

Fuel Report

City of Bloomington Fuel Strategy

Purchase 50% of yearly fuel in the Evergreen FS Risk Management Program.

Take delivery of fuel 50% of monthly use each month. Buy the remaining 50% each month.

Decide when to use Program fuel and when to buy fuel off the market each month based on fuel prices and trends for the month. Get signed agreement from all agencies that buy fuel from the City to participate in the City's Fuel Strategy Program.

What Contracting is:

Hedging or contracting fuel is ordering fuel in advance on a monthly basis at a predetermined price based on projections of the oil futures market with the expectation that the price will increase above what you paid based on previous years trends.

Advantages of Contracting:

1. The ability to purchase fuel under market value.
2. The ability to budget fuel line items and know that it will stay in budget.
3. Takes the emotion aspect out of fuel purchasing.
4. Gives the City a clear strategy for fuel purchasing .

Disadvantages of Contracting:

1. No guarantee that the City will save money.
2. Locked into prices if cost of fuel drops.

Risk Management Program

The goal of this program is to reduce risk by locking in fuel prices during a time frame that historically offers fuel oil prices that are at a low point for the year. This program pools fuel from multiple users to get a volume discount.

Users must be enrolled by mid November to participate and receive fuel from February 1st to January 30th of the following year. Evergreen takes the total gallons enrolled in the program and buys equal amounts of fuel on select trading days from December 1st thru January 30th for each month of the year. The product price is averaged and applied to each month plus applicable State and Federal taxes, and \$.02 Transport or \$.15 Tank Wagon per gallon as per our current contract with Evergreen FS.

Other agencies that use Risk Management Program

District 87, Unit 5, Olympia, Heyworth, Clinton, Fieldcrest, Town of Normal

This past year most of the Risk Managers placed 50% of their gallons in this program and left the other 50% to purchase at market price which allows for diversity in their fuel purchases. This strategy works well as there are periods when the market price is lower than the contract price, this allows for a lower average price for the month. Currently the contract price on the Risk Manager Program is averaging lower than the market price. Although the hope is that the program price is better than the market price as an average, the main objective is to remove the

wide swings of the fuel prices throughout the year, and allow us to budget more accurately and consistently.

Other agencies fuel strategies

Decatur Buys fuel on the spot market and calls to get 3 quotes price based on OPIS (Oil Pricing Information Service).

Peoria Contracts with Tri-Star for bulk and United fuels for tank wagon, price based on OPIS.

Contract with Evergreen FS

Services with FS

Contracting

Tank wagons fuel working fire trucks, tank farm in town

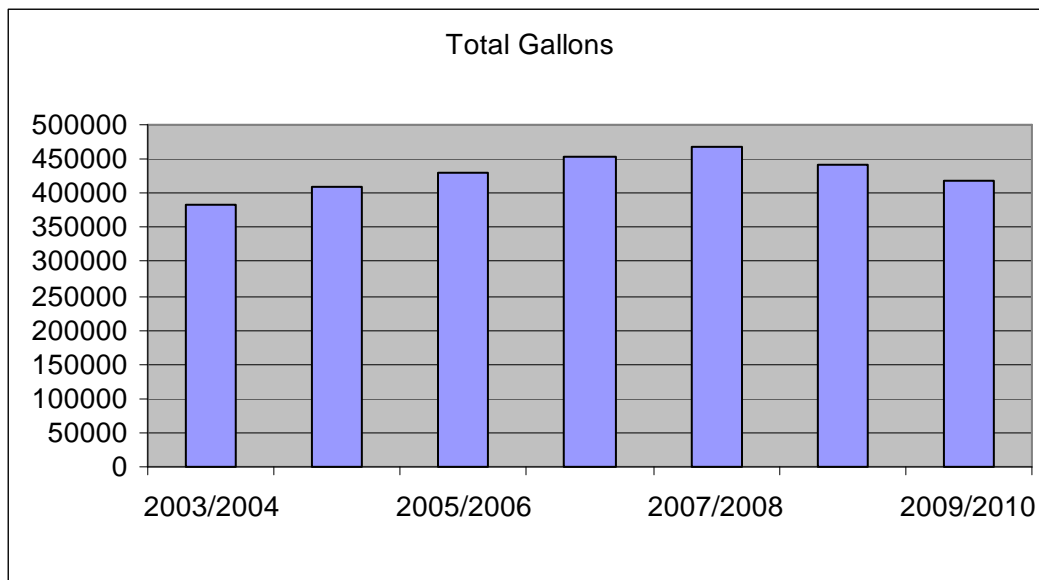
Bio Diesel purity

Tank sampling water, microbes

Market updates daily

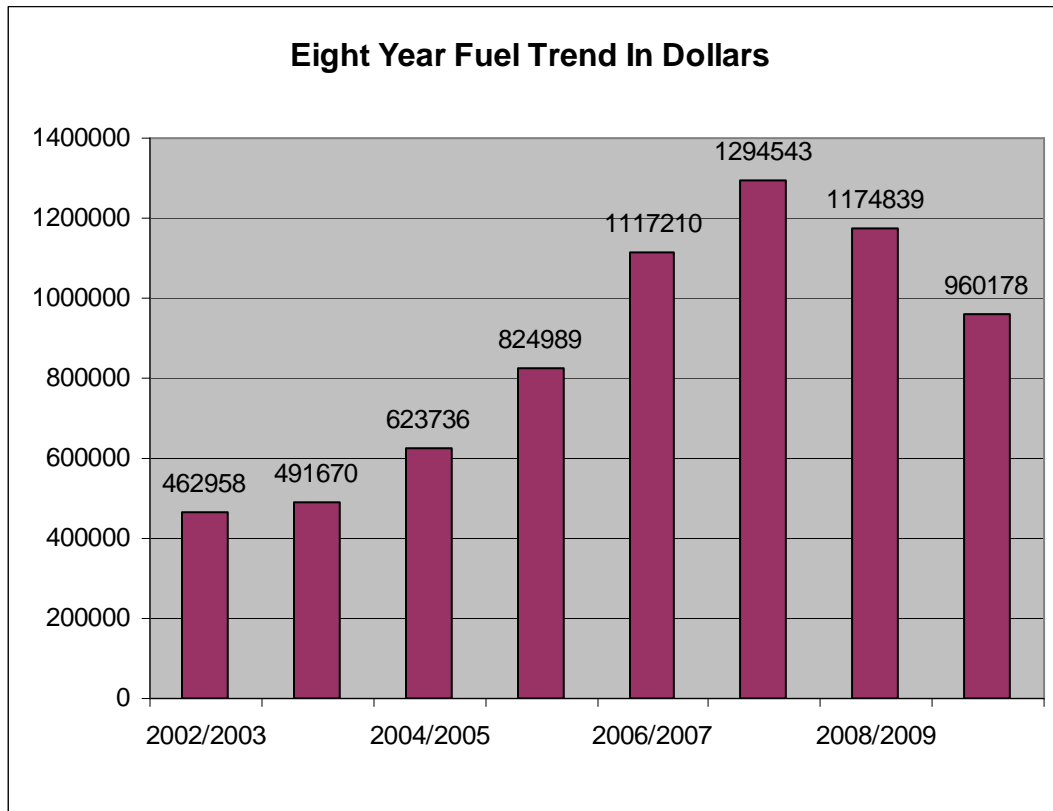
Fuel Usage

Fuel use for the City of Bloomington had increased each year until peaking in Fiscal Year 2007/2008 at 466,775 gallons. In Fiscal Year 2008/2009 usage decreased 26,331 gallons or 5.64%. In the last Fiscal Year 2009/2010 fuel usage decreased 21,108 gallons or 4.79%.. This is a total decrease of 47,439 gallons or 10.16% from our peak usage.



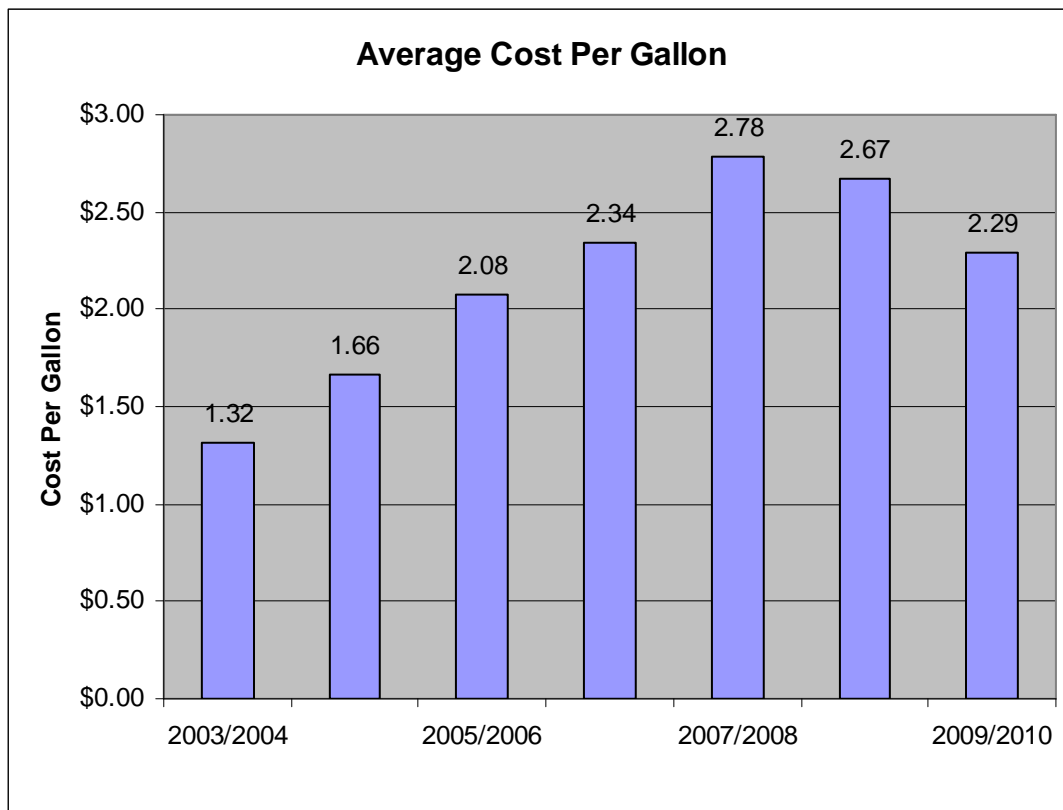
Fuel cost

The City of Bloomington's fuel cost increased each year until FY 2007/2008 when we paid a total of \$1,294,543. In FY 2008/2009 we paid \$119,704 less or 9.24% and in FY 2009/2010 we paid \$214,661 less or 18.27%. This has been a decrease of \$334,365 or 25.82% in the last 3 years.



Fuel cost per gallon

In our Fiscal Year 2007/2008 our average cost per gallon peaked at \$2.78 per gallon. In Fiscal Year 2008/2009 the City's cost per gallon peaked at \$4.20 for diesel in June. The lowest cost per gallons was \$1.27 for no lead in December for an average of \$2.67 per gallon. This is a \$.11 decrease or 4% from the previous year. In FY 2009/2010 we paid an average of \$.38 less per gallon or 14.23%. This is a decrease of \$.49 per gallon or 17.62% in the last 3 years.

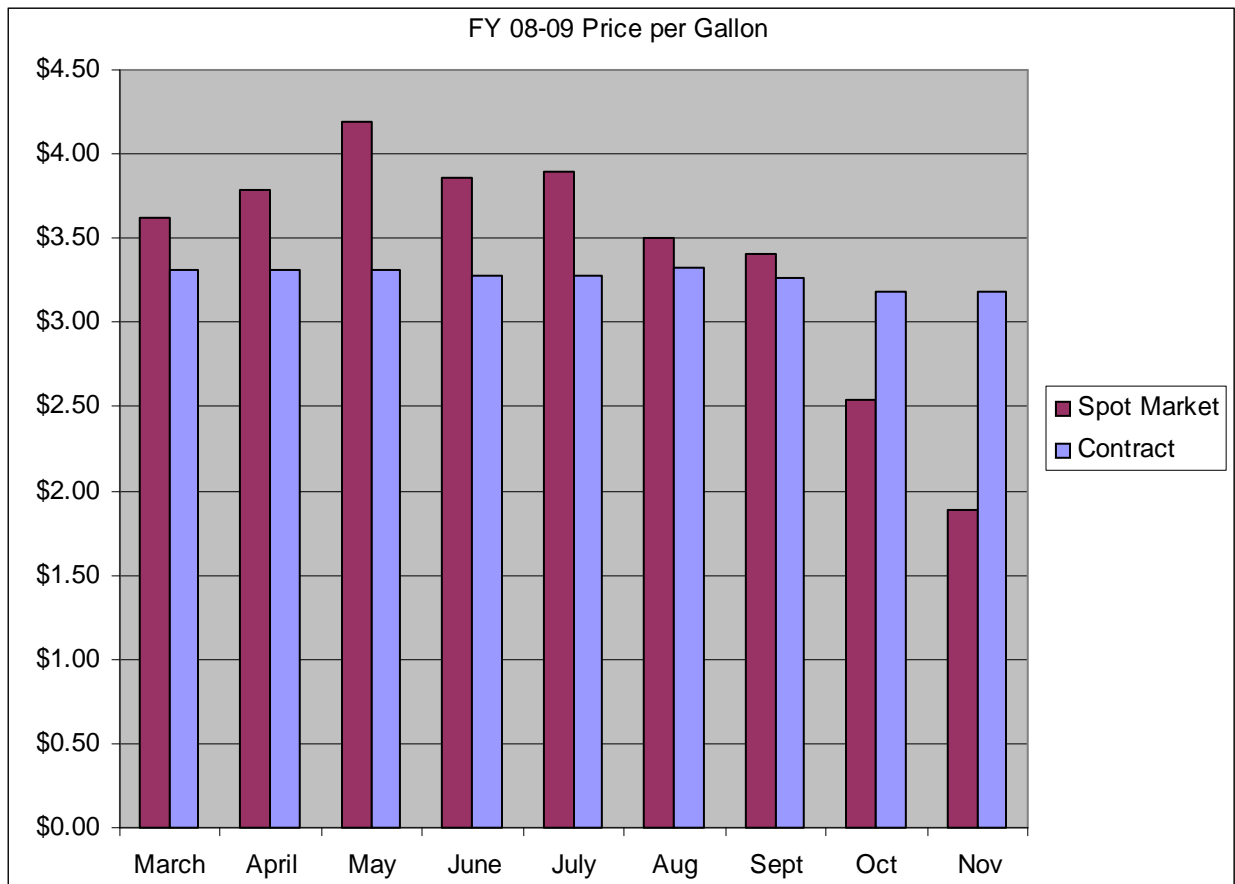


City of Bloomington contracted fuel FY 2008/2009 - Diesel Fuel Only

In Fiscal Year 2008/2009 City of Bloomington bought fuel on contract. As shown on the chart below for an average year this was working well. Then as the recession hit and the price for a barrel of oil dropped from a high of \$147 in July to a low of \$34 a barrel in December we were upside down on our contracts. Even with this situation we were still able to save \$36,219 and come in under budget.

We used the strategy of 50% bought on contract and 50% bought on the Spot Market. This allowed us to pay an average cost per gallon lower than what was budgeted. Evergreen FS sold more contracts at above \$4.00 per gallon than they did when fuel was at \$3.31 a gallon.

Those are the situations when people fear that the price will continue to go up and are trying to mitigate their losses. This is when emotions drove buying decisions rather than sound business practices based on multi year trends and averages.



City of Bloomington did not contracted fuel FY 2009/2010

There was \$1,133,000 budgeted for fuel this year and the City spent \$962,247. This was 15.1% under budget. The City's fuel cost was 14.5% lower this year than last year.

City of Bloomington for FY11 did not contract for fuel

There was \$1,267,000 budget for fuel this year and the city spent \$1,179,433 this was 7% under budget. The City spent \$217,186 more this year over last. This was a 22% increase. In this fiscal year the City put into place a Risk Management Fuel Purchasing Strategy.

City of Bloomington contracted fuel FY 12

There was \$1,679,516 budget for fuel this year and the city spent \$1,592,000 this was 5% under budget. The City spent \$412,567 more this year over last. This is a 35% increase. Using the City's Fuel Purchasing Strategy the city saved \$16,459 over the open market cost.

City of Bloomington contracted fuel FY 2013

There is \$1,749,661 budgeted for fuel this fiscal year. As of September 30, 2012 the City has spent \$638,692.48. This is 36.5% of the budgeted amount. Using the City's Fuel Purchasing Strategy the City has spent \$14,224 over the open market cost. At this time fuel is 5.1% under budget for this time period.

Historical Fuel price trends over the last 25 years indicate that fuels should be purchased in the months of December thru January for the following year as shown on the chart below. In Fiscal Year 2010 China had overtaken the United States as the World leading energy consumer. As the World economy continues to improve, crude oil costs will increase and fuel prices should fall back into their normal patterns.

