INDIANA BOND BANK
FUEL BUDGETING PROGRAM
Fuel Budgeting Program

- The Fuel Budgeting Program is a tool for local units of government to protect their budgets from volatility in fuel prices.
- The Program allows smaller entities to pool their fuel budgeting needs with similar entities to create an effective hedge size (42,000 gallon threshold).
- To ensure cost efficiency, entities share program costs.
- Entities receive the experience and expertise of the IBB Staff and Professionals.
- The Indiana Bond Bank Posts Collateral.
How the Fuel Budgeting Program Works

• The Qualified Entity (QE) continues to purchase fuel from its local provider
  • *Cannot be a “fixed price” contract*
• QE completes the short application
• QE adopts legal paperwork
• QE determines how much of its consumption to hedge
  • *Maximum hedge is 80% of QE’s annual consumption*
How the Fuel Budgeting Program Works

• Collar
  • Floor & Ceiling

• Fuel Pricing dependent upon NYMEX (NEW YORK MERCANTILE EXCHANGE)

• Administrative Fee
  • 2016 Program - 3.2 cents per gallon
### 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>

| Monthly Consumption--gallons | 3,000 | 3,000 | 3,000 |
| (As in entity application)  |       |       |       |

<table>
<thead>
<tr>
<th>Percentage Hedged</th>
<th>Lower</th>
<th>Within</th>
<th>Higher</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Determined by entity; max 80%)</td>
<td>65.00%</td>
<td>65.00%</td>
<td>65.00%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monthly Hedge--Gallons</th>
<th>1,950</th>
<th>1,950</th>
<th>1,950</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>NYMEX Daily Average Price</th>
<th>$2.49</th>
<th>$2.80</th>
<th>$3.18</th>
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<table>
<thead>
<tr>
<th>NYMEX vs. Floor/Cap</th>
<th>$(0.03)</th>
<th>$</th>
<th>$0.18</th>
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<table>
<thead>
<tr>
<th>Monthly Hedge--Gallons</th>
<th>1,950</th>
<th>1,950</th>
<th>1,950</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Distribution (Payment)</th>
<th>$ (58.50)</th>
<th>-</th>
<th>$ 351.00</th>
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</thead>
</table>

<table>
<thead>
<tr>
<th>Monthly Admin Fee (3) (Assumed $.037/gallon hedged)</th>
<th>$ (72.00)</th>
<th>$ (72.00)</th>
<th>$ (72.00)</th>
</tr>
</thead>
</table>

| Total Participant Cash Flow | $ (130.50) | $ (72.00) | $ 279.00 |
Questions?

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Diesel (ULSD) Graph
Gasoline (RBOB) Graph