SORTA/Metro
Finance Committee
February 17, 2026
8:30 am-9:00 am Eastern Time

FINANCE COMMITTEE

TUESDAY, FEBRUARY 17th, 2026 – 8:30 A.M.

SORTA/METRO AT HUNTINGTON CENTER

6th FLOOR SORTA BOARD ROOM

525 VINE STREET

CINCINNATI, OHIO 45202

General Items:

Call to order

Pledge of Allegiance

1 Approval of Finance Committee Minutes: January 20th, 2026

Briefing Items:

2 Financial Results as of January 31st 2026 (Tim Walker)

3 Fuel Hedging Program and Activity Presentation (Kevin Ruth)

Action Items:

4 Approval of Investment of Funds Report as of January 31st 2026 (Tim Walker)

5 Proposed Resolution: Approval of Updated Fuel Heding Policy (Kevin Ruth)

5.1 Action Item:

5.1.1 Policy:

Other Items:

New Business

Adjournment

The next regular meeting of the Finance Committee has been scheduled for

Tuesday, March 17th, 2026, at 8:30 a.m.

FINANCE COMMITTEE
TUESDAY, JANUARY 20th, 2026 – 8:30 A.M.
SORTA/METRO AT HUNTINGTON CENTER
6th FLOOR SORTA BOARD ROOM
525 VINE STREET
CINCINNATI, OHIO 45202

COMMITTEE MEMEBERS APPOINTED: *Chelsea Clark (Chair), Jay Bedi, Trent Emeneker, Neil Kelly, Sonja Taylor, Kala Gibson, and Greg Simpson*

COMMITTEE/BOARD MEMBERS PRESENT: Tianay Amat, Jay Bedi, Chelsea Clark, Dan Driehaus, Blake Ethridge, Pete Metz, Briana Moss, Sara Sheets and KZ Smith

COMMITTEE MEMBERS ABSENT: Tony Brice, Trent Emeneker, Kala Gibson, Neil Kelly, Greg Simpson, Rickell Smith and Sonja Taylor

STAFF MEMBERS PRESENT: Andy Aiello, Tony Balmert, Norman Bouwie, Adriene Hairston, Bret Isaac, Brandy Jones, Natalie Krusling, Sharyn Lacombe, Bradley Mason, Jeff Mundstock, Alex Osbourne, John Ravasio, Jason Roe, Tony Russo, Kevin Ruth, Khaled Shammout, Bill Spraul, Tim Walker, Mike Weil and Mike Woulms

OTHERS PRESENT: Tony Osterlund (Vory's)

1. **Call to Order**

Ms. Clark called the meeting to order.

2. **Pledge of Allegiance**

The Pledge of Allegiance was recited.

3. **Approval of Minutes of December 9th, 2025**

Ms. Clark moved, and Ms. Sheets seconded that the minutes from December 9th, 2025, be approved.

By voice vote the committee approved the minutes.

4. **Financial Report as of December 31st, 2025**

Mr. Walker presented the December financial results. Total revenues were $17.8 million, which was favorable to budget by $911K. Total expenses were $15.0 million, which is unfavorable to budget by $869k. Operating Capital Contribution was $2.8 million, which was favorable to budget by $42k. Ridership was 1,015k, which was unfavorable to budget by 134k. Mr. Walker then reviewed the contributing factors to these variances.

The Committee accepted the report as presented.

5. **Audit Observation Update**

Mr. Bouwie presented the audit observation update. He reviewed open audit observations, current audits and upcoming audits.

The Committee accepted the report as presented.

6. **Approval of Investment of Funds Reports as of December 31th 2025**

Mr. Walker presented the December report noting the yields of SORTA 4.13% for December compared to the prior month of 4.14% for the month of November.

Mr. Walker presented the report noting yields for the Infrastructure Transit Fund of 4.07% for December compared to the prior month of 4.13% for the month of November.

Ms. Clark moved, and Mr. Driehaus seconded the Investment of Funds as of December 31st, 2025.

By voice vote the committee approved the report.

The Committee approved the report as presented.

7. **Proposed Resolution: Approval of Purchase Threshold Increase**

Mr. Walker requested approval of purchase threshold increase from $100,000 to $250,000 to align better with changes to CRC requirements and the FTA's SAT threshold.

Ms. Clark moved and Ms. Amat seconded the approval of the purchase threshold increase.

The Committee agreed to recommend the resolution to the full Board for approval.

8. **Proposed Motion: Approval of 2026 SORTA Meeting Schedule**

Mr. Aiello requested approval of the 2026 SORTA Meeting Schedule.

Ms. Clark moved and Mr. Driehaus seconded the approval of the 2026 SORTA meeting schedule.

The Committee agreed to recommend the motion to the full Board for approval.

9. **New Business**

N/A

10. **Adjournment**

The meeting adjourned at 8:57 A.M.

Financial Summary - January 2026

February 17, 2026

Agenda – Financial Summary

- Statement of Operations for January ’26
  - Key Drivers
  - Detail Profit & Loss Statement
  - County Sales Tax Trend
- Cashflow and Obligation Report
- Investment Balance Update
- Fuel Hedging Report

Profit & Loss – Summary / Key Drivers

Summary

- Total Revenue $13.4M - unfavorable to Budget ($129k) or (1.0%)
- Total Expense $14.4M - favorable to Budget $492k or 3.3%
- Operating Capital Contribution ($1.1M) - favorable to Budget $363k
- Note: Ridership total is 1,020k – unfavorable to Budget (3k) or (0.3%)

Revenue

- Total Operating Revenue $1.7M - unfavorable to Budget ($79k) or (4.3%)
- Non-Transportation $0.5M – unfavorable to Budget ($50k) or (8.4%)
- County Sales Tax $9.6M – accrued to Budget due to timing of actual receipts
- Federal Grants $1.5M - on Budget

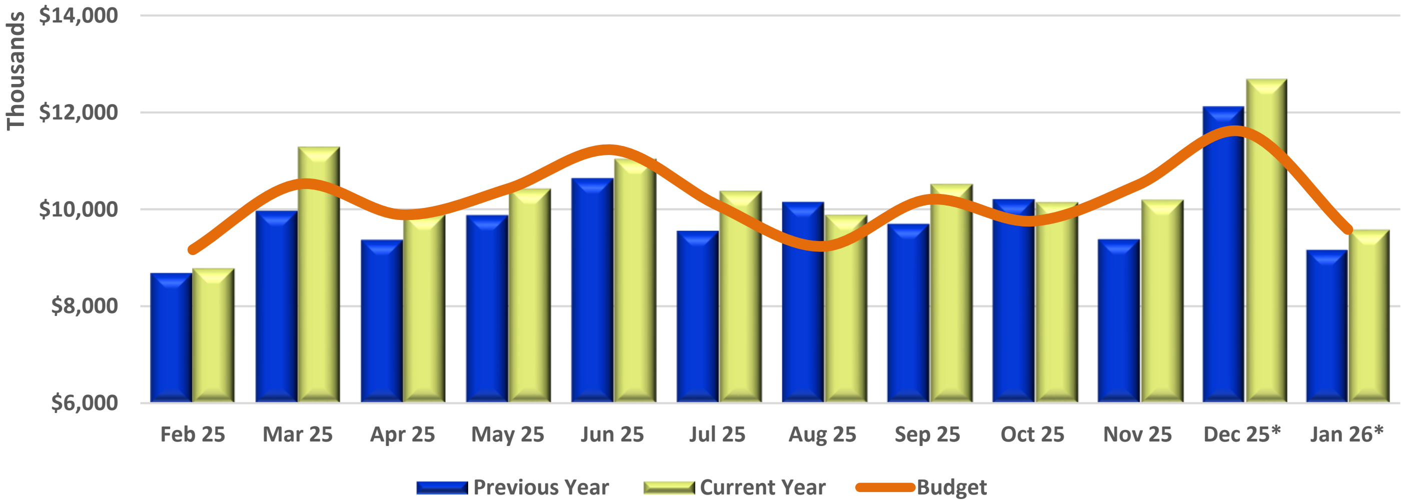
Expense

- Wages & Benefits $11.1M - favorable to budget $24k or 0.2%
- Fuel and Lubricants $583k - favorable to budget $82k or 12.4%
- Parts & Supplies $902k – favorable to Budget $94k or 9.5%
- All Other $1.8M – favorable to Budget $279k

1 Mo Ending Jan 31, 2026 ($ In Thousands)	Month				Prior Year
	Actual	Budget	Fav(Unfav)		Prior Year
Ridership					
Regular	853,242	869,406	(16,164)	(1.9%)	835,875
CPS	139,315	125,000	14,315	11.5%	122,935
Subtotal Fixed Route	992,557	994,406	(1,849)	(0.2%)	958,810
Access	13,655	13,237	418	3.2%	12,987
MetroNow!	13,614	14,800	(1,186)	(8.0%)	9,597
Total Ridership	1,019,826	1,022,443	(2,617)	(0.3%)	981,394
Operating Revenue					
Metro Fares	$ 1,043	$ 1,094	$ (51)	(4.6%)	$ 988
Access Fares	59	52	7	12.8%	47
MetroNow! Fares	39	35	4	10.7%	19
CPS Fares	402	456	(54)	(11.9%)	415
Other Contract Revenue	206	190	16	8.2%	190
Total Operating Revenue	1,748	1,827	(79)	(4.3%)	1,659
Non-Operating Revenue					
County Sales Tax	9,584	9,584	-	-	9,269
Federal Subsidies	1,476	1,476	-	-	1,513
Non Transportation	544	595	(50)	(8.4%)	721
Total Non-Operating Revenue	11,605	11,655	(50)	(0.4%)	11,503
Total Revenue	13,352	13,481	(129)	(1.0%)	13,162
Expenses					
Employee Wages & Benefits	11,101	11,124	24	0.2%	10,552
Fuel & Lubricants	583	666	82	12.4%	586
Parts & Supplies	902	996	94	9.5%	827
Everybody Rides Metro Fund	23	35	12	34.9%	23
Other	1,794	2,074	279	13.5%	1,787
Total Expenses	14,403	14,895	492	3.3%	13,775
Operating Capital Contribution	$ (1,050)	$ (1,413)	$ 363		$ (613)

metro
your way to go

County Sales Tax – Year to Date



($000's)	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25 *	Jan 26 *
Current Year	$8,788	$11,291	$9,895	$10,429	$11,042	$10,384	$9,891	$10,526	$10,151	$10,201	$12,685	$9,584
Budget	$9,165	$10,516	$9,887	$10,423	$11,227	$10,081	$9,234	$10,201	$9,756	$10,501	$11,605	$9,584
Previous Year	$8,683	$9,963	$9,366	$9,875	$10,636	$9,551	$10,149	$9,696	$10,205	$9,380	$12,116	$9,159

* December 2025 through January of 2026 are recorded at estimates based on current year trends due to the delay in reporting from State Office

Cashflow and Obligation Report

metro
your way to go

Overnight Investments		$12,443,738
Securities & CD's		$118,410,202
Total All Securities (1/31/2026)		**$130,853,940**

Current Capital Reserve Obligations

BRT Project Development (Hamilton & Reading Corridors) - Amts Pd	*$27,731,695*	
Future BRT Capital Match (Fed 70% & Local 30%)	*$40,500,000*	
Total BRT		$68,231,695
Local Match - FTA and ODOT Grants		$13,845,859
100% Local Projects *(Prior Years Open + Current Year)*		$25,530,438
2 Months of Operating Expenses		$26,000,000
All Other Obligations		$3,500,000
Total Current Capital Reserve Obligations		**$137,107,992**
Net Unrestricted Securities Available		**($6,254,052)**
2026 Remaining Operating Budget Surplus (Deficit) Feb-Dec		$7,948,000
Net Unrestricted Securities + '26 Operating Budget Surplus		**$1,693,948**

Fuel Hedging Report

	YTD @ Dec ME Total	$ / Gal	PY Total	$ / Gal
Fuel Purchased	$7,009,687	$2.37	$7,298,899	$2.49
Hedging Gains / (Losses)	(289,863)	(0.10)	(92,938)	(0.03)
Net Fuel Cost	7,299,550	2.47	7,391,837	2.52
Budget	7,418,069	2.42	7,332,714	2.57
Variance Favorable / (Unfavorable)	$118,519	1.6%	($59,123)	(0.8%)

Hedging Policy	Up to Threshold	Hedged
0 - 12 Months	90%	90%
13 - 24 Months	90%	61%
25 - 36 Months	50%	0%

Future Hedges:	Gallons Hedged Total	Percent	$ / Gal	Unrealized Gain/(Loss)
2026	2,478,000	90%	$2.20	($298,112)
2027	1,764,000	61%	$2.10	($90,808)

- FY2025 diesel fuel finished $118k favorable to budget, or 1.6%
  - Unfavorable price on 10% unhedged position offset by 4% volume decrease from budget (2,952k gallons used in 2025)
- Hedging policy remains intact at:
  - 90% maximum hedge position over first 24 months
  - 50% hedged to 36 months
- FY2026 hedged at $2.20/gallon
- FY2027 is currently hedged to September at $2.10/gal
- Full Fuel hedge policy included in Appendix for review

Investment of Funds Report

metro
your way to go

	Operating Fund		Infrastructure Fund	
	Principal	Yield	Principal	Yield
Overnight Investments				
STAR Ohio	$12,388,459	3.83%	$33,068,903	3.83%
Trust Account/Fed Govt Oblig Issue MM	-	0.00%	423,557	3.67%
Fifth Third Bank Concentration Account	55,279	0.00%	23,559	0.00%
Subtotal Overnight Investments	$12,443,738	3.81%	$33,516,019	3.83%
Securities and CD's				
U.S. Agencies	$53,305,464	4.53%	$57,888,085	4.12%
Certificate of Deposit	737,522	3.89%	-	0.00%
Commercial Paper	12,147,441	4.08%	4,932,529	3.97%
U.S. Treasuries	52,219,775	3.85%	68,350,001	4.02%
Subtotal Securities and CD's	$118,410,202	4.18%	$131,170,615	4.06%
Days to Maturity	438		496	
Total All Securities (1/31/2026)	$130,853,940	4.15%	$164,686,634	4.01%
Total All Securities (12/31/2025)	$142,164,604	4.13%	$161,230,496	4.07%
Funds provided by (required for) Operations	($3,411,897)		$3,857,397	
Funds provided by (required for) Capital	($7,898,767)		($401,258)	
Change in Cash during January 2026	($11,310,664)		$3,456,139	
Monthly Investment Income	$477,602		$477,761	
Year to Date Investment Income	$477,602		$477,761	
NOTE: Total All Securities (1/31/2025)	$155,010,818		$133,447,289	

Approved:

TWh

Tim Walker
Chief Financial Officer

metro
your way to go

BOARD OF TRUSTEES
SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
RESOLUTION NO. 2026-xx

APPROVAL OF UPDATED FUEL HEDGING POLICY

WHEREAS:

1. SORTA spends approximately 10% of its annual budget on diesel fuel.

2. In May, 2006, the SORTA Board approved an Energy Forward Pricing Strategy (EFPS) that permitted the hedging of SORTA's fuel supply for up to 18 months to reduce uncertainty regarding the cost of price risk associated with purchasing diesel fuel.

3. Metro recently underwent an internal audit of the Fuel Hedging Program in Quarter 4 of 2025 and one of the recommendations was to update the Fuel Hedging Policy.

4. SORTA staff recommends that the Board approve an updated Fuel Hedging Policy.

THEREFORE, BE IT RESOLVED:

5. The Board hereby approves the updated Fuel Hedging Policy and authorizes the CEO/General Manager/Secretary-Treasurer or their designee to implement the policy effective immediately.

BOARD OF TRUSTEES ACTION ITEM

DATE: **February 17, 2026**

FROM: **Kevin A. Ruth**

PROJECT NO.:

REQUEST: **Approval of Updated Fuel Hedging Policy**

BACKGROUND

SORTA spends approximately 10% of its annual budget on diesel fuel. In May 2006, the SORTA Board approved an Energy Forward Pricing Strategy (EFPS) that permitted the hedging of SORTA's fuel supply for up to 18 months to reduce uncertainty regarding the cost and price risk associated with purchasing diesel fuel. This strategy was implemented at the direction of SORTA Senior Leadership with third party assistance from Linwood Capital, a risk management consulting firm who serves as SORTA's energy consultant. A commodity account was established with the brokerage firm of RBC Wealth Management (currently HTS Commodities, a division of Hilltop Securities) to facilitate future trading transactions. R.J. O'Brien became the brokerage firm that handles the cash transaction on behalf of SORTA and RBC Wealth Management.

In 2008, as a result of market conditions, staff and Mr. LeMunyon recommended that the SORTA Board revise the Energy Forward Pricing Strategy (EFPS) to allow hedging up to 90% of SORTA's fuel supply for up to 25 months and up to 50% of SORTA's fuel supply for up to 36 months (see Appendix A). This updated strategy was approved and implemented by the Board

BUSINESS PURPOSE

Metro recently underwent an internal audit of the Fuel Hedging Program, completed by Clark Schaefer Hackett in Q4 of 2025. One of the recommendations from that review was to update the Fuel Hedging Policy and Procedures Document as it had been sometime since the last update.

To comply with this, Metro's FP&A team has updated and brought current the language and procedures surrounding this activity. There is no change to the threshold related to the maximum lengths or amount of fuel hedged, these percentages remain unchanged at 0-12 months 90%; 13-24 months 90% 25 -36 months 50%. There is also no change to the stated goal or business purpose of this policy; our top priority still remains budget and cost certainty. The changes center around updating the language and providing more detail around the process procedure and applicable parties.

PROJECT FINANCING

NA

PROJECT PROCUREMENT

NA

PROJECT DIVERSITY

NA

RECOMMENDED BOARD ACTION

NA

METRO Procedure for Fuel Hedging

Metro Procedure Number: ACC01	Description: Fuel Hedging Policy and Procedures
Revision Number: 000	Page Number: Page 1 of 13
Prepared by: ~~Alan Solomon~~Kevin Ruth	~~Approved by:~~ Revised Date: January 31, 2026
~~Issued by:~~	~~Issue Date: April 4, 2016~~

~~1 General Accounting~~

1 Background

1.1 FUEL HEDGING OVERVIEW

SORTA spends approximately 10% of its annual budget on diesel fuel. In May~~,~~ 2006, the SORTA Board approved an Energy Forward Pricing Strategy (EFPS) ~~which allowed staff to hedge~~that permitted the hedging of SORTA's fuel supply for up to 18 months ~~in an effort~~ to reduce uncertainty regarding the cost and price risk associated with purchasing diesel fuel ~~to operate the system.~~. This strategy was ~~facilitated by Jeff LeMunyon of~~implemented at the direction of SORTA Senior Leadership with third party assistance from Linwood Capital, a risk management consulting firm who serves as SORTA's energy consultant. A commodity account was established with the brokerage firm of RBC Wealth Management (currently HTS Commodities, a division of Hilltop Securities) to facilitate future trading transactions. R.J. O'Brien became the brokerage firm that handles the cash transaction on behalf of SORTA and RBC Wealth Management.

In 2008, as a result of market conditions, staff and Mr. LeMunyon recommended ~~to~~that the SORTA Board ~~that~~revise the Energy Forward Pricing Strategy (EFPS) ~~be revised~~ to allow hedging up to 90% of SORTA's fuel supply for up to 25 months and up to 50% of SORTA's fuel supply for up to 36 months. ~~A copy of that EFPS is attached.~~ (see Appendix A). This updated strategy was approved and implemented by the Board

~~Fuel Hedging (aka Energy Forward Pricing) Background and Procedures: July, 2015 December, 2017~~

~~External sources:~~

~~Jeffrey R. LeMunyon, CFA (Jeff)~~
~~jeff@linwoodcapital.com~~
~~Principal, Linwood Capital, LLC~~
~~2320 One Financial Plaza, 120 South Sixth Street~~

METRO Procedure for Fuel Hedging

Metro Procedure Number: ACC01	Description: Fuel Hedging Policy and Procedures
Revision Number: 000	Page Number: Page 2 of 13
Prepared by: ~~Alan Solomon~~Kevin Ruth	~~Approved by:~~ Revised Date: January 31, 2026
~~Issued by:~~	~~Issue Date: April 4, 2016~~

~~Minneapolis, MN 55402-1829~~

~~Linwood Capital is an energy price risk management consulting firm. SORTA currently pays $2,350 $2,550/month for advisory services.~~

~~***~~

~~R.J. O'Brien (RJO)~~
~~info@rjobrien.com~~
~~222 South Riverside Plaza #900~~
~~Chicago, IL 60606~~

~~R.J. O'Brien is a commodity brokerage firm.~~

~~***~~

~~Angie Haley (Angie)~~
~~angie.hatley@rbc.com~~
~~RBC Wealth Management~~
~~Senior Financial Associate~~
~~6000 Fairview Road, Suite 500~~
~~Charlotte, NC 28210~~

~~Angie Haley is a broker with RBC Wealth Management, and is the main point of contact for the transactions in SORTA's brokerage commodity account.~~

~~The~~

1.2 Roles & Responsibilities

Senior Director of FP&A: Acts as program manager and ensures operational procedures are carried out to meet program objectives and satisfy regulatory requirements. In collaboration with internal partners, completes forecasting exercise to support futures contract purchases. Performs regular analysis of the fuel hedging program and reports results to upper management and/or the Board. Reviews and updates the policies and procedures that govern the fuel hedging program. Acts as

METRO Procedure for Fuel Hedging

Metro Procedure Number: ACC01	Description: Fuel Hedging Policy and Procedures
Revision Number: 000	Page Number: Page 3 of 13
Prepared by: ~~Alan Solomon~~Kevin Ruth	~~Approved by:~~ Revised Date: January 31, 2026
~~Issued by:~~	~~Issue Date: April 4, 2016~~

primary point of contact for Linwood Capital, providing direction and approval for any program guidance and/or transactional decisions.

Senior Manager, Accounting: Ensures fuel hedging transactions are appropriately accounted for and maintains commodity account balance to ensure compliance with regulatory requirements. Performs daily monitoring activities to track changes in equity, commodity account balance, unrealized gains/losses, and maturity of contracts, completes entries into the general ledger on a monthly basis to record gains/losses associated with fuel hedging. Manages the commodity account balance by responding to margin calls or requesting wires.

Linwood Capital: Third party provider contracted by SORTA to provide consulting services to inform decisions related to the fuel hedging program. Linwood performs ongoing market analysis and provides expertise and guidance that contribute to the success of the program. SORTA has a contract in place with a defined Statement of Work.

HTS Commodities, a division of Hilltop Securities: Third party provider contracted by SORTA to be the brokerage firm that established the commodity account.

R.J. O'Brien (RJO): Third party provider contracted by SORTA to be the brokerage firm that handles cash transactions on behalf of SORTA. RJ. O'Brien provides daily and monthly reporting of account activity and current positions.

2 Monitoring

Monitoring activities are performed daily to track transactional activity and monitor the commodity account balance. On a monthly basis, monitoring is performed to assess program performance and track actual fuel consumption versus the forecast.

2.1 Daily Monitoring & Tracking

The Senior Manager of Accounting performs daily procedures to track and monitor the activity within the commodity account. Daily tracking is performed to ensure accuracy of monthly accounting of fuel hedging transactions. The daily procedures also ensure the commodity account balance is monitored to maintain the required balance.

Tracking Account Activity

METRO

metro
your way to go

METRO Procedure for Fuel Hedging

Metro Procedure Number: ACC01	Description: Fuel Hedging Policy and Procedures
Revision Number: 000	Page Number: Page 4 of 13
Prepared by: ~~Alan Solomon~~Kevin Ruth	~~Approved by:~~ Revised Date: January 31, 2026
~~Issued by:~~	~~Issue Date: April 4, 2016~~

In order to track activity within the commodity account, the following procedures ~~pertain primarily to the recording of fuel hedging activity in the general ledger.~~are performed:

~~Daily Procedures:~~

1) Access to RJO Portal and review the Daily Equity Report…
2) Obtain the tracker and input the appropriate fields from the Daily Equity Report
3) Once all entries have been made, save the files.

Monitoring Account Balance

SORTA complies with requirements to maintain the commodity account balance by performing daily monitoring. Additionally, it is SORTA policy to request wire transfers from the commodity account when the open trade equity exceeds the cash balance. This ensures the money can be transferred to an interest-bearing account. In order to monitor the commodity account balance and complete any necessary wire transfers, the following procedures are performed:

1) Review the Daily Equity Report to determine if the open trade equity exceeds the cash balance. If it does exceed the cash balance, a wire transfer should be requested from the commodity account to the interest-bearing account. Following steps 2-X to complete this process. If it doesn't exceed the cash balance, RJ O'Brien will send a margin call via email. Follow steps X-X to complete this process.

~~1)~~2) At the close of each business day, RJO sends to SORTA via e-mail a PDF document which lists any activity in the commodity account for that business day, as well as the open trade equity (unrealized gains/losses) positions on future contracts. ~~This report is received at SORTA by Alan Solomon (Interim Director of Acct Accounting Manager), Vance Thomas (Budget/Financial Analysis Mgr.) and Donna Adkins (Chief of Staff), as well as Jeff of Linwood Capital.~~ A summary report is also sent at the end of each month.

~~2)~~3) ~~Alan~~SORTA maintains an excel spreadsheet file which tracks activity by month (cash transfers – see weekly procedures below, fees paid, realized gains/losses), as well as the amount each day of unrealized gains/losses, based on information from #1 above. There is a separate excel file for each trading year going back to the inception of this program in 2006. Note that the cash balance in the commodity account equates to SORTA general ledger account number 10130.

~~3)~~4) ~~Alan~~SORTA also maintains two excel spreadsheet files to track the daily activity in cash/investment bank accounts and to summarize investments. Each of these is a monthly

METRO Procedure for Fuel Hedging

Metro Procedure Number: ACC01	Description: Fuel Hedging Policy and Procedures
Revision Number: 000	Page Number: Page 5 of 13
Prepared by: ~~Alan Solomon~~Kevin Ruth	~~Approved by:~~ Revised Date: January 31, 2026
~~Issued by:~~	~~Issue Date: April 4, 2016~~

file which is continuously updated. Information from #1 above is entered into these spreadsheet files as needed.

~~4)~~5)~~Alan (working, as needed, with Vance)~~SORTA uses the daily report from RJO to determine if the total equity/account value (cash balance compared with open trade equity) warrants the movement of "excess" cash from the commodity account to SORTA, or vice versa. ~~(A):~~ A positive amount (open trade equity exceeds cash balance, rounded down to nearest dollar) can be requested to be wired to SORTA. This request is e-mailed from ~~Alan~~SORTA to ~~Angie, with a copy to Donna~~Hilltop. Later on that same business day, SORTA receives the requested amount directly into its Concentration bank account with Fifth Third Bank. Note that the premise behind having the positive excess cash sent to SORTA is that the commodity account is not interest bearing.

~~(B):~~ If the equity amount is negative (cash balance exceeds open trade equity), SORTA receives an e-mail from ~~Angie~~Hilltop requesting the amount be sent from SORTA to the commodity account (rounded to nearest dollar). ~~If this is the second consecutive day that the equity amount is negative, and the amount is material (at least $50,000), Alan~~SORTA will forward this notice to ~~Teresa Presley in Risk Management~~Accounting Dept who will initiate the wire in Fifth Third Direct ~~Alan will initiate this wire transfer in Fifth Third Direct~~ (online banking system for Fifth Third Bank), and notify ~~Donna Alan~~SORTA via email that this had been done. ~~Donna Alan~~SORTA then needs to approve the wire in Fifth Third Direct.

~~Monthly Procedures:~~

~~1) The spreadsheet used in daily #2 above is also used to create a work paper which summarizes the commodity account activity for the month. This is then used to create a journal entry to record the activity in the general ledger (entry prepared by Alan, and posted by Ken Nienaber). The typical entry is to credit the cash balance account (A/C 10130), and debit fuel expense (assumes realized losses from trades). The entry for realized gains would be to credit fuel expense and debit the cash balance account. Note that the fuel expense account increases or decreases are spread (based on a historical analysis) as follows: 55% to Queensgate, 39% to Bond Hill, and 6% to Access.~~

~~Miscellaneous:~~

~~Note also that RJO is the custodian of a $1,000,000 FNMA note (acquired by SORTA on 11/4/2014, maturing 10/26/2017, 0.875%) $750,000 U.S. Treasury Note (acquired by SORTA~~

METRO Procedure for Fuel Hedging

Metro Procedure Number: ACC01	Description: Fuel Hedging Policy and Procedures
Revision Number: 000	Page Number: Page 6 of 13
Prepared by: ~~Alan Solomon~~Kevin Ruth	~~Approved by:~~ Revised Date: January 31, 2026
~~Issued by:~~	~~Issue Date: April 4, 2016~~

~~on 10/27/2017, maturing 10/31/2018, 1.25%), which is recorded in general ledger account number 10135. RJO uses the value of this note as collateral due to the nature of the commodity account. Semi-annual interest payments on this note are received directly by RJO into the commodity account, and the interest is recorded in the general ledger (when applicable) as part of the entry mentioned in the monthly procedures above.~~

~~Following is the fuel hedging footnote as it appears in SORTA's 12/31/2014 financial statements:~~

~~Pursuant to Attorney General Opinion No.89-080 dated October 16, 1989, SORTA may enter into forward pricing mechanisms (e.g., commodity-type futures, options, contracts, etc.) as a budget risk reduction tool to manage price variability and cost/budget uncertainty associated with the purchase of Authority-consumed energy (e.g., diesel fuel). Since May 2006, SORTA has hedged its diesel consumption (approximately 3 million gallons per year) with Energy Forward Pricing Mechanisms (EFPM). This program's objective is to manage a large portion of Metro's exposure to fuel price swings. EFPMs may be comprised of any single or combined use of futures, options, options on futures, or fixed price delivery contracts. In 2014 and 2013, heating oil #2 futures~~

METRO Procedure for Fuel Hedging

Metro Procedure Number: ACC01	Description: Fuel Hedging Policy and Procedures
Revision Number: 000	Page Number: Page 7 of 13
Prepared by: ~~Alan Solomon~~Kevin Ruth	~~Approved by:~~ Revised Date: January 31, 2026
~~Issued by:~~	~~Issue Date: April 4, 2016~~

~~contracts (“contracts”) and fixed-price supply contracts were utilized. The SORTA Board approval limits contracts in-place to ninety percent of consumption expected in any one month. The initial value of each contract is zero. The price of diesel fuel purchased any day is the published Cincinnati rack price for the prior day plus or minus a differential agreed to through a competitive bidding process. The differential to the published Cincinnati rack price was $0.02 per gallon and $0.008 per gallon at December 31, 2014 and 2013, respectively. When fuel is purchased, contracts are exercised, thereby effectively tying the fuel price to the price of #2 heating oil as of the date of the contract’s creation. For the years ending December 31, 2014 and 2013, losses of $117,562 (4.0 cents per gallon) and gains of $372,338 (12.5 cents per gallon), respectively, were recognized as an increase and as a decrease, respectively, in diesel fuel expense. On December 31, 2014 and 2013, the remaining open contracts had $4,018,623 of unrealized losses and $579,562 of unrealized gains, respectively. There is no debt associated with these contracts and unrealized losses are fully funded.~~

~~As outlined in Governmental Accounting Standards Board Technical Bulletin 2003-1, there are certain risks attached to this program. Metro may face increased costs if: (1) fuel consumption falls below the contract levels, or (2) the closing value of the contract is below its nominal value.~~

~~Following is the fuel hedging footnote as it appears in SORTA’s 12/31/2016 financial statements:~~

~~Pursuant to Attorney General Opinion No.89-080 dated October 16, 1989, SORTA may enter into forward pricing mechanisms (e.g., commodity-type futures, options, contracts, etc.) as a budget risk reduction tool to manage price variability and cost/budget uncertainty associated with the purchase of Authority-consumed energy (e.g., diesel fuel). Since May 2006, SORTA has hedged its diesel consumption (approximately 3~~

METRO Procedure for Fuel Hedging

Metro Procedure Number: ACC01	Description: Fuel Hedging Policy and Procedures
Revision Number: 000	Page Number: Page 8 of 13
Prepared by: ~~Alan Solomon~~Kevin Ruth	~~Approved by:~~ Revised Date: January 31, 2026
~~Issued by:~~	~~Issue Date: April 4, 2016~~

~~million gallons per year) with Energy Forward Pricing Mechanisms (EFPM). This program's objective is to manage a large portion of Metro's exposure to fuel price swings. EFPMs may be comprised of any single or combined use of futures, options, options on futures, or fixed price delivery contracts. In 2016 and 2015, heating oil #2 futures contracts ("contracts") and fixed-price supply contracts were utilized. The SORTA Board approval limits contracts in-place to ninety percent of consumption expected in any one month. Additionally, a dynamic strategy using futures will also enhance SORTA's ability to maintain a relatively static forward pricing profile. What this means is that at any point in time, SORTA's fuel supply will be 90% hedged for each of the next 12 to 24 months and 50% for each of the next 25 to 36 months. The initial value of each contract is zero. The price of diesel fuel purchased any day is the published Cincinnati rack price for the prior day plus or minus a differential agreed to through a competitive bidding process. The differential to the published Cincinnati rack price was ($0.0019) per gallon and ($0.0025) per gallon at December 31, 2016 and 2015, respectively. When fuel is purchased, contracts are exercised, thereby effectively tying the fuel price to the price of #2 heating oil as of the date of the contract's creation. For the years ending December 31, 2016 and 2015, losses of $2,721,152 (93.8 cents per gallon) and $3,021,063 ($1.03 per gallon), respectively, were recognized as an increase in diesel fuel expense. On December 31, 2016 and 2015, the remaining open contracts had $821,831 and $4,999,625 of unrealized losses, respectively. There is no debt associated with these contracts and unrealized losses are fully funded.~~

~~As outlined in Governmental Accounting Standards Board Technical Bulletin 2003-1, there are certain risks attached to this program. Metro may face increased costs if: (1) fuel consumption falls below the contract levels, or (2) the closing value of the contract is below its nominal value.~~

METRO Procedure for Fuel Hedging

Metro Procedure Number: ACC01	Description: Fuel Hedging Policy and Procedures
Revision Number: 000	Page Number: Page 9 of 13
Prepared by: ~~Alan Solomon~~Kevin Ruth	~~Approved by:~~ Revised Date: January 31, 2026
~~Issued by:~~	~~Issue Date: April 4, 2016~~

3 APPENDIX A: ENERGY FORWARD PRICING STRATEGY

SORTA's Energy Forward pricing Strategy ("EFPS") has been developed to:

- Reduce the expected range of ~~expected~~annual energy costs
- Increase probability to remain within approved energy cost budget
- ~~Reduce the volatility of energy costs~~
- Achieve a lower overall long-term fuel cost
- Avoid mark-up costs implicit in "wet gallon" transactions ~~and~~ to benefit from advantages of using futures
- Achieve time diversification/Dollar cost averaging
- Maintain a relatively static (rolling) forward risk profile.
- Apply a dynamic strategy that balances risk and opportunity

~~Specifically:~~

1. Reduce the Expected Range of Expected Energy Costs:

Forward pricing always results in more certainty of future costs. This increase in certainty is the main reason for engaging in a forward pricing/risk management strategy. Although forward pricing of some or all future fuel needs will always result in higher cost certainty, forward pricing should be done in a strategic manner that addresses the need to avoid risk. Risk is typically defined in terms of (1) the current probability that future costs will exceed budgeted costs in current and forward budget periods and (2) the probability that spot market energy costs in future periods beyond will be higher than the future contract energy costs for the same periods are currently. The idea behind a dynamic risk management strategy is not only cost certainty for its own sake, but also to gain cost certainty while at the same time significantly reducing risk.

An EFPS method will seek to make future costs certain to the degree required in order to avoid unwanted energy market risk. The required degree of cost certainty will depend upon the level of risk presented by the energy markets, and the need
to avoid that risk.

METRO Procedure for Fuel Hedging

Metro Procedure Number: ACC01	Description: Fuel Hedging Policy and Procedures
Revision Number: 000	Page Number: Page 10 of 13
Prepared by: ~~Alan Solomon~~Kevin Ruth	~~Approved by:~~ Revised Date: January 31, 2026
~~Issued by:~~	~~Issue Date: April 4, 2016~~

2. **Increase Probability to Remain Within Energy Cost Budget:**

Assuming that the budget number is realistic, i.e. at or above the current expected cost for the period, an EFPS will manage the risk associated with the budget by insuring that the expected cost will not exceed the budget. This will be done by executing forward pricing to the extent necessary to create a degree of cost certainty so that an extreme one-day upward price movement will not cause actual costs to exceed budget. If the probability that expected costs are going to exceed budget increases to an unacceptable level, then further forward pricing will be done to increase the certainty of future cost and alleviate the risk of exceeding budget.

The goal in managing ~~to~~ the budget is to address risk when and if it occurs. This is done by maintaining the probability of exceeding budget in an ~~extreme~~ upward price spike at or below an acceptable level defined in terms of current expectations of market uncertainty.

~~3. Reduce the Volatility of Energy Costs:~~

~~A natural result of a systematic Energy Forward Pricing Strategy executed over time is lower fuel cost volatility. This simply means that, with forward pricing, net costs will not change as much from month to month as they otherwise would if there were no forward pricing mechanism. There is a trade-off however.~~

~~Volatility, defined as the percentage change in cost from one month the next, may increase as a result of a significant drop in cost. A sudden drop in net cost may be due to striving toward the goal of achieving lower overall cost in the long-term.~~

~~Thus, while the goal of minimizing the change in fuel cost from month to month is desirable and valuable, this goal is secondary to the goal of lower overall cost and the goal of ce1iainty of future cost.~~

~~EFPS will tend to produce lower cost volatility in rising markets than in declining markets where the "good" volatility found in rapidly falling prices will be allowed to occur and the "bad" volatility found in rising prices will be controlled.~~

~~4~~

3. Achieve a Lower Overall Long-Term Fuel ~~Costs~~Cost:

METRO Procedure for Fuel Hedging

Metro Procedure Number: ACC01	Description: Fuel Hedging Policy and Procedures
Revision Number: 000	Page Number: Page 11 of 13
Prepared by: ~~Alan Solomon~~Kevin Ruth	~~Approved by:~~ Revised Date: January 31, 2026
~~Issued by:~~	~~Issue Date: April 4, 2016~~

Clearly, a lower overall net cost of fuel in the long-term is a major objective of any EFPS. Given the uncertain nature of the energy ~~markets~~market however, the achievement of this goal within a particular time-frame is not always a certainty. It is precisely the uncertainty of the achievement of this goal within a particular time-frame (uncertainty of future prices) that causes an Energy Forward Pricing Strategy to add value.

Over the long-~~-~~ term, lower overall cost may be achieved through the correct timing of the forward pricing transaction decisions. While maintaining a strict discipline of exiting forward pricing positions only when the fuel corresponding to those positions is actually purchased and consumed (i.e. trading of the positions is not pe1mitted), the only way to achieve the goal of lower overall cost in the long-term is to correctly time the entry or establishment of the forward pricing position.

While the risk-management models developed by an EFPS may prescribe a particular market action, the prescriptions of such models are filtered through the lens of market experience and judgment to determine whether an immediate transaction will add the most value or whether it would be more prudent to wait for further market developments. In a practical sense, this will mean a more aggressive forward pricing attitude in a rising price environment and a less aggressive attitude in a falling price environment.

While no strategy or program can ever guarantee with 100% certainty that net costs will be lower over any future time period, the EFPS will take measures at the strategic and tactical levels to minimize overall cost while accomplishing the other valuable risk management goals.

~~5~~4. Avoid Mark-Up Costs Implicit in "Wet Gallon" Transactions ~~and~~ to Benefit from Advantages of Using Futures:

Exchange-Traded Heating Oil Futures Contracts will be the instruments used in the program developed for SORTA, the use of such instruments will allow SORTA to avoid the mark-ups and other costs imbedded and implicit in "wet gallon" transactions. Exchange traded futures are superior to over-the-counter instruments for the following reasons:

METRO Procedure for Fuel Hedging

Metro Procedure Number: ACC01	Description: Fuel Hedging Policy and Procedures
Revision Number: 000	Page Number: Page 12 of 13
Prepared by: ~~Alan Solomon~~Kevin Ruth	~~Approved by:~~ Revised Date: January 31, 2026
~~Issued by:~~	~~Issue Date: April 4, 2016~~

- Price Transparency - Futures prices are published and observable on a continuous basis allowing for the valuation of futures contracts at any time
- Liquidity -Futures markets are liquid and transactions can be made with relative ease during market hours. This liquidity also assures the most competitive pricing as the futures markets are the central "wholesale" venues for all market participants to discover price and transact business.
- No Credit Risk -Unlike a swap transaction that involves a counterparty with a certain level of credit risk, futures transactions are guaranteed by the exchange clearinghouse where credit risk is not an issue.
- Flexibility - Futures contracts are denominated in relatively small increments of 42,000 gallons for Heating Oil. This relatively small increment allows for a dynamic strategy to increase a hedge position by a small percentage of SORTA's usual usage. This flexibility enables many forward pricing decisions over time thus avoiding the timing risk inherent in one-time large swap transactions.
- Regulation - Unlike unregulated over-the-counter markets, futures markets are highly regulated to insure fairness and the integrity of customer funds.

~~6~~
5. Achieve Time Diversification/Dollar Cost Averaging:
Time diversification and dollar cost averaging is enhanced through the use of futures contracts as is mentioned above. Again, the objective is to avoid the timing risk inherent in large single transactions. By making many small transactions somewhat consistently throughout time, time diversification takes place and timing risk is minimized.

~~7~~6. Maintain a Relatively Static (Rolling) Forward Risk Profile:
A dynamic strategy using futures will also enhance SORTA's ability to maintain a relatively static forward pricing profile. What this means is that at any point in time, SORTA's fuel supply will be hedged to some degree over the next 24 months, for example. An example of a constant profile would be **90% hedged for each of the next 12 to 24 months and 50% for each of the next 25 to 36 months.**

METRO Procedure for Fuel Hedging

Metro Procedure Number: ACC01	Description: Fuel Hedging Policy and Procedures
Revision Number: 000	Page Number: Page 13 of 13
Prepared by: ~~Alan Solomon~~Kevin Ruth	~~Approved by:~~ Revised Date: January 31, 2026
~~Issued by:~~	~~Issue Date: April 4, 2016~~

Maintaining a static forward risk profile eliminates the possibility of arriving at or near the end of the term of a swap contract with no forward pricing in place to follow the swap. Often this occurs at a time when prices are not advantageous and an organization is hurried into making the choice between being un-hedged and being hedged at disadvantageous prices.

~~8~~7. **Apply a Dynamic Strategy That Balances Risk and Opportunity:**
In addition to time diversification/dollar cost averaging, the other consideration that will determine the profile of the risk management portfolio is market conditions. The EFPS model developed will balance risk and opportunity and will answer the questions:

- What percentage of future fuel needs should be hedged?
- For what future time periods?
- At what prices?
- For what reasons?

When the market moves higher creating risk for SORTA in the form of increased probability of exceeding budget, for example, the strategy will address this increase in risk by prescribing marginally more hedging at the higher prices in order to control risk. When the market moves lower creating opportunity for SORTA in the form of lower expected cost, the strategy will take advantage of this opportunity by prescribing more hedging at the low prices. As the market ebbs and flows, transactions will be made over time according to SORTA's strategy and in light parameters and market conditions in order to balance opportunity and risk.