Response to Questions on the FY 2016 Budget

Request By: Supervisor Cook

Question: Please provide an analysis of the savings that could be achieved by reducing the budgeted agency price per gallon for fuel.

Response: The FY 2016 recommended budget assumes an average agency price of $2.77 per gallon, a decrease of $0.25 cents (or 8.3 percent) from the FY 2015 Adopted Budget Plan level. The $2.77 price per gallon reflects a "blended" rate based on roughly three-quarters of the County's fuel purchased being diesel, and one-fourth unleaded with a small markup to cover overhead costs and fuel-related capital equipment expenditures. The recommended fuel price results in General Fund savings of $1.0 million in the FY 2016 Advertised Budget Plan.

As requested by the Board of Supervisors on April 7, 2015, additional savings of $1.5 million, above the $1 million already included in the FY 2016 Advertised Budget Plan, could be achieved by reducing the budgeted agency price per gallon for fuel to $2.41 per gallon, a decrease of $0.61 cents (or 20 percent) from the FY 2015 Adopted Budget Plan level of $3.02. The following table provides an analysis of the savings that could be achieved by reducing the budgeted agency price per gallon for fuel to various levels:

	Price	*Price Difference from FY15 Adopted*	*Percent Change from FY15 Adopted*	*Dollar Savings from FY15 Adopted*
2015 Adopted	$3.02			
2015 Year-to-Date (through February)	$2.58	($.44)		
2016 Advertised	***$2.77***	***($.25)***	***(8.3%)***	***$1.0 million***
	$2.65	($.37)	(12.3%)	$1.5 million
	$2.53	($.49)	(16.2%)	$2.0 million
Board C-Item	***$2.41***	***($.61)***	***(20.2%)***	***$2.5 million***

While the price of fuel has declined significantly in recent months, the year-to-date (through month-end February) average agency "blended" rate is $2.58. In addition, since fuel prices hit a low point in mid-January, they have begun to rebound, with the "blended" rate increasing over 30 cents by the end of February. This trend is likely to continue as prices generally increase in the spring and summer months. It should also be noted that the FY 2016 Advertised Budget Plan funding level assumes that fuel prices will not drop as far next winter as they did this past winter, as this winter's prices have not been seen since late FY 2009.

In addition, it should be noted that a $4.0 million Fuel Price Stabilization Reserve exists in Fund 60010, Department of Vehicle Services. First created as part of the *FY 2009 Third Quarter Review*, this reserve is designed to provide flexibility in the case of an unanticipated increase in fuel prices. These funds have not been required since they were earmarked for this purpose; however, the balance in the reserve is included in the totals reported to the rating agencies.