



City of Rochester Hills  
AGENDA SUMMARY  
FINANCIAL ITEMS

1000 Rochester Hills Dr.  
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Legislative File No: 2017-0243 Version 2

**TO:** Mayor and City Council Members  
**FROM:** Allan E. Schneck, P.E., Director of Public Services  
**DATE:** February 26, 2018  
**SUBJECT:** Purchase Authorization for Rock Salt for the 2017/2018 Winter Season

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**REQUEST:**

City Council is requested to authorize an increase to the existing one (1) year blanket purchase order to Cargill, Inc., North Olmstead, Ohio in the amount of \$50,000.00 for the purchase of rock salt for a new not-to-exceed amount of \$250,000.00 through June 30, 2018.

**REASON FOR PURCHASE:**

Sealed bids were solicited for sodium chloride (rock salt) by the City of Farmington Hills on behalf of the Michigan Intergovernmental Trade Network (MITN). Bids were opened on Tuesday, April 18, 2017 with four responses received. The bid calls for a one-year term with the option to renew for an additional year. As a cooperative, 64,000 tons of salt for 26 governmental entities, including the City of Rochester Hills, was bid. The lowest, responsive, responsible bidder was Cargill, Inc. at a bid price of \$56.69 per ton for the 2017/2018 season.

Rock Salt continues to be a challenging commodity to procure. Pricing is dictated by fuel prices, weather conditions, weather predications, supply and demand. The 2016/2017 winter season returned a lower than projected usage due to a moderate winter this past season. Specifications for this bid allows the agencies to exercise some flexibility with their usage, unlike other cooperative contracting efforts. With this contract, agencies have the ability to increase or decrease their quantity commitment by 30% during the season and still maintain the contracted price per ton. This successful model helps agencies deal with the fluctuating demand.

The recommended award to Cargill, Inc., represents a 3% savings over last year's pricing. Quantities were estimated at 3,000 tons and will be managed by the Department of Public Services to insure an adequate supply.

This increase is due to the heavy snow and ice conditions this winter and as a result using more material to maintain roads at the standard expected by City residents.

**PROCESS:**

**Vendor Name and Address:**

Cargill, Inc. – Deicing Technology Business  
24950 Country Club Blvd, Suite 450  
North Omsted, OH 44070

**Reason for Selection:**

Lowest, responsive, responsible bidder

**Method of Purchase:**

Blanket Purchase Order

**BUDGET:**

Funding is included in the FY 2017 and 2018 Adopted Budgets.

If approved by City Council, no budget amendments are needed at this time.

As previously described in the Agenda, the 2016-17 Winter season was rather mild with less salt usage needed in the first few months of FY 2017 (Jan-Apr) leaving a large amount of the Material (.781000) budget available in FY 2017. The 2017-18 Winter season has been more severe with more salt usage needed. However due to the FY 2017 Material budget reserves remaining from the prior season’s mild winter, adequate budgets remain in both fund’s FY 2017 Materials budgets.

Fiscal and DPS will closely monitor the remaining FY 2018 Material budgets after the 2017-18 Winter season ends. If it is determined that either/both FY 2018 Materials accounts should be increased to provide adequate funding for the remainder of FY 2018 (or the start of the 2018-19 Winter season), Fiscal will present appropriate Budget Amendments in 2<sup>nd</sup> Quarter Budget Amendments.

Fund Name	Department Account No	Account No. Description	2017-18 Season Budget Amount	2017-18 Season Cost	2017-18 Season Remaining Budget
Major Road	482.781000	Material	\$132,000	\$125,000	\$7,000
Local Street	484.781000	Material	\$115,000	\$125,000	(\$10,000)
		<b>TOTAL</b>	<b>\$247,000</b>	<b>\$250,000</b>	<b>(\$3,000)</b>

**RECOMMENDATION:**

It is recommended that the Rochester Hills City Council authorize an increase to the existing one (1) year blanket purchase order to Cargill, Inc., North Olmstead, Ohio in the amount of \$50,000.00 for the purchase of rock salt for a new not-to-exceed amount of \$250,000.00 through June 30, 2018.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Budget Content: Chief Financial Officer		
Purchasing Process: Supervisor of Procurement		
Mayor		
Deputy Clerk		