



DMMC White Paper

Road Salt Procurement in Illinois - Strategies and Recommendations

A DMMC White Paper is a guide that informs mayors and managers (and likely a broader audience) about a complex, priority issue. Like a DMMC In Depth, it is meant to help members understand an issue, solve a problem or make a decision.

Road salt procurement has proven to be a difficult but necessary practice for local governments in Illinois. Local government procurement staff throughout the State have cited challenges including confusing pricing, logistics, unattractive commitments, and not receiving bids from vendors. Staff and members of the DuPage Mayors and Managers Conference, in a collaborative effort with their counterparts at the Northwest Municipal Conference, Southwest Conference of Mayors, West Central Municipal Conference, and Will County Governmental League have explored the reasons behind these challenges through outreach to various entities involved with road salt procurement including the State's joint procurement agency (the Illinois Department of Central Management Services) and a road salt vendor (Cargill Deicing Technology). The following strategy recommendations highlight methods these entities have identified for lessening these challenges.

Illinois Department of Central Management Services (CMS)

Each year CMS solicits over 900 local governments for participation in their salt bidding process and offers a renewal for any local government that participated the previous year. In 2014 approximately 600 local governments elected to participate. The CMS bidding process is voluntary and exists as an option for local governments who would prefer not to procure salt themselves.

A common misconception is that CMS has the ability to require vendors to bid on each participant and to offer consistent prices. This is not the case. No single vendor has the terminal put-through capacity to serve all local governments in the entire State. CMS also does not have the ability to manipulate the free market in a competitive bid process. In years of high demand, some local governments may not receive bids.

Strategy Recommendation: Consider the CMS bidding process as a service that will take some of the work of salt bidding off the hands of your procurement staff rather than an outlet to ensure your local government receives its desired supply of salt at the lowest price.

Although CMS's bidding process is open to all local governments in the State, the organization has limited administrative capacity. While many local governments have expressed concern with the long timeframe between committing to road salt amounts for the next winter and receiving their bid, CMS does not have the staff to accept amount requests from hundreds of local governments and properly complete all bidding preparation work in a shorter amount of time. For similar reasons, CMS cannot contact local governments to request bid approval.

Strategy Recommendation: If the ability to request road salt amounts closer to winter and/or to receive the highest value possible is important to your local government, an alternative bidding process may be a better fit.

Advancements in technology can often make processes easier to complete in a timelier manner. While available technologies may allow CMS to address some of the administrative complaints noted above, the desire within CMS to implement new systems is purportedly low.

Strategy Recommendation: If the CMS process is not currently suited to meet the needs of your local government, it may wise to find an alternative bidding agency.

Road Salt Vendors

As previously noted, CMS cannot force salt vendors to bid on the road salt requests of all local governments in the State of Illinois, nor do they have a substantial effect on pricing. So how can a local government ensure they will get a bid at a good value?

Cargill Deicing Technology is one of many road salt vendors that serve the State of Illinois. These companies produce salt all over the world, sell road salt tonnage in the tens of millions to customers in 30 states, and offer thousands of point by point awards across the country; over 750 in Illinois alone. Despite year-round mining of a commodity with strong supplies, it is impossible for a single salt vendor to offer a bid on all requests. Therefore the bidding competition is not one-sided. Salt vendors are competing to serve local governments with their product while local governments are competing to receive bids for that product.

In order to determine which requests to bid on given their limited supplies of salt and supply chains, vendors like Cargill analyze many different factors. One key factor is the relationship that exists between the vendor and the customer. This is a substantial consideration for them. So how do you build a good relationship with a vendor?

Strategy Recommendation: Many factors can help build a positive relationship with a vendor. These can include the following:

- *Accepting as much product as you have capacity for as early as possible.*
- *Being flexible and clearly communicating demand (for example, not placing duplicate orders to create the appearance of high demand).*
- *Using standard ASTM specifications rather than unnecessarily complicated specifications.*
- *Using tight min/max quantities, i.e. 90/110%, not 50/150%. The latter is much riskier for the vendor.*
- *Offering renewal options that include bilateral negotiation and agreement.*
- *Not shopping around multiple bids. When vendors see multiple bid requests from a local government (simultaneously through CMS, a county/regional bid, and/or individually) they are hard to take seriously.*
- *Coordinating specifications, grade, and deliveries with neighboring local governments.*
- *Awarding the bid within 30-60 days of the bid.*

Many local governments have expressed confusion with pricing and the different factors that influence the price they pay. The highest costs for salt vendors to get road salt to the customer are supply chain expenses. One month is required to transport road salt by barge to the Chicago region from mines in the southern United States. Once it reaches Chicago, it is more ideal for the local government to be closer to the vendor's primary storage terminal. Different parts of Chicago are served by different storage terminals. For example, in Lake County the southern municipalities may be served by a terminal along the Chicago Canal while the northern municipalities may be served by a terminal in Milwaukee. Mining salt is expensive as well. Extracting it from increasingly deeper depths can add to costs. And when snow/ice amounts are higher than expected, salt supply shortages can occur. This may require the vendor to import road salt from farther away, South America for example, to meet demand.

Those factors are typically not in the local government's control. However, some factors are. Supply and demand are different from year to year, but here are some general trends:

Strategy Recommendation: Bidding and awarding early will generally give the best opportunity to receive bids before suppliers have booked their available throughput capacity.

If suppliers have already signed agreements to use their local supply chains for other customers, it will be hard for them to provide competitive bids.

Strategy Recommendation: Offering to accept maximum capacity prior to the beginning of winter may offer suppliers more flexibility with their limited supply chains.

Of course, the less salt you use, the less supply you will need to request. Maximizing supplies can help reduce your salt costs and help prevent the need to request additional salt during exceptionally snowy or icy winters.

Strategy Recommendation: Maximize your local government's salt supply by ensuring salt spreading staff is trained to apply proper quantities without waste. Your local government may also want to consider using treated salt to improve performance and natural deicing liquids and liquid calcium chloride in addition to salt.

A well-planned strategy for applying salt and other deicing products can not only minimize overall usage but also be more environmentally friendly.

Conclusion

Many strategies can be taken to ensure your local government receives adequate road salt at a good value. Through research and discussion involving both CMS and Cargill Deicing Technology, we are confident the above strategies will prove valuable.

Founded in 1962, the [DuPage Mayors and Managers Conference](#) (DMMC) is a council of municipal governments representing over 1,000,000 people. A coalition of cities and villages, the Conference works to voice municipal concerns on local, regional, state, and national issues. It also serves its members and the region by fostering intergovernmental cooperation. The Conference is a not-for-profit organization supported by membership dues and grants.