INDIANA BOND BANK FUEL BUDGETING PROGRAM

Fuel Budgeting Program

- Budgeting tool to guard against rising fuel prices (budget insurance)
- Allows smaller entities to pool their fuel budgeting needs to create an effective hedge size (42,000 gallons)
- Share program costs for cost efficiency
- Experience of IBB Staff/Professionals
- IBB Collateral

How the Fuel Budgeting Program Works

- QE (Qualified Entity) continues to purchase fuel as normal
  - Cannot be fixed price contract
- QE completes short application
- QE adopts legal paperwork
- QE determines how much to hedge
  - Maximum of 80% annual consumption

How the Fuel Budgeting Program Works

- Collar
  - Floor and Ceiling
  - NYMEX (New York Mercantile Exchange) fuel pricing
- Administrative Fee
  - 2011 program fee - $0.04 per gallon
  - 2012 program fee - $0.0385 per gallon
  - 2013 program fee - $0.0380 per gallon
- Applications will be available in the Fall for the 2014 Program

2013 Fuel Budgeting Program

- 16 Participants
  - 11 School Corporations
  - 4 Cities
  - 1 County
- Gasoline (RBOB) Collar $2.52 - $3.00
- Diesel (HO) Collar $2.81 - $3.2925

Diesel Example

INDIANA BOND BANK
Fuel Budgeting Program
Examples--Diesel (Heating Oil)

Assumed Floor:	$2.91	$2.91	$2.91
Assumed Cap (1):	$3.29	$3.29	$3.29
Assumed NYMEX Price/gal	$2.87	$3.20	$3.41

	Example 1	*Example 2*	*Example 3*
	Price As Compared to Hedge		
	Lower	*Within*	*Higher*
Monthly Consumption--gallons (As in entity application)	3,750	3,750	3,750
Percentage Hedged (Determined by entity; max 80%)	65.00%	65.00%	65.00%
Monthly Hedge--Gallons	2,438	2,438	2,438
NYMEX Daily Average Price	$2.87	$3.20	$3.41
NYMEX vs. Floor/Cap	($0.04)	$ -	$0.12
Monthly Hedge--Gallons	2,438	2,438	2,438
Distribution (Payment)	$ (97.52)	-	$ 292.56
Monthly Admin Fee (2) (Assumed $.038/gallon hedged)	$ (93.00)	$ (93.00)	$ (93.00)
Total Participant Cash Flow	$ (190.52)	$ (93.00)	$ 199.56

(1) Rounded to 3.29 from $3.2925
(2) Rounded to the nearest dollar

Gasoline Example

INDIANA BOND BANK
Fuel Budgeting Program
Examples--Gasoline (RBOB)

Assumed Floor:	$2.52	$2.52	$2.52
Assumed Cap:	$3.00	$3.00	$3.00
Assumed NYMEX Price/gal	$2.48	$2.85	$3.14

	Example 4	*Example 5*	*Example 6*
	Price As Compared to Hedge		
	Lower	*Within*	*Higher*
Monthly Consumption--gallons (As in entity application)	3,250	3,250	3,250
Percentage Hedged (Determined by entity; max 80%)	65.00%	65.00%	65.00%
Monthly Hedge--Gallons	2,113	2,113	2,113
NYMEX Daily Average Price	$2.48	$2.85	$3.14
NYMEX vs. Floor/Cap	($0.04)	$ -	$0.14
Monthly Hedge--Gallons	2,113	2,113	2,113
Distribution (Payment)	$ (84.52)	-	$ 295.82
Monthly Admin Fee (1) (Assumed $.038/gallon hedged)	$ (80.00)	$ (80.00)	$ (80.00)
Total Participant Cash Flow	$ (164.52)	$ (80.00)	$ 215.82

(1) Rounded to the nearest dollar

2013 Diesel Results

Actual 2013 Program Results -- Heating Oil (Diesel)					
Month	Floor	Cap	NYMEX Market Dly Avg	Per Gallon Net (Pay)/Rec	Total Monthly Results*
Jan	$ 2.810	$ 3.2925	$ 3.056	$ -	$ (5,875.00)
Feb	$ 2.810	$ 3.2925	$ 3.151	$ -	(5,531.00)
March	$ 2.810	$ 3.2925	$ 2.953	$ -	(5,338.00)
April	$ 2.810	$ 3.2925	$ 2.893	$ -	(5,495.00)
May	$ 2.810	$ 3.2925	$ 2.887	$ -	(5,426.00)
June	$ 2.810	$ 3.2925	$ 2.890	$ -	(2,005.00)
July	$ 2.810	$ 3.2925	$ 3.015	$ -	(1,868.00)
Aug	$ 2.810	$ 3.2925	$ 3.072	$ -	(5,125.00)
Sep	$ 2.810	$ 3.2925	$ -	$ -	-
Oct	$ 2.810	$ 3.2925	$ -	$ -	-
Nov	$ 2.810	$ 3.2925	$ -	$ -	-
Dec	$ 2.810	$ 3.2925	$ -	$ -	-
* Summary of Payments to/(from) 16 participants					**$ (36,663.00)**

Note: Monthly results include a $0.0380 per gallon administrative fee.

2013 Gasoline Results

Actual 2013 Program Results -- RBOB (Gasoline)					
Month	Floor	Cap	NYMEX Market Dly Avg	Per Gallon Net (Pay)/Rec	Total Monthly Results*
Jan	$ 2.520	$ 3.000	$ 2.827	$ -	$ (8,368.00)
Feb	$ 2.520	$ 3.000	$ 3.035	$ 0.035	(176.24)
March	$ 2.520	$ 3.000	$ 3.120	$ 0.120	5,276.66
April	$ 2.520	$ 3.000	$ 2.840	$ -	(2,365.00)
May	$ 2.520	$ 3.000	$ 2.837	$ -	(2,508.00)
June	$ 2.520	$ 3.000	$ 2.813	$ -	(2,381.00)
July	$ 2.520	$ 3.000	$ 3.005	$ 0.005	(2,188.67)
Aug	$ 2.520	$ 3.000	$ -	$ -	-
Sep	$ 2.520	$ 3.000	$ -	$ -	-
Oct	$ 2.520	$ 3.000	$ -	$ -	-
Nov	$ 2.520	$ 3.000	$ -	$ -	-
Dec	$ 2.520	$ 3.000	$ -	$ -	-
** Summary of Payments to/(from) 13 participants					**$ (12,710.25)**

Note: Monthly results include a $0.0380 per gallon administrative fee.

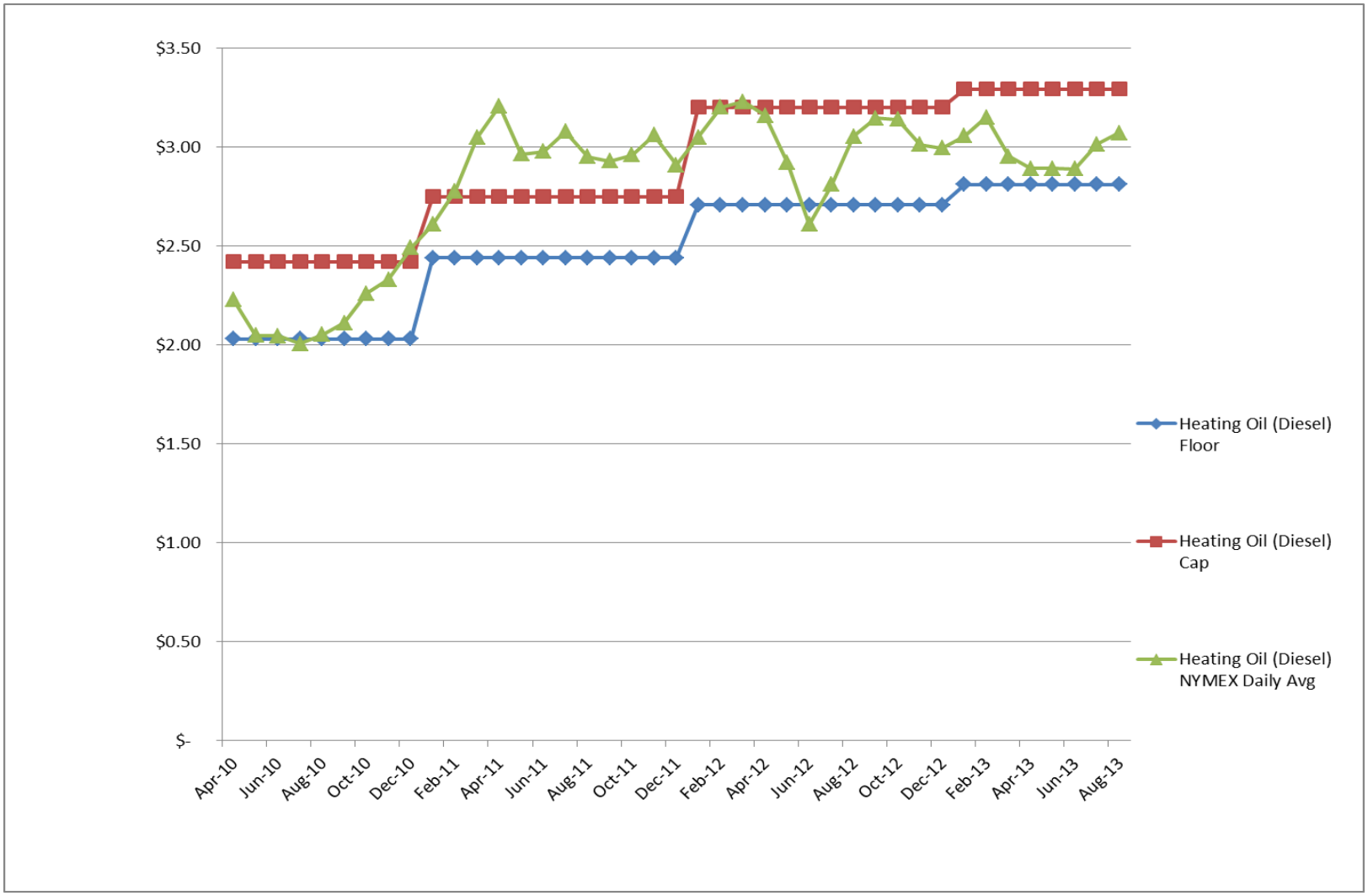
Heating Oil (HO) History

Month	Floor	Cap	NYMEX Market Dly Avg	Per Gallon Net (Pay)/Rec	Total Monthly Results*	Annual Results
Apr-10	$ 2.030	$ 2.420	$ 2.230	$ -	$ (3,952.00)	
May-10	$ 2.030	$ 2.420	$ 2.047	$ -	(3,950.00)	
Jun-10	$ 2.030	$ 2.420	$ 2.046	$ -	(2,688.00)	
Jul-10	$ 2.030	$ 2.420	$ 2.007	$ (0.023)	(3,930.04)	
Aug-10	$ 2.030	$ 2.420	$ 2.053	$ -	(3,685.00)	
Sep-10	$ 2.030	$ 2.420	$ 2.112	$ -	(4,022.00)	
Oct-10	$ 2.030	$ 2.420	$ 2.260	$ -	(4,053.00)	
Nov-10	$ 2.030	$ 2.420	$ 2.330	$ -	(3,868.00)	
Dec-10	$ 2.030	$ 2.420	$ 2.490	$ 0.070	2,758.39	$ (27,389.65)
Jan-11	$ 2.440	$ 2.750	$ 2.609	$ -	$ (3,630.00)	
Feb-11	$ 2.440	$ 2.750	$ 2.777	$ 0.027	(1,384.40)	
Mar-11	$ 2.440	$ 2.750	$ 3.046	$ 0.296	24,988.66	
Apr-11	$ 2.440	$ 2.750	$ 3.207	$ 0.457	40,904.11	
May-11	$ 2.440	$ 2.750	$ 2.964	$ 0.214	18,869.01	
Jun-11	$ 2.440	$ 2.750	$ 2.977	$ 0.227	7,818.96	
Jul-11	$ 2.440	$ 2.750	$ 3.078	$ 0.328	13,435.06	
Aug-11	$ 2.440	$ 2.750	$ 2.951	$ 0.201	12,171.07	
Sep-11	$ 2.440	$ 2.750	$ 2.934	$ 0.184	13,224.41	
Oct-11	$ 2.440	$ 2.750	$ 2.959	$ 0.209	16,556.36	
Nov-11	$ 2.440	$ 2.750	$ 3.062	$ 0.312	25,262.53	
Dec-11	$ 2.440	$ 2.750	$ 2.908	$ 0.158	10,778.09	$ 178,993.86
Jan-12	$ 2.708	$ 3.200	$ 3.046	$ -	$ (7,089.00)	
Feb-12	$ 2.708	$ 3.200	$ 3.194	$ -	(6,768.00)	
Mar-12	$ 2.708	$ 3.200	$ 3.227	$ 0.027	(1,883.17)	
Apr-12	$ 2.708	$ 3.200	$ 3.156	$ -	(6,643.00)	
May-12	$ 2.708	$ 3.200	$ 2.919	$ -	(6,450.00)	
Jun-12	$ 2.708	$ 3.200	$ 2.614	$ (0.094)	(7,482.17)	
Jul-12	$ 2.708	$ 3.200	$ 2.814	$ -	(2,352.00)	
Aug-12	$ 2.708	$ 3.200	$ 3.054	$ -	(5,943.00)	
Sep-12	$ 2.708	$ 3.200	$ 3.146	$ -	(7,005.00)	
Oct-12	$ 2.708	$ 3.200	$ 3.140	$ -	(6,158.00)	
Nov-12	$ 2.708	$ 3.200	$ 3.012	$ -	(6,557.00)	
Dec-12	$ 2.708	$ 3.200	$ 2.995	$ -	(5,859.00)	$ (70,189.34)

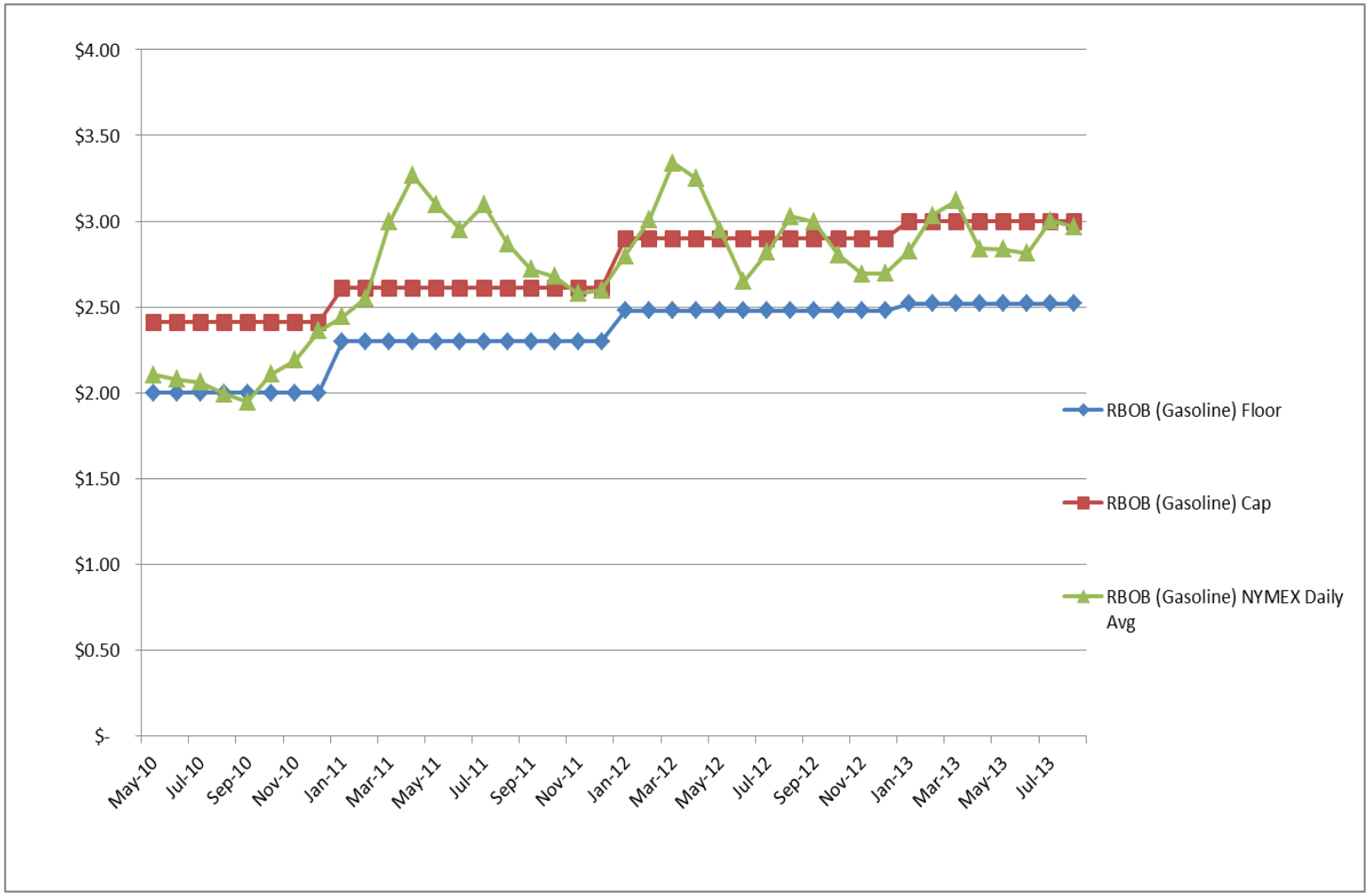
RBOB (Gasoline) History

Month	Floor	Cap	NYMEX Market Dly Avg	Per Gallon Net (Pay)/Rec	Total Monthly Results*	Annual Results
Apr-10	$ 2.00	$ 2.41	$ 2.318	$ -	$ (4,115.00)	
May-10	$ 2.00	$ 2.41	$ 2.106	$ -	(4,040.00)	
Jun-10	$ 2.00	$ 2.41	$ 2.080	$ -	(4,033.00)	
Jul-10	$ 2.00	$ 2.41	$ 2.061	$ -	(4,072.00)	
Aug-10	$ 2.00	$ 2.41	$ 1.994	$ (0.006)	(4,533.79)	
Sep-10	$ 2.00	$ 2.41	$ 1.947	$ (0.053)	(9,555.88)	
Oct-10	$ 2.00	$ 2.41	$ 2.110	$ -	(4,701.00)	
Nov-10	$ 2.00	$ 2.41	$ 2.190	$ -	(3,939.00)	
Dec-10	$ 2.00	$ 2.41	$ 2.360	$ -	(4,116.00)	$ (43,105.67)
Jan-11	$ 2.30	$ 2.61	$ 2.442	$ -	$ (2,041.00)	
Feb-11	$ 2.30	$ 2.61	$ 2.552	$ -	(1,990.00)	
Mar-11	$ 2.30	$ 2.61	$ 2.997	$ 0.387	17,745.02	
Apr-11	$ 2.30	$ 2.61	$ 3.267	$ 0.657	30,567.97	
May-11	$ 2.30	$ 2.61	$ 3.096	$ 0.486	22,213.77	
Jun-11	$ 2.30	$ 2.61	$ 2.951	$ 0.341	15,553.37	
Jul-11	$ 2.30	$ 2.61	$ 3.096	$ 0.486	22,674.20	
Aug-11	$ 2.30	$ 2.61	$ 2.870	$ 0.260	11,736.54	
Sep-11	$ 2.30	$ 2.61	$ 2.725	$ 0.115	3,781.79	
Oct-11	$ 2.30	$ 2.61	$ 2.681	$ 0.069	1,635.45	
Nov-11	$ 2.30	$ 2.61	$ 2.583	$ -	(1,994.00)	
Dec-11	$ 2.30	$ 2.61	$ 2.598	$ -	(2,077.00)	$ 117,806.11
Jan-12	$ 2.48	$ 2.90	$ 2.796	$ -	$ (2,446.00)	
Feb-12	$ 2.48	$ 2.90	$ 3.009	$ 0.109	4,382.10	
Mar-12	$ 2.48	$ 2.90	$ 3.343	$ 0.443	26,373.85	
Apr-12	$ 2.48	$ 2.90	$ 3.254	$ 0.325	20,592.77	
May-12	$ 2.48	$ 2.90	$ 2.950	$ 0.050	737.34	
Jun-12	$ 2.48	$ 2.90	$ 2.651	$ -	(2,403.00)	
Jul-12	$ 2.48	$ 2.90	$ 2.821	$ -	(2,320.00)	
Aug-12	$ 2.48	$ 2.90	$ 3.030	$ 0.130	6,094.59	
Sep-12	$ 2.48	$ 2.90	$ 2.996	$ 0.096	3,480.45	
Oct-12	$ 2.48	$ 2.90	$ 2.806	$ -	(2,370.00)	
Nov-12	$ 2.48	$ 2.90	$ 2.692	$ -	(2,283.00)	
Dec-12	$ 2.48	$ 2.90	$ 2.697	$ -	(2,358.00)	$ 47,481.10

Diesel Cap and Collar with NYMEX Average



Gasoline Cap and Collar with NYMEX Average



Frequently Asked Questions (FAQs)

- *Q. Where do I purchase my fuel if I participate in the Bond Bank Fuel Budgeting Program?*
- A. Entities purchase and pay for fuel from any vendor.

- *Q. Can I participate in the Fuel Budgeting Program if I fixed my price with my vendor?*
- A. If you fix 100% of your fuel price for the entire year, you cannot participate in the program. However, you can participate if you bid and set the price each month, or have a portion of your volume that is not fixed with your vendor (avoid “double hedging”).

FAQs Continued

- *Q. What is NYMEX?*
- A. NYMEX stands for New York Mercantile Exchange. The NYMEX daily average will be different from the pump price or the amount you pay your vendor since it does not include delivery, taxes and other costs.

- *Q. How does settlement work at the end of each month?*
- A. The Bond Bank will settle at the end of each month based upon the NYMEX daily average in relation to the collar using the amount that you hedged. The Bond Bank will notify you of the results at the end of each month. You will receive an invoice or a wire.

FAQs Continued

- *Q. Do I need to send the Bond Bank my invoices for my fuel purchases?*
- A. No, the Bond Bank does not need your actual fuel purchase information.

- *Q. How is the collar and fee established?*
- A. The 2013 collar was established in December of 2012 based upon market conditions. The fee per gallon hedged is set to cover Bond Bank program costs.

FAQs Continued

- *How does an entity participate in the Program?*
- A. Applications for 2014 will be available in the fall of 2013. Call the Bond Bank at 317-233-0888 or visit our website at www.in.gov/bond for an application

Questions

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