



Legislation Text

File #: 191152., **Version:** 1

Establishment of a Fuel Hedging Policy (B)

The City of Gainesville purchases a total of approximately 1.6 million gallons of unleaded and diesel fuel each year to supply the City's fleet of cars, trucks and buses. Fuel prices are currently very low and given current market conditions, now is an optimal time to begin hedging unleaded and diesel fuel. Hedging minimizes fuel price volatility by assuming a financial position, such as acquiring options to purchase fuel at a fixed price at a future date, in order to offset the risk inherent in purchasing fuel on the spot market.

The City Manager is seeking approval of the proposed hedging policy to allow the City Manager, or designee, to engage in hedging of unleaded and diesel fuel in compliance with the City's approved investment policies. The proposed policy includes the establishment of a Risk Oversight Committee, which will receive quarterly reports from the selected hedging consultant, Linwood Capital, LLC.

The cost of the selected hedging consultant, Linwood Capital, LLC, is \$33,000 per year. The intent of the use of a hedging program is to minimize price uncertainty and volatility to manage fuel expenses closely to fuel budgets and forecasts.

The City Commission approve the proposed Fuels Hedging Policy which will allow the City Manager, or designee, to engage in unleaded and diesel fuel hedging within the City's approved investment policy.