

City of Willoughby Hills

Interoffice Memo

Date: October 14, 2014
To: Mayor Robert Weger and Members of City Council
From: Frank J. Brichacek, Director of Finance *FJB*
Subject: 2014 Operating Budget Revision – 4th Quarter 2014 Rock Salt Purchase

In anticipation that the availability of salt may be unpredictable as it was during the winter of 2013/2014 and that the 2014/2015 winter will be as severe as last year, outgoing Street Superintendent Nate Catania has recommended that the City establish an open purchase order allowing for the purchase 1,000 tons of salt during the fourth quarter of 2014. The City will again be purchasing salt through the Ohio Department of Transportation's (ODOT) cooperative purchasing program. For the 2014/2015 winter season, salt purchased through ODOT's program will cost \$79.91 per ton. This season's rate is up considerably from the \$23.87 per ton rate that ODOT was able to obtain for the 2013/2014 winter season. Under the terms of ODOT's program the City is required to purchase at least 90% of the 3,500 tons that the City estimated it would need for the 2014/2015 winter season and may purchase a maximum of 3,850 tons of salt (110% of the 3,500 tons estimated by the City) during the 2014/2015 winter season.

This memorandum is a request for the following appropriation revisions in order to provide for the cost of purchasing 1,000 tons of rock salt at a cost of \$79.91 per ton:

General Fund - \$80,000 Increase

- Increasing the subsidy transfer to the Street Construction, Maintenance & Repair Special Revenue Fund No. 250 by \$80,000, from \$267,700 to \$347,700.
- Increase the General Fund No. 110 appropriation by \$80,000, from \$6,305,700 to \$6,385,700, to provide for the additional subsidy transfer to the SCM&R SR Fund No. 250 to fund the purchase of 1,000 tons of rock salt.
- If approved, this change will reduce the General Fund's budgeted 2014 ending available fund balance from \$584,484 to \$464,484.

Street Construction Maintenance & Repair Special Revenue Fund - \$80,000 Increase

- Increase the appropriation of the SCM&R Special Revenue Fund No. 250 by \$80,000, from \$1,087,300 to \$1,167,300 to provide for the purchase of 1,000 tons of rock salt.

I am requesting that this appropriation change be approved by City Council on its first reading for the following reasons:

- The City currently has only a minimal stock of salt on hand; and
- Rumor has it that, as happened during the 2013/2014 season, salt may not be available for delivery on a timely basis during the 2014/2015 season ; and
- With late fall approaching, weather conditions may require the City to de-ice its streets at any time; and
- If three readings are required before this ordinance is enacted, the ordinance will not be approved until November 27th; and
- The lack of salt endangers the health and welfare of the public.

In addition to the requested appropriation changes, I will be requesting that the Lake County Budget Commission increase by \$80,000 the estimated resources of the Street Construction, Maintenance & Repair Special Revenue Fund No. 250, from \$1,314,728 to \$1,394,728, to reflect the increase in the General Fund subsidy.

The 2014 operating budget provides \$59,600 for the purchase of rock salt and de-icing materials. The budget provides for the purchase of 2,500 tons of salt at \$23.87 per ton. In addition to the 2014 budget, at the start of 2014 an open 2013 purchase order totaling \$20,438 provided for the purchase of 585 tons of salt and salt additives. Combined the total 2014 budget for the purchase of salt (3,085 tons) and de-icing supplements is \$80,038.

As of September 30th, 2014 the City has completely expended its budget for salt and de-icing materials. To date, the City has expended a total of \$82,786 for salt (2,465 tons; \$66,375), gravel or stone (475 tons; \$9,941) and beet juice (\$6,470) to de-ice City streets. In order to have salt on hand to deal with any snow events that should occur in the fourth quarter of 2014, the above appropriation revision is being requested.

The schedule below provides the history of salt usage by the City since 2007. If you have any questions regarding this proposed appropriation revision, do not hesitate to contact me.

<u>Year</u>	<u>Average Price Per Ton*</u>	<u>% Change vs. Prior Year</u>	<u>Tons Purchased</u>	<u>% Change vs. Prior Year</u>	<u>Total Expense*</u>	<u>% Change vs. Prior Year</u>
2014	\$33.59	6.3%	2,465	-43.3%	\$82,786	-39.7%
2013	\$31.60	-30.4%	4,345	99.3%	\$137,271	38.6%
2012	\$45.42	-15.3%	2,180	10.9%	\$99,026	-6.1%
2011	\$53.65	-1.8%	1,967	-36.4%	\$105,513	-37.5%
2010	\$54.62	-13.7%	3,092	13.4%	\$168,868	-2.2%
2009	\$63.30	49.9%	2,728	-46.5%	\$172,653	-19.7%
2008	\$42.22	13.7%	5,094	14.1%	\$215,075	29.8%
2007	\$37.13		4,464		\$165,739	

* Includes de-icing additive expense