



MEMORANDUM

June 30, 2011

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Russ Truell, ACA/CFO

SUBJECT: Fuel hedging consortium report

Purpose

The purpose of this item is to report on the meeting of fuel hedging representatives of Metro Nashville, Metro Schools, MTA, RTA, and City of Franklin.

Background

The representatives of the fuel hedging group met on June 13 to discuss how to approach Fiscal Year 2012-2013. As in prior years, a layered strategy (similar to a laddering approach in investments) was confirmed. In consultation with the commodities representative of our banking affiliate, we elected to defer any decision until prices fell. Beginning June 16, prices began a sharp fall and the group, via conference call, decided to place an order for one contract each, diesel and gasoline, at a price roughly twenty-five cents per gallon below market. The order did not close and remains outstanding. On the attached page, our price targets for the upcoming fiscal year are listed with tentative order dates.

Recommendation

This is an advisory only. Staff will attempt to keep the Committee apprised of any action taken on the hedging operation.

Rolling Hedge Program

	Hypothetical Hedge Date	Gallons Per Month	July 2012 - June 2013
Diesel			Strip Price
Hedge #1	7/20/2011	42,000	\$2.80
Hedge #2	8/31/2011	126,000	\$2.75
Hedge #3	9/30/2011	126,000	\$2.65
	Total Gallons	294,000	

<<< today's price = 2.995

Gasoline			
Hedge #1	7/20/2011	42,000	\$2.50
Hedge #2	8/31/2011	126,000	\$2.45
	Total Gallons	168,000	

<<< today's price = 2.725

	2012				2013				2014	
	Hedge Date	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Diesel	6/20/2011	\$2.80								
	8/31/2011	\$2.75								
	9/30/2011	\$2.65								
Gasoline	6/20/2011	\$2.50								
	8/31/2011	\$2.45								