INDIANA BOND BANK
FUEL BUDGETING PROGRAM
Fuel Budgeting Program

- Budgeting tool to guard against rising fuel prices (budget insurance)
- Allows smaller entities to pool their fuel budgeting needs to create an effective hedge size (42,000 gallons)
- Share program costs for cost efficiency
- Experience of IBB Staff/Professionals
- Indiana Bond Bank (IBB) Posts Collateral
How the Fuel Budgeting Program Works

- QE (Qualified Entity) continues to purchase fuel from local provider
  - Cannot be fixed price contract
- QE completes short application
- QE adopts legal paperwork
- QE determines how much to hedge
  - Maximum of 80% annual consumption
How the Fuel Budgeting Program Works

- Collar
  - Floor and Ceiling
  - NYMEX (New York Mercantile Exchange) fuel pricing
- Administrative Fee
  - 2016 program fee
    - Less than 3.5 cents per gallon.
    - Entities will be notified of the fee in early December (IBB goal: reduce monthly fee again)
2015 Fuel Budgeting Program

- 8 Participants
  - 5 School Corporations
  - 3 Cities

- Gasoline (RBOB) Collar $1.5605 - $2.0752
- Diesel (HO) Collar $1.7901 - $2.3180
## Example of Monthly Settlement

**INDIANA BOND BANK**  
Fuel Budgeting Program  
Example--Gasoline (RBOB)

<table>
<thead>
<tr>
<th></th>
<th>Example 1</th>
<th>Example 2</th>
<th>Example 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assumed Floor (1):</td>
<td>$2.52</td>
<td>$2.52</td>
<td>$2.52</td>
</tr>
<tr>
<td>Assumed Cap (2):</td>
<td>$3.00</td>
<td>$3.00</td>
<td>$3.00</td>
</tr>
<tr>
<td>Assumed NYMEX Price/gal</td>
<td>$2.49</td>
<td>$2.80</td>
<td>$3.18</td>
</tr>
</tbody>
</table>

### Example 1

- **Price As Compared to Hedge**
  - **Lower**
  - **Within**
  - **Higher**

- **Monthly Consumption--gallons** (As in entity application): 3,000
- **Percentage Hedged** (Determined by entity; max 80%): 65.00%
- **Monthly Hedge--Gallons**: 1,950
- **NYMEX Daily Average Price**: $2.49
- **NYMEX vs. Floor/Cap**: $(0.03)
- **Monthly Hedge--Gallons**: 1,950
- **Distribution (Payment)**: $(58.50)
- **Monthly Admin Fee (3)** (Assumed $.037/gallon hedged): $72.00
- **Total Participant Cash Flow**: $(130.50)

### Example 2

- **Price As Compared to Hedge**
  - **Lower**
  - **Within**
  - **Higher**

- **Monthly Consumption--gallons** (As in entity application): 3,000
- **Percentage Hedged** (Determined by entity; max 80%): 65.00%
- **Monthly Hedge--Gallons**: 1,950
- **NYMEX Daily Average Price**: $2.80
- **NYMEX vs. Floor/Cap**: $-
- **Monthly Hedge--Gallons**: 1,950
- **Distribution (Payment)**: $-
- **Monthly Admin Fee (3)** (Assumed $.037/gallon hedged): $72.00
- **Total Participant Cash Flow**: $(72.00)

### Example 3

- **Price As Compared to Hedge**
  - **Lower**
  - **Within**
  - **Higher**

- **Monthly Consumption--gallons** (As in entity application): 3,000
- **Percentage Hedged** (Determined by entity; max 80%): 65.00%
- **Monthly Hedge--Gallons**: 1,950
- **NYMEX Daily Average Price**: $3.18
- **NYMEX vs. Floor/Cap**: $0.18
- **Monthly Hedge--Gallons**: 1,950
- **Distribution (Payment)**: $351.00
- **Monthly Admin Fee (3)** (Assumed $.037/gallon hedged): $(72.00)
- **Total Participant Cash Flow**: $279.00
Questions

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Diesel (HO) Graph
Gasoline (RBOB) Graph