

**CITY OF FORT LAUDERDALE FLORIDA
FUEL PRICE RISK MANAGEMENT PROGRAM (FPRMP)
QUARTERLY REPORT
SEPTEMBER 30, 2020**

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, 2020.

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 and gasoline hedging extends from October 2020 through March 2022.
- **Maximum Allowed Percentage Hedged is 85%** - the FPRMP is currently in compliance with this parameter.

	Fiscal Year 2021	Fiscal Year 2022	
Diesel	83%	41%	
Gasoline	85%	34%	

PERFORMANCE

Fourth Quarter FY 2020

During the fourth quarter, petroleum fuel costs not including hedging were \$1.67 per gallon. Net of hedging, the fuel cost was \$1.74 per gallon vs. a weighted average budgeted cost for diesel and gasoline for FY 2020 of \$2.29 per gallon. Actual volume consumed for the quarter was about 10,000 gallons more than budgeted. The lower price and higher volume consumption caused a positive budget variance for the quarter of approximately \$59,000 including the effect of the hedge.

During the fourth quarter, the FPRMP produced a positive fuel cost (hedging realized loss) of approximately \$23,000 or approximately \$0.06 per gallon.

Prospective

As of September 30th, there was an unrealized loss (contingent future positive fuel cost) of \$107,238.60 that corresponds to the time period October 2020 through March 2022. This is an unrealized loss of about \$0.05 per gallon on average for FY 2021 and the first half of FY 2022 for diesel and gasoline combined.

NEXT STEPS

- Continue to accumulate new hedges for FY 2022 as market conditions allow within policy.
- Maintain the size of the hedge in order to protect the City's petroleum fuels budget against adverse price movements in the petroleum market.