



NEWS RELEASE

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Fuel-hedging program provides enormous cost savings for Metro and partners *\$1.7 million saved since program began 19 months ago*

NASHVILLE – Thanks to a fuel-hedging program implemented 19 months ago, Metro and area agency partners have saved more than \$1.7 million in fuel purchases.

After having to reduce some bus service levels in July 2008 because of fuel price hikes and volatility on the spot market, the Nashville MTA sought a way to create budget certainty with regard to fuel prices through the use of commodity hedging.

That's when the MTA approached Metro, who agreed to work to create a partnership to facilitate a fuel-hedging program.

"With fuel costs spiraling out of control and the economy in a downturn, it was becoming increasingly difficult for government and agencies to get control of our operating budgets," Metro Finance Director Rich Riebeling said. "MTA's request for assistance gave us the impetus to try to do something about it."

Under the leadership of Riebeling, who was instrumental in creating the partnership and City of Franklin Assistant City Administrator for Finance and Administration Russ Truell, who spearheaded the development of state hedging legislation, an interagency agreement between Metro Fleet, Metro Schools, the Nashville Metropolitan Transit Authority (MTA), the Regional Transportation Authority (RTA), and the City of Franklin was created to begin the fuel-hedging program.

The partnership currently includes three fuel-hedging contracts for gasoline and seven for diesel fuel, with Metro Schools, Metro Fleet, MTA, RTA and the City of Franklin sharing in the diesel contracts.

"It had always disturbed me that other than personnel costs, our single biggest budget item was fuel purchases, and it was uncontrollable," Truell said. "Still, we were managing our fuel purchases and overall operating budget pretty well, and then we had Katrina."

After Hurricane Katrina, Truell pointed out that fuel costs skyrocketed. Gasoline prices eventually came down, but diesel fuel costs remained high, he said.

"After three years of budget reductions, most government agencies no longer have budgets with any fat in them. And we do not want to be in a position to layoff police or fire department personnel just to purchase fuel as costs continue to rise," Truell said.

Under state fuel-hedging legislation that passed in spring 2009, prices could be locked in for 24 months forward. In May 2009, Metro and its partners locked in diesel prices for two years at \$1.88 per gallon and proceeded to save a combined total of \$632,811 in fiscal year 2009-10.

During the current 2010-11 fiscal year that began July 1, Metro and its partners already have saved \$1.1 million. As fuel prices continue to increase, the partners project to save even more in the second half of the fiscal year.

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Fiscal Year Fuel Savings Summary By Agency

Agency	FY 2009-10	FY 2010-11 YTD (Jan)	Total
Metro Fleet	\$337,374	\$454,772	\$792,146
Metro Schools	\$112,661	\$240,140	\$352,801
City of Franklin	\$ 43,100	\$ 63,137	\$106,237
MTA	\$125,589	\$294,015	\$419,604
RTA	\$ 14,087	\$ 32,969	\$ 47,056
Total	\$632,811	\$1,085,033	\$1,717,844

Truell said he credits local state representatives, the Tennessee Municipal League and the General Assembly for getting the bill passed.

“I give our state legislature a lot of credit for listening to us, for understanding the problem and for doing something about it,” he said.

Because of the overwhelming success of the program, the partners have signed a new fuel-hedging contract, effective July 1, 2011, that locks in prices at \$2.30 per gallon through June 30, 2012.

“This is a great success story and an example of government working effectively on behalf of taxpayers to save money and operate more efficiently,” Nashville MTA CEO Paul Ballard said. “We see the hedging program as insurance for the unexpected. It mitigates the necessity to reduce services when fuel prices rise dramatically on the spot market and budgets are tight.”

“Bottom line, the fuel-hedging program gave us price stabilization for what had become one of our biggest budget line items,” Truell said. “We are no longer at the mercy of one single commodity.”

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