

**CITY OF FORT LAUDERDALE FLORIDA
FUEL PRICE RISK MANAGEMENT PROGRAM (FPRMP)
QUARTERLY REPORT
SEPTEMBER 30, 2019**

PROGRAM

The Fuel Price Risk Management Program (FPRMP) is designed to minimize large budget variances resulting from the volatility of fuel prices. Hedging increases budget certainty and facilitates more effective utilization of budgetary resources. The purpose of the City's FPRMP is not to speculate on the price of fuel but to manage risk, particularly as that relates to the City's annual budget. The FPRMP is not an investment and should not be construed as such. Cash flows produced or consumed by the FPRMP will be considered as an element of fuel cost.

The FPRMP requires that the Director of Finance report compliance with the FPRMP and program performance to the City Manager and City Commission on a quarterly basis. This report is provided for the quarter ending September 30, 2019.

DISCUSSION

The purpose of this report is to present the status of compliance and performance for the FPRMP and how this compliance and performance affected the cost of petroleum fuels purchased and consumed by the City during the quarter.

COMPLIANCE

As of the date of this report the FPRMP is in compliance with all the specified limitations and requirements as set forth in the FPRMP guidelines.

- **Maximum Allowed Hedge Maturity is 18 months** – the FPRMP is currently in compliance with this parameter. Current diesel fuel hedging extends through September 2020 and for gasoline through July 2020.
- **Maximum Allowed Percentage Hedged is 85%** - the FPRMP is currently in compliance with this parameter.

		Fiscal Year 2020
Diesel		51.58%
Gasoline		42.53%

PERFORMANCE

Fourth Quarter FY 2019

During the fourth quarter, petroleum fuel costs not including hedging were \$2.19 per gallon. Net of hedging, the fuel cost was \$2.32 per gallon vs. a weighted average budgeted cost for diesel and gasoline for FY 2019 of \$2.53 per gallon. This is a positive budget variance of approximately \$70,000 for the quarter.

During the fourth quarter, the FPRMP produced a positive fuel cost (hedging realized loss) of approximately \$42,000 or approximately \$0.13 per gallon.

Fiscal 2019

For Fiscal 2019, petroleum fuel costs net of hedging were \$2.28 per gallon vs. a weighted average budgeted cost for diesel and gasoline for Fiscal 2019 of \$2.53 per gallon. This is a positive variance of approximately \$348,000 for Fiscal 2019.

For Fiscal 2019, the FPRMP produced a positive fuel cost (hedging loss) of approximately \$100,000 or approximately \$0.07 per gallon.

Prospective

As of September 30th, there is an unrealized loss (positive fuel cost) of approximately \$13,000 that corresponds to the time period October 2019 through September 2020. This is an unrealized loss of about \$0.01 per gallon for FY 2020 given market conditions on September 30th.

NEXT STEPS

- Enter into new hedges for the remainder of FY 2020 and begin hedging for FY 2021 as market conditions allow.
- Maintain the size of the hedge in order to protect the City's petroleum fuels budget against adverse price movements in the petroleum market.