

Memorandum

Department of Public Works



TO: Michael O. Geisel, P.E.
City Administrator

FROM: James A. Eckrich, P.E. *JAE*
Public Works Dir. / City Engineer

DATE: April 19, 2023

RE: St. Louis Metro APWA Salt Cooperative

The City of Chesterfield coordinates the purchase and delivery of deicing salt for all members of the St. Louis Metro APWA Salt Cooperative (Co-op). The Co-op is comprised of 49 cities and eight school districts which combine their purchasing power to obtain the best price possible for deicing salt. During the 2022/2023 winter season the Co-op purchased 31,500 tons of salt


As you may recall last year we implemented a significant change in the way the Co-op is administered. For many years there were two separate bids for salt – one for the salt itself and one for delivery. We changed that process in 2022 in consultation with the members of the Co-op, the salt providers, and the City's Finance Department. That change has been overwhelmingly positive, and we will continue with the new procedure into the future.

During the winter of 2022/ 2023 salt was provided by the low bidder, Compass Minerals, at a delivered cost of \$78.37 per ton. Compass has provided excellent service to the Co-op for a number of years. Their flexibility is appreciated by all members of the Co-op, including the City of Chesterfield who benefited last year by reducing our salt order by 2,000 tons due to the mild winter. This saved the City of Chesterfield approximately \$156,000 and eliminated the need for us to find storage for salt outside of the salt dome. Compass is willing to extend the contract at the same terms with a cost increase of 7.25 percent. They have justified the cost increase by delineating their increased material costs, trucking costs, and storage costs. Additionally, they have provided three recent bid results where costs for salt to governmental agencies increased by 11.3%, 7.8%, and 5.0%. The proposed cost increase was initially higher but I negotiated it down to 7.25%, which was as low as Compass would agree to go.

After reviewing this matter in detail, **it is my recommendation that the City of Chesterfield accept the 7.25% price increase proposed by Compass Minerals on behalf of the Co-op. This will result in a delivered price to all members of \$84.05 per ton.** I have two primary reasons for making this recommendation. First, I believe it is very likely that if this contract were bid the Co-op would receive higher prices. Second, due to the mild winter last year many agencies may greatly reduce their salt order. This has been communicated to Compass and they have accepted the Co-op's pricing arrangement. Further, if we would get a bad winter this year, Compass has demonstrated their flexibility and willingness to work with the Co-op members to adjust their salt orders.

If approved the salt will be provided to all Co-op members, including the City of Chesterfield, within two separate deliveries; a fall 2023 delivery and a winter 2024 delivery. The City of Chesterfield salt dome is full, and we will not need to order any salt for the fall order. We do anticipate the need for additional salt throughout the winter, and will plan to place an order for 2,500 tons of salt for the winter 2024 delivery. This will result in a total cost to the City of Chesterfield of \$210,135, which is well within the \$275,000 budgeted for this line item. If you have questions or need additional information, please let me know.

Concurrence:



Jeannette Kelly, Finance Director

Action Recommended

This matter should be forwarded to City Council for its consideration of approval of the purchase of salt from Compass Minerals, on behalf of the St. Louis Metro APWA Salt Cooperative.

Please forward to the PPW Committee for review and recommendation, then to be forwarded to the full City Council.

 2023/4/19



April 19, 2023

Jim Eckrich
Director of Public Works/ City Engineer
City of Chesterfield

RE: Compass Minerals Bid Inquiry - City of Chesterfield

Jim,

Thank you for the opportunity to roll City of Chesterfield Co-Op Rock Salt agreement.

Compass Minerals is requesting a 7.25% price increase. Given that the previous season had light snow events, and entities did not purchase much salt in the seasonal period, we are assuming less purchased volume for next season and it would also fall in the non-guaranteed winter replenishment portion.

The items impacting our production and logistics costs, year over year, are directly tied to current inflationary cost pressures of labor and raw materials. Additionally, logistics & fuel costs have increased since your base price year with continued volatility of fuel. Having non-guaranteed volume as a portion of the contract, our storage and carry cost with the depot is also up due to less volume throughput. Below is the support for increased costs.

- PPI Rock Salt 9% increase from April of 2022 to March of 2023
- Freight Trucking had a 7% increase from December 2021 to December 2022
- Barge Freight cost to St. Louis increased 1.75% from 2022 to 2023
- Storage rates have increased 4% from 2022 to 2023
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In addition, the salt supply on the river system has seen volatility the past two years due to the Cargill mine closure in early 2021. We continue to see impacts in the market to this mine closure across the Midwest market and other industries that use mined rock salt.

We appreciate the relationship we have built with City of Chesterfield and the Co-Op over the past year and wish to continue as your salt vendor next winter season. We would prefer to roll this contract an additional year and continue our partnership. Should you have questions please contact me at (913) 344-9147. I look forward to another year of working with you.

Sincerely,

Amanda Heady
Sales Manager - US Highway Sales