price. In the event this difference is not sufficient, payment will be made from the General Fund.~~

~~(f)The Director of Procurement is hereby directed to forward certified copies of this section to the entities approved to execute contracts under the Energy Price Risk Management Program.~~

~~(Res. 2008-170. Passed 1-13-09.)~~