

**CITY OF FORT LAUDERDALE FLORIDA
FUEL PRICE RISK MANAGEMENT PROGRAM (FPRMP)
QUARTERLY REPORT
SEPTEMBER 30, 2023**

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, 2023.

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 hedges extend from October 2023 through May 2024 and July 2024 respectively.
- **Maximum Allowed Percentage Hedged is 85%** - the FPRMP is currently in compliance with this parameter.

	Fiscal Year 2024			
Diesel	61.89%			
Gasoline	72.30%			

PERFORMANCE

Fourth Quarter FY 2023

During the fourth quarter, petroleum fuel costs not including hedging were \$3.25 per gallon. Net of hedging, the fuel cost was \$2.99 per gallon vs. a weighted average budgeted cost for diesel and gasoline for FY 2023 of \$2.53 per gallon. Actual volume consumed for the quarter was 47,765 gallons less than budgeted. The higher than budgeted price net of hedging and lower than budgeted volume consumption caused a negative (unfavorable) budget variance for the quarter of \$19,598 including the effect of the hedge.

During the fourth quarter, the FPRMP produced a negative fuel cost (hedging realized gain) of \$77,091 or \$0.26 per gallon on actual gallons consumed.

Prospective

As of September 30th, there was an unrealized gain (contingent future negative fuel cost) of \$265,411 that corresponds to the time period October 2023 through July 2024. This is an unrealized gain of about \$0.24 per gallon on average for the projected gallon consumption during the period for gasoline and diesel combined.

NEXT STEPS

- Continue to accumulate new hedges for FY 2024 and FY 2025 as market conditions allow within policy.
- Maintain the size and length of the hedge in order to protect the City's petroleum fuels budget against adverse price movements in the petroleum market.