



HISTORIC  
**FRANKLIN**  
TENNESSEE

## COMMODITY STABILIZATION POLICY

The State of Tennessee, in Title 7 Chapter 51 of the Tennessee Code Annotated, has given municipalities the authority to enter financial contracts to stabilize fuel expenditures. The City of Franklin has approved the use of such contracts to accomplish this goal. In doing so, the Board of Mayor & Aldermen have agreed to give some latitude to the Chief Financial Officer to work with vendors or with other municipalities to establish the internal controls over such contracts.

Beginning in June, 2009, the policy of the City authorizes the Chief Financial Officer to advise and negotiate with our partner cities in establishing the specifics of any individual financial fuel hedging contract. In doing so, the CFO will endeavor to limit the City's exposure to a reasonable percentage of the fuel use that is estimated in future time periods. That percentage should be determined and reported to the City's Finance Committee prior to the execution of any future fuel contract.

While it may not be possible to determine in advance the exact price of any fuel hedge due to market fluctuations, the CFO should advise the City's Finance Committee as to the general level of prices prior to execution of any future contract. The CFO will represent the city at the meetings of municipalities engaged in joint fuel hedging contracts. In that capacity, the CFO will, to the extent possible, advocate conservative and cautious approaches to this issue. Those approaches include adapting levels of coverage to the level of price risk; layering contract purchases to average the price at which exposure is taken; supporting the advice given by professional advisors who are closely monitoring the markets and prices of fuel futures contracts; and adapting to volume of coverage changes among group members included in any related inter-local agreement.

The City Administrator, in consultation with the Mayor and in accordance with the budgeting provisions of the City Code, shall determine how the proceeds of any fuel hedging benefit or loss should be distributed through the City's budget. City departments should prepare their budgets as if there were no fuel hedging contracts in place.