

Response to Questions on the FY 2016 Budget

Request By: Supervisor Foust

Question: Please provide background on the fuel prices recommended in the FY 2016 Advertised Budget Plan. Are there any surpluses available in the County's fuel budget?

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. It is important to note that the recommended fuel price results in General Fund savings of \$1.0 million in the FY 2016 Advertised Budget Plan.

While the price of fuel has declined significantly in recent months, the year-to-date average "blended" rate of \$2.58 is only 19 cents below the FY 2016 recommended price. In addition, it appears that fuel prices hit a low point in mid-January and have begun to rebound. Since January 19th, the "blended" rate has increased by approximately 31 cents. This trend is likely to continue as prices generally increase in the spring and summer months. As a result, prices are anticipated to be in line with the FY 2016 recommended budget by the end of FY 2015 and it is assumed that prices will not drop as far in winter 2016 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.