

# CITY OF PALM DESERT STAFF REPORT

MEETING DATE: September 11, 2025

PREPARED BY: Bertha A. Escobedo, Business Operations Manager

SUBJECT: RATIFY CHANGE ORDER NO. 3 TO CONTRACT NO. C43180 WITH  
BECK OIL FOR GAS AND DIESEL FUEL (MEQ00007)

## **RECOMMENDATION:**

Ratify Change Order No. 3 to Contract No. C43180 with Beck Oil, Inc., for Gas and Diesel Fuel Purchase, in the amount of \$20,000, increasing the annual amount to \$140,000.

## **BACKGROUND/ANALYSIS:**

On May 26, 2022, the City Council awarded Contract No. C43180 to Beck Oil, Inc. for the as-needed purchase of gasoline and diesel fuel in an annual amount of \$120,000. The contract includes a five-year term with an option for three one-year extensions.

The per-gallon cost under this contract is formula-based, tied to the Oil Price Information Service (OPIS) Unbranded Rack Average Price for Colton (a regional fuel distribution terminal), plus the vendor's fixed markup. OPIS is an industry-standard index that tracks wholesale fuel prices at distribution terminals, providing a transparent and market-based benchmark. Because OPIS prices have remained higher than anticipated, additional contract authority has been required to accommodate fuel purchases at these elevated rates.

Since the award of the contract, fuel prices have remained elevated, and the original annual amount is no longer sufficient to meet annual operational needs. To ensure uninterrupted fuel supply, staff sought and received City Manager approval for a series of change orders adjusting the contract amount in response to rising costs, as shown below:

<b>Change Order No.</b>	<b>Amount Added</b>	<b>Revised Contract Limit</b>	<b>Actual/Estimated Expense</b>	<b>Fiscal Year(s)</b>
1	\$10,000	\$130,000	\$127,000	2022/23
2	\$30,000	\$150,000	\$144,000	2023/24
			\$126,000	2024/25
3	\$20,000	\$140,000	**\$130,000	2025/26
			**\$135,000	2026/27

\*\*Estimated amount

The first two change order requests omitted language clarifying that the increase would apply annually, creating the need for the current adjustment. Staff now seek City Council ratification of Change Order No. 3, which increases the contract by \$20,000 annually.

Over the past three fiscal years, the City's average fuel consumption has been approximately \$132,000 annually. FY 2023-24 reflects an anomaly due to a significant increase in demand and

fuel pricing following the Hilary storm of August 2023. In addition, the City is in the process of purchasing hybrid vehicles for its fleet, which are expected to contribute to future fuel savings. Based on these factors, an annual contract limit of \$140,000 is projected to be sufficient for the remainder of the contract term. This adjustment will allow fuel purchases to continue without interruption and within the budgeted amount approved through Fiscal Year 2026-27.

Staff recommends authorizing remaining contract extensions with annual increases capped at five percent (5%) per fiscal year. The limit, based on average actual costs since FY 2022-23, balances funding needs with long-term cost control.

**Legal Review:**

This report has been reviewed by the City Attorney's Office.

**FINANCIAL IMPACT:**

Budget for this purpose has been included in the approved Fiscal Year 2025-26 Financial Plan under Public Works Operations in the amount of \$150,000 for the annual purchase of gas and diesel fuel in Account No. 1104331-4217000, Fleet-Fuel; therefore, there is no additional financial impact to the General Fund. Staff will continue to budget accordingly during the annual budget process to ensure adequate funding for fuel expenses in future fiscal years.

**ATTACHMENTS:**

1. C43180 Contract
2. C43180 Change Order No. 1
3. C43180 Change Order No. 2
4. C43180 Change Order No. 3