

INTEROFFICE MEMORANDUM

June 20, 2011

MEMO TO: J. Russell Allen
City Manager

FROM: Catherine Clark, Budget & Management Analyst

SUBJECT: Budget Note 33 – Fuel Prices

The FY12 Proposed Operating Budget includes funding at \$3.20/gallon (adjusted to include federal and state taxes) for unleaded, bio-diesel and diesel fuels. Unleaded, bio-diesel and diesel comprise 97% of the fuel utilized by the City's general fund departments, with natural gas, ethanol and off-road diesel making up the remaining 3%. The average price paid during current fiscal year through April was \$3.00 per unleaded gallon and \$3.31 per bio-diesel and diesel gallon (adjusted to include federal and state taxes.)

Staff relies on data provided by the Energy Information Administration (EIA) short term fuel outlook, as well as the City's current year price per gallon experience, to set the per unit fuel price. In addition, the City maintains a reserve in Special Appropriations to safeguard against fluctuating fuel prices. As proposed, the FY12 reserve (\$706,000) will support a 15% increase (approximately \$0.38/gallon) above budgeted fuel prices. Given the recent change in fuel prices, we will also request a rollover of the FY11 fuel reserve (\$290,000).

EIA fuel estimates for 2012 have increased more than 11% since February when the per unit fuel price was set for the proposed budget.