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## Salt Storage Building Return on Investment Strategy

### Background Information

Current storage facility	600 tons
Typical annual salt usage (5 year period)	1600 tons
Bad winters	2000 tons

City's facility did not pass DNR inspection and requires a \$20,000 pavement improvement to be DNR compliant.

City locks into a contract with the State of Wisconsin for salt in April of the prior year. You are obligated to take what you ordered even if you do not need it. So if it's a mild winter and you have surplus salt you have to find a place to store it or pay for storage at the Port of Milwaukee. If you do not order enough salt and you run out of salt you have to pay about 3 times the cost per ton to purchase the extra salt. Sometimes you are unable to get salt.

### Proposed Salt Shed

Proposed Facility will house over 2000 tons of salt & provide covered & secure storage for the "salt body roll-offs".

	<u>2017 estimated cost</u>
Budget	(\$350,000)
Building	\$ 240,000
Engineering	\$ 39,400
Site Improvements	\$ 70,600

### Analysis of Pay-back

Early fill instead of ordering it when needed saves about \$10/ton  
(2000@\$10 = \$20,000)

Storage of salt on contract but not taken during the season requires storage at the harbor at \$120/ton

City averages 600 tons per year of excess salt during light winters such as in 2015-2016 & 2016-2017 (600 @ \$120) = \$72,000

**So annual cost of lack of storage is \$72,000**

Return on investment of salt shed is between 4 to 6 years based on an average winter.

If you were just looking at the return based on a one time early fill vs on demand deliveries you would be looking at 17 years. The salt shed has an estimated life of 60 years or more.