



Road Commission Task Force Final Report

June 2013 (Technical Revision - September 2013)



2013 County Board of Commissioners

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I. INTRODUCTION

Despite the perception of most citizens, County Road Commissions are independent legal entities that are separate from the County government. Although the County Board appoints members to the Road Commission, and sets the salaries of Road Commissioners, the County does not have any authority over the administration or operation of Road Commissions.

In 2012, however, legislation was passed which enables counties to transfer all of the powers, duties, and functions of the Road Commission to the County Board of Commissioners. The Ottawa County Board of Commissioners subsequently appointed a Road Commission Task Force to evaluate the options that the Board could undertake as it relates to the potential transfer of the Road Commission to the County.

The study process involved extensive research regarding relevant statutes, other road commission reports, as well as the Ottawa County Road Commission's organizational structure, finances, facilities, and operations. The study process undertaken by the Ottawa County Road Commission Task Force is one of the most exhaustive and thorough that has been completed by any county thus far.

II. COUNTY ROAD COMMISSIONS

History

The formation of Road Commissions began in 1879 when a group of prominent bicyclists organized the League of American Wheelman because they were tired of riding on rutted roads. The group became the first good-roads advocate group in the country.

In 1883, the Michigan legislature passed Public Act 278 which created the Stone Road District in Bay County. The District was comprised of eight townships and was administered by a three-member road board. The new board had oversight over three roads and was the first modern road commission. In the early 1900's, Ottawa County's roads were under the jurisdiction of the Township Board of Supervisors.

In 1909, Public Act 283 was approved. This legislation allowed each county to create a road commission by referendum vote of its residents. County Road Commissions in Michigan developed several notable early road system innovations. In fact, the first mile of concrete pavement was poured in Wayne County where Henry Ford was a member of their first road commission. The center line painter and the first snow plow were also both developed in Michigan by local Road Commissions.

The McNitt Act of 1931 provided for the consolidation of the remaining township roads into the then 83 county road commissions. Under this legislation, county road systems increased from 17,000 miles of roads to 85,000 miles.

In 1951, Public Act 51 was adopted which created the Michigan Transportation Fund (MTF). The Act also set the priorities and rules for use of these funds as it pertains to road construction, maintenance, and operations (**Attachment A – Guide to PA 51**).

General Duties

The general duties of County Road Commissions are to construct and maintain roads, bridges, and culverts. The Commissions are statutorily provided all necessary authority to perform this work including the right to condemn the use of gravel roads and to petition the drain commissioner for new drainage outlets. The



Michigan Department of Transportation also contracts with Road Commissions to maintain (e.g. snow plowing, grass cutting, shoulder grading) State and Federal highways that are within their jurisdiction. Cities and villages are responsible for constructing and maintaining local roads within their jurisdiction; although some Road Commissions will rent their equipment to local units for this purpose. Road Commissions are required by statute to spend a minimum of one percent of their state funding on non-motorized pathways.

The majority of funding for Road Commissions comes from the MTF, which is sustained by fuel taxes, vehicle registration fees, and license fees. Road Commissions can also receive funding from special assessments and millages approved by local townships as well as approved countywide road millages. Road Commissions may also pledge the full faith and credit of the county, upon approval of the County Board, to issue bonds for road maintenance and construction projects.

The County Board can appoint members to the Road Commissioners or have them elected by a vote of county residents. Per State Statute, Road Commissioners serve 6-year terms. The County Board also determines the number of Road Commissioners for their respective county (minimum of 3, maximum of 5) and sets their salaries and benefits.

Despite the involvement of the County Board in the Road Commission membership process, Road Commissions are independent agencies that are separate from the general county government. They approve their own budgets, union contracts, hiring, and purchase agreements.

At present, County Road Commissions are responsible for maintaining 5,600 bridges and more than 75% of Michigan’s road network which, at 90,000 miles, is the fourth largest road network in the country.

Ottawa County Road Commission

The residents of Ottawa County voted on April 3, 1911 to create a County Road Commission by a margin of 55% (4,040) to 45% (3,273). In comparison, Wayne County residents approved a county road commission by a margin of 80% to 20% in 1906.

The Ottawa County Road Commission convened for the first time on May 4, 1911. The Commission was created with two goals: 1) Develop uniform construction and maintenance standards; and 2) Achieve economies of scale in providing safe and convenient roads. The new Ottawa County Road Commission had authority over 206 miles of County roads at that time.



Haven

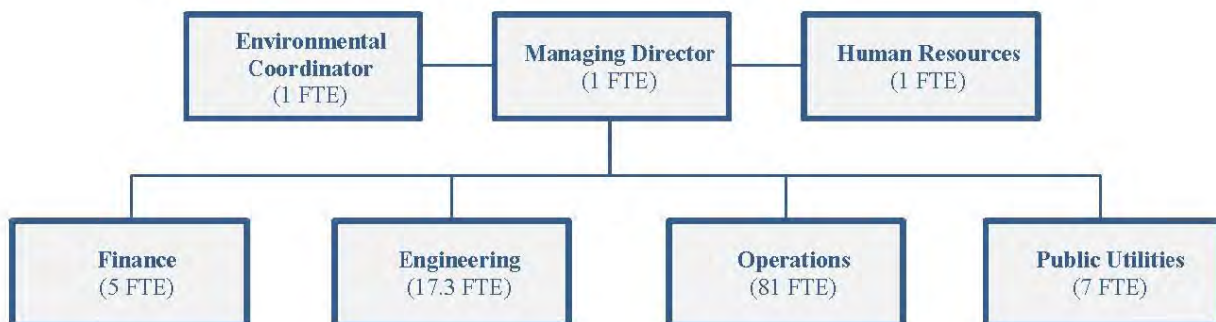
Today, the Ottawa County Road Commission is responsible for maintaining 1,255 miles of local roads, 424 miles of primary roads, and 507 miles of state trunk-line. It also maintains 136 bridges, 4,200 culverts, and over 320 drain systems.

The Road Commission’s main office is located at the Grand Haven Garage. There are three other garages located in Coopersville, Hudsonville, and North Holland. In addition, the Road Commission owns ten “pit sites” (**Attachment B**).

The Road Commission is administered by a Managing Director who oversees 105 full-time employees and 1 part-time employee (**See Diagram A**). A detailed organizational chart is in the Appendix (**Attachment C**). There are also 7 full-time employees in the Public Utilities Division, which operates under the oversight of the Road Commission. At present, the Road Commission is operating with 37 vacant positions. The Managing Director anticipates that 6 of these positions will be filled within the next year, but the other remaining positions will remain open until increased workloads and additional revenue allow for them to be filled.

The Road Commission is governed by a 5-member Board of Road Commissioners who are appointed by the Ottawa County Board of Commissioners. The appointments are for 6-year, staggered terms.

**Diagram A
Ottawa County Road Commission Organizational Chart**



III. ROAD COMMISSION TASK FORCE

Four pieces of State legislation were passed in the last decade providing County Boards with more authority, both directly and indirectly, regarding the governance of County Road Commissions. In 2006, County Boards were granted authority to increase the number of Road Commissioners from 3 to a maximum of 5 (**Attachment D**). The legislation is designed to provide greater citizen representation and engagement.

In 2011, counties with a surplus in their General Fund were authorized to expend a part of that surplus on road improvements (**Attachment E**). Prior to this legislation, counties could not use revenue collected from local property taxes, which help fund the General Fund, to improve county roads. Since Road Commissions are financially, organizationally, and statutorily independent organizations, the County has also been unwilling to transfer General Funds to the Road Commission for operations. The County's position has been bolstered by the fact that such a transfer would have also created funding expectations from cities and villages who maintain their own roads.

Last spring, the most significant legislation (related to Road Commissions) was approved which enables counties to transfer all of the powers, duties, and functions of the Road Commission to the County Board of Commissioners (**Attachment F**). The legislation is intended to bring greater accountability and efficiency to local government. Because the provisions contained in PA 14 & 15 sunset on January 1, 2015, several counties have already discussed, evaluated, or formally acted on this new legislation. Thus far, three counties have dissolved their Road Commissions. These counties are Calhoun, Ingham, and Jackson (**Attachments G-I**). Several other counties have reviewed the issue or have decided not to take any action at this time.

In July 2012, the Ottawa County Board of Commissioners adopted a Resolution to perform a study to evaluate the options that the Board of Commissioners could consider and undertake as it relates to the County Road Commission. A Road Commission Task Force was subsequently appointed in August 2012 to conduct the Study. The 12-member Task Force is comprised of officials from the County, the Road Commission, township representatives, and the business community (**Attachment J**). In accordance with the parameters established in the Resolution, the deadline for completing the study is July 1, 2013.

Concurrent with the Road Commission Task Force, a Public Utilities Task Force was also formed. The objective of this Task Force is to study the benefits and drawbacks of enacting PA 185 of 1957 which allows the County to absorb the public utility services that are currently performed by the Road Commission.

IV. STUDY PROCESS

The first meeting of the Road Commission Task Force was held in November 2012. The Task Force convened six times during the course of the Study with the last meeting held on June 25, 2013. A Staff Group, which was established to provide administrative and research assistance to the Task Force during the study process, met regularly to discuss and review research findings and to prepare study materials for the Task Force.

The study process involved extensive research regarding relevant statutes, as well as the Road Commission's organizational structure, finances, facilities, and operations. By far one of the most comprehensive studies to date, this analysis compares the current cost of operating the Road Commission (including revenues, expenses, and long-term liabilities) to the cost that would be incurred to operate it under the authority of Ottawa County. In particular, it includes an examination of all sources of revenue (e.g. local millages, salvage sales, state and federal funding), an itemization of all expenses (e.g. salaries, fringe benefits, overtime, insurance) including potential staff reductions and pay-grade changes if the County were to dissolve the Road Commission, and a detailed assessment of long-term liabilities (pensions/retirements, other post-employment benefits, retirement benefits, long-term debt), risk management, and capital needs.

The Task Force also reviewed the reports published by Calhoun, Ingham, and Jackson Counties which have dissolved their respective Road Commissions in order to identify any pertinent items that should be considered and/or included in Ottawa County's report.

V. STUDY FINDINGS

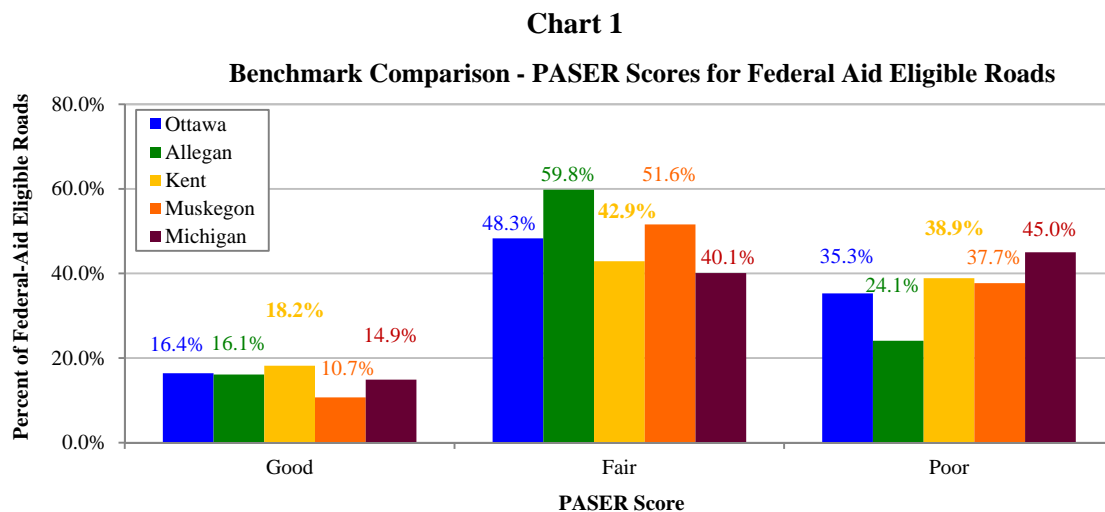
This section of the Report is divided into the following categories: Operations, Political, and Financial.

A. Operations

1. Road Condition and Maintenance

The Michigan Transportation Asset Management Council (TAMC) collects pavement road condition data for federal-aid eligible roads from each Road Commission in the State. Road conditions are assigned one of three scores – Good, Fair, or Poor – based on the use of a visual surveying method known as Pavement Surface Evaluation and Rating (PASER).

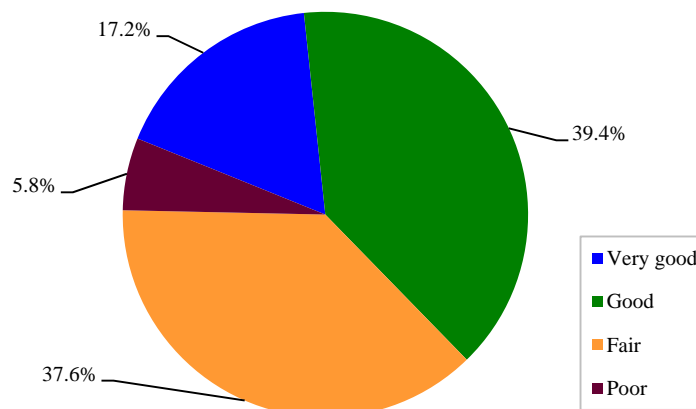
Chart 1 depicts the 2012 PASER score for the Ottawa County Road Commission, and benchmark comparisons with adjacent road commissions and the State. Ottawa County had the second highest percent of roads in Good condition, as well as the second lowest percent of roads in Poor condition.



The Ottawa County Road Commission also has PASER scores for non-federal aid eligible roads.

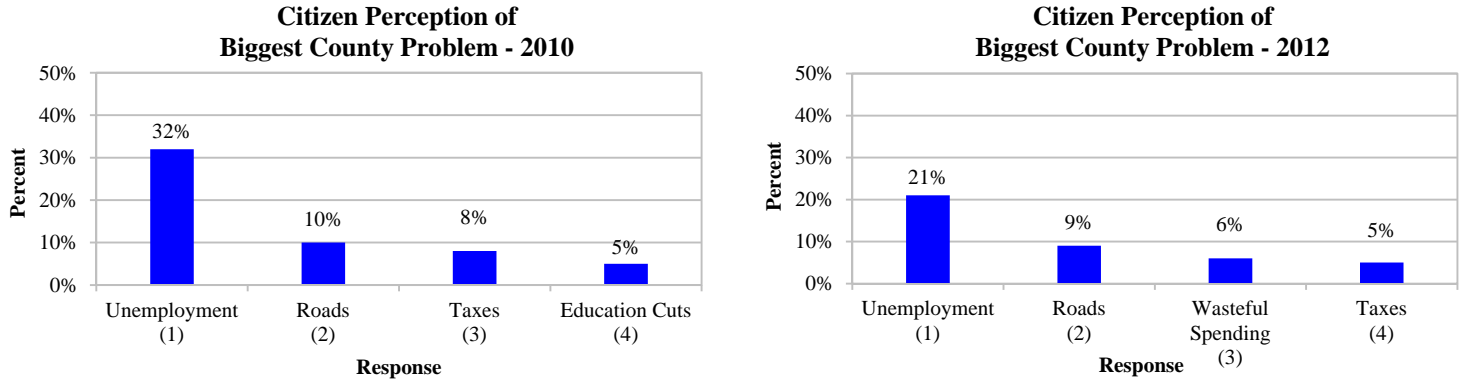
Chart 2 below depicts the percentage of federal and non-federal aid eligible roads in the County by PASER score. The majority of roads (56%) in Ottawa County are in “very good” or “good condition”. Less than 6% of roads are in poor condition.

Chart 2
PASER Scores for Ottawa County Road Commission
(Federal and Non-Federal Aid Eligible Roads)



Although the operational aspects of the Ottawa County Road Commission are commensurate with other counties based on PASER scores, the perception of citizens regarding road conditions is somewhat more negative. In response to an open-ended question on the County’s 2010 and 2012 Citizen Surveys¹, county residents were asked to identify the single biggest problem facing residents that county government must address. In both surveys, “Roads” were the second most identified problem in the county behind Unemployment (Chart 3).

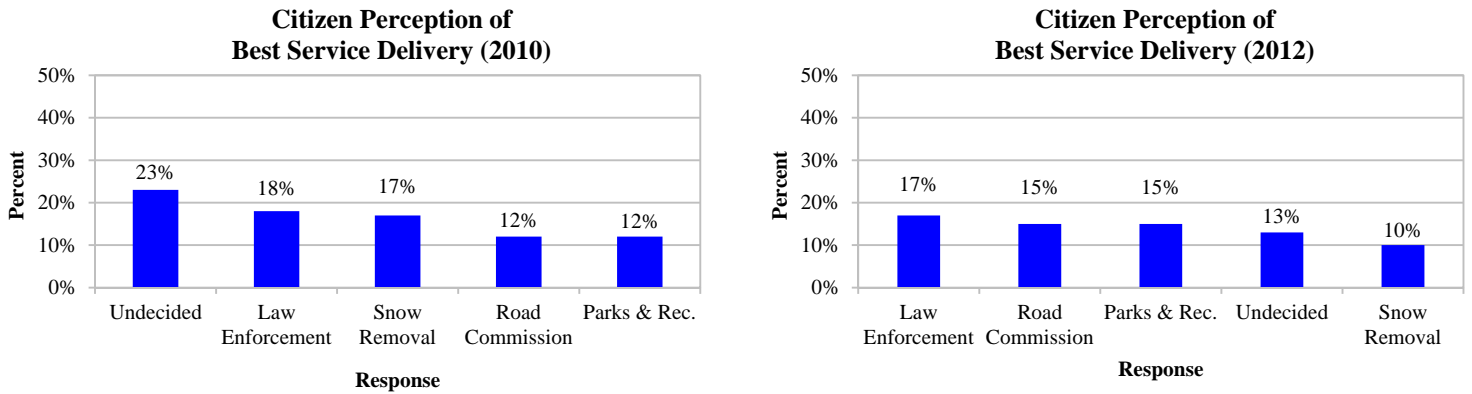
Chart 3



2. Customer Service

In the 2010 and 2012 Citizen Surveys¹, residents ranked the service they believed the County does the best job of delivering. 17% of residents ranked snow removal as the best service delivered in 2010 while 10% ranked it best in 2012 (Chart 4). 12% of residents ranked the Road Commission as the best service delivered in 2010, while 15% ranked it the best service in 2012.

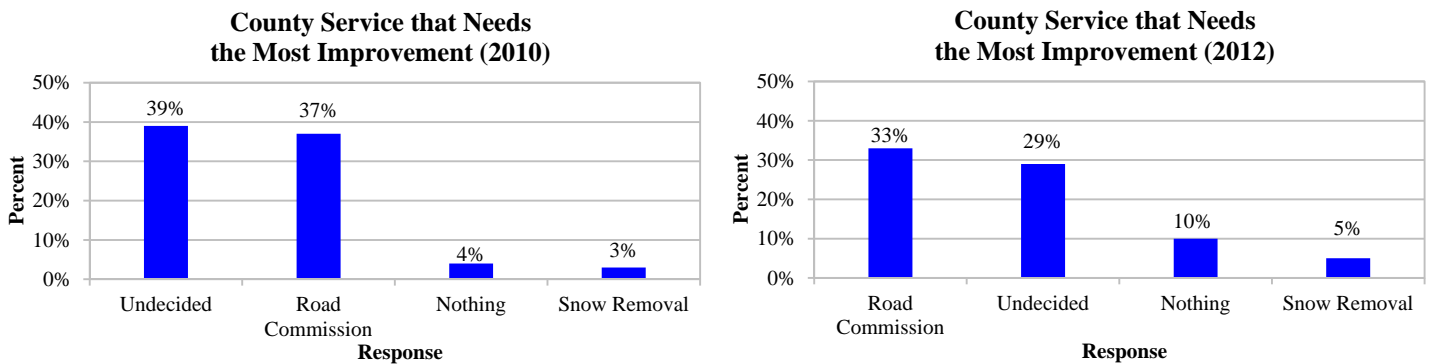
Chart 4



¹ The Citizen Surveys were conducted by EPIC-MRA. 400 citizens were surveyed which provided a statistically valid response of +/- 4.9%.

Interestingly, in the 2010 and 2012 Citizen Surveys, 37% and 33% of residents also identified the Road Commission as the county service that needs the most improvement (**Chart 5**).

Chart 5



While some Ottawa County citizens expressed frustration in the surveys, this is not the only way in which residents have communicated their concerns. County commissioners have been contacted directly by residents who are unhappy about road problems and “community planning issues” that stem from Road Commission decisions. Some “community issues” have been amicably resolved in the past, and some issues are still being resolved.

3. Collaboration

The Governor and Michigan legislature continue to require increased collaboration between local units of government to improve service levels and reduce cost.

Although it may not be recognized by the general public, the Road Commission has increased its collaborative efforts with the County in recent years. The Road Commission participated in the Road Salt Task Force and instituted significant modifications to its operations to reduce road salt usage. It has also collaborated with the Sheriff’s Office on vehicle maintenance to reduce costs for both agencies. Additionally, meetings between administrative staff and some of the board members from each organization occur frequently to discuss issues of common concern. Moreover, the County Board has worked collaboratively with the Road Commission by allowing them to use the County’s low bond rating for capital improvement projects when requested.

However, other opportunities still exist to increase collaboration in order to ensure a common long-range vision for the County and to provide the highest possible quality-of-life for residents.

B. Political

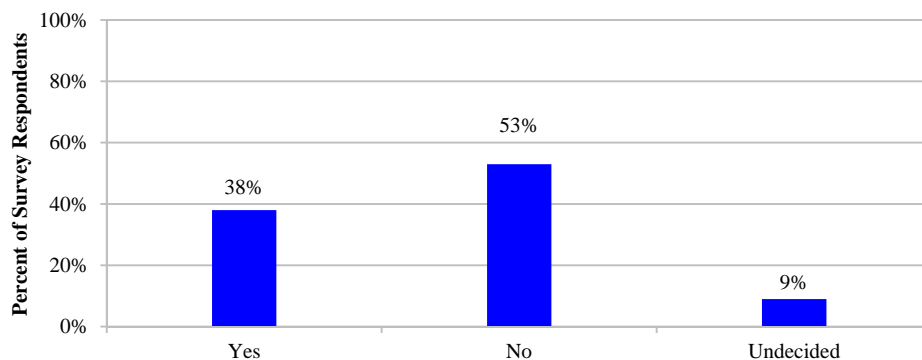
1. Local Politics

As reflected in the Citizen Survey results mentioned earlier, residents often perceive that the County Board has control of the Road Commission. As a result, County Commissioners frequently find themselves involved in Road Commission matters without any power to effectuate change. In many counties, this situation has resulted in frustration and is the reason why some counties have decided to dissolve their Road Commission and assume those responsibilities. By assuming those responsibilities, some believe that accountability would increase.

However, there are other potential political ramifications to consider when evaluating the dissolution of a County Road Commission. Although it is evident that Ottawa County Commissioners have historically been very adept at making decisions without politicizing the issues, some believe Commissioners would politicize the approval process for road projects rather than basing decisions on overall need and objective data.

In regards to the dissolution issue, survey results show that residents are not overwhelmingly in favor of the County taking over the Road Commission. As part of the 2012 survey, citizens were asked whether the Road Commission should be dissolved and its duties assumed by the Board of County Commissioners. The majority of survey respondents (53%) were opposed to the Road Commission being dissolved (**Chart 6**).

Chart 6
Should the Road Commission be Dissolved?



2. State Politics

It appears that state government is in favor of counties assuming the responsibilities of road commissions. This is somewhat evident by the passage of legislation in 2011 which allow counties to expend General Fund revenue on roads, and the passage of legislation in 2012 which allows counties to dissolve road commissions.

Additionally, Governor Snyder has indicated he believes “local units of government must be provided with the tools they need to support local roads”. Funding formulas have also been proposed to overhaul that State’s transportation funding formula which could exacerbate funding for county roads, and further erode tenuous Road Commission budgets.

If the County dissolves the Road Commission and revenue formulas are not favorable to counties, it would fall on counties to provide for the shortfalls and the revenues needed to maintain roads and bridges. These funds would invariably come from the General Fund and/or additional taxes on residents.

C. Financial

In 2012, the total expenses of the Road Commission were \$34,236,228, and total revenues were \$32,920,474. The total 2012 expenses of Public Utilities were \$832,075, and total revenues were \$848,282.

A comprehensive Financial Analysis was conducted to determine the financial impacts of consolidating the Road Commission with Ottawa County operations. The analysis was performed on the Road Commission Budget, the Public Utilities Budget, and the County Budget.

The Analysis is divided into the following three divisions:

1. Budget Impacts
2. Liabilities and Capital Needs
3. Fund Balance and Other Revenue Sources

1. Budget Impacts

Revenue and expense data from Fiscal Year 2012 was used to depict the current financial situation of the Road Commission as an independent agency (i.e. status quo). It was also used to calculate the changes that would occur to their budget if the County transfers the responsibilities of the Road Commission to the County Board of Commissioners.

The net annual financial impact of transferring the Road Commission was determined by comparing the revenue and expenses from the first scenario with the revenue and expenses from the second scenario. The line-item calculations are provided for the Road Commission budget in the Appendix (**Attachments K1-K18**). The line-item calculations for Public Utilities are in **Attachments L1-L15**. The net financial implications for the County are provided in **Attachment M**.

A summary of the annual financial impact of consolidation is provided below:

a. Revenues

Road Commission **Revenue Decrease: \$69,334**

Currently, the Road Commission receives revenue from a variety of sources that include, but are not limited to, the Michigan Transportation Fund, federal sources, state sources, townships, and the Public Utilities Department. If the Road Commission is transferred to the County, the overhead fees that are currently collected from Public Utilities would no longer be included in the Road Commission budget. This would be the only source of revenue that would be impacted.

Public Utilities **No Change**

The Public Utilities Department revenue is generated by charging local units of government, retail customers, and wholesale customers for direct labor, equipment, and general administrative expenditures. This revenue would not be impacted if Public Utilities is transferred to the County.

Ottawa County **Revenue Increase: \$305,367**

The County would generate additional revenue by charging fees to the Road Commission and Public Utilities for Information Technology (IT) and Administrative Services expenses. Administrative Services include the expenditures associated with the services provided by departments such as Fiscal Services, Human Resources, County Administrator's Office, Corporate Counsel, Treasurer's Office, and Facilities.

b. Salaries (Expense)

Road Commission **Cost Savings: \$99,987**

The cost-savings would result from dissolving the Board of Road Commissioners and creating a new 5-member Road Board. The reduced salaries and fringe benefits for members of the new board structure would result in a \$37,960 savings. The current salaries and fringe benefits for the Board of Road Commissioners are established by the Ottawa County Board of Commissioners. Additionally, a \$62,027 savings would be realized by reclassifying staff positions in the Finance Department and reducing one finance position from full-time to part time. If the Road Commission were transferred to the County, the measures listed above would only occur only when there were vacancies (i.e. retirements, resignations, etc.) in the position that would be impacted.

Public Utilities **Cost Increase: \$9,396**

Since a 9-member Board of Public Works would need to be created, additional per-diem and mileage expenses would be incurred.

Ottawa County **No Change**

Ottawa County's budget expenditures would not be impacted by consolidation.

c. Fringe Benefits (Expense)

Road Commission Cost Savings: \$98,812

The Road Commission is predominantly comprised of bargaining unit employees whose health insurance premiums are more costly than non-bargaining unit employees. Since the County's health insurance premiums are less costly for the Road Commission's bargaining unit employees, health insurance premiums would be reduced by \$56,340. Dental insurance premiums would also be reduced by \$43,852. Furthermore, lower opt-out of coverage expenses would reduce that expense by \$1,341. However, optical insurance premiums would increase cost by \$2,721. Overall, there is a significant net cost savings by changing to the County's health care plan. The Road Commission is presently bargaining to increase employee health care contributions. Also, if the Board of Commissioner's decides to assume the responsibility for the Road Commission, they would have to bargain for changes to the health care plan and/or to change employee/employer contributions before any savings could be realized.

Public Utilities Cost Savings: \$1,029

Public Utilities is comprised completely of non-bargaining unit employees whose health insurance premiums are less costly than the County's health premiums. Therefore, health insurance premiums would increase by \$3,302. However, dental insurance premiums would be reduced by \$3,501. The optical insurance premiums would also decrease by \$830. Overall, there is a net cost savings.

Ottawa County No Change

Ottawa County's budget expenditures would not be impacted by consolidation.

d. Other Benefits (Expense)

Road Commission Cost Increase: \$42,430

As a result of employee classifications changing and the reduction of a full-time employee to part time, there would be some cost-savings of \$35,285 Workers Compensation Insurance rates and FICA/Medicaid cost. However, there were cost increases of \$77,715 which resulted from the higher Unemployment Insurance rates at the County, and because the County matches employees' 457 Plan contributions and offers Long-Term Disability coverage which is not offered by the Road Commission.

Public Utilities Cost Increase: \$4,134

Lower Workers Compensation Insurance and Life Insurance costs under the County would result in a cost-saving of \$909. However, there would be an increase of \$5,043 in Unemployment Insurance rates, Long-Term Disability, and employer matches for 457 Plan contributions. Therefore there would be a net cost increase.

Ottawa County No Change

Ottawa County's budget expenditures would not be impacted by consolidation.

e. Contractual Services (Expense)

Road Commission Cost Increase: \$201,332

This net cost increase is primarily due to the County's IT and Administrative Services fees which total \$249,137. A small cost saving would result from a reduction in legal services (\$6,783), GIS fees (\$10,000), and Risk Management Insurance (\$31,022).

Public Utilities N/A

Since the Public Utilities' budget is significantly smaller than the Road Commission budget, all of their Contractual Services expenses are reflected in "Other" expenses.

Ottawa County **No Change**

Ottawa County's budget expenditures would not be impacted by consolidation.

f. Operations (Expense)

Road Commission **No Change**

Operational expenses (i.e. road construction and maintenance) are not projected to change if the Road Commission is transferred to the County.

Public Utilities **N/A**

Since the Public Utilities' budget is significantly smaller than the Road Commission budget, all of their Operations expenses are reflected in "Other" expenses.

Ottawa County **No Change**

Ottawa County's budget expenditures would not be impacted by consolidation.

g. Other (Expense)

Road Commission **Cost Savings: \$20,000**

If the Road Commission is transferred to the County, certain Public Utilities expenses (i.e. accounting services, buildings, insurance, computers, telephones, and office supplies) would no longer be incurred by the Road Commission.

Public Utilities **Cost Savings: \$32,844**

The net cost-savings is primarily the result of the County charging lower overhead rates (i.e. information technology and administrative) to Public Utilities than the Road Commission.

Ottawa County **No Change**

Ottawa County's budget expenditures would not be impacted by consolidation.

h. Net Financial Impact to the Road Commission, Public Utilities, and Ottawa County

The following totals reflect the net financial impact of consolidation (as referenced above in letters **a** through **g**).

Road Commission **Cost Increase: Minimum \$94,297 - Maximum \$167,473**

The cost increase will rise to \$167,473 if the reclassifications of staff positions in the Finance Department and reduction of one finance position from full-time to part time is not implemented (Salaries Section - Item b).

Public Utilities **Cost Savings: \$20,343**

Ottawa County **Revenue Increase: \$305,367**

2. Liabilities and Capital Needs

The primary liabilities that were reviewed in this report include legacy cost (i.e. pensions and Other Post-Employment Benefits - OPEB), Long-Term Debt, and capital needs. Capital needs include the cost that would be incurred to improve local paved and primary roads from a *fair* or *poor* PASER score to a *good* score (previously reviewed in the Operations Section) as well as the cost of building renovations or construction that are needed.

a. Legacy Cost – Employee Pensions

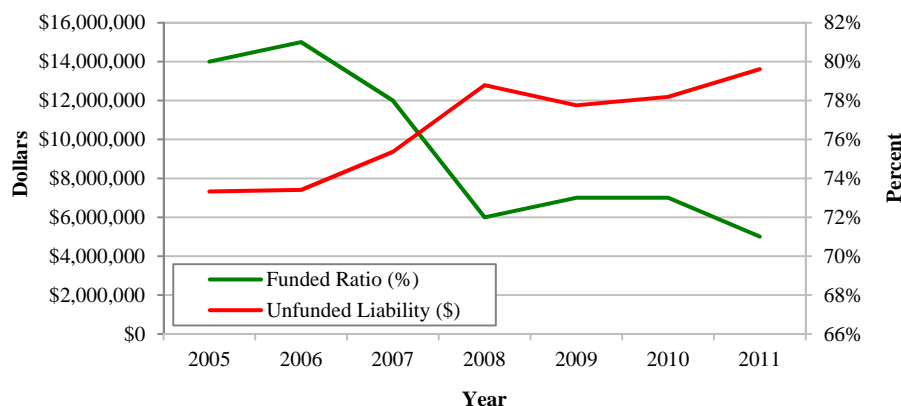
The Road Commission offers a defined benefit pension plan to employees through the Michigan Municipal Employees Retirement System (MERS). Employees contribute 3% of their wages to the pension plan.

As of December 31, 2011, the funded ratio for the pension system had dropped from 80% in 2005 to 71% in 2011 (**Table 1**). The total unfunded pension liability of the Road Commission was \$13,612,993 at the end of 2011. The unfunded liability as a percentage of covered payroll was 221%, which means that the unfunded liability is greater than 2 years of payroll for the Road Commission.

Table 1

Retirement/Pension Plan Liability			
Date	Unfunded Liability	Funded Ratio Total	Unfunded Liability as a Percentage of Covered Payroll
12/31/05	\$7,324,391	80%	113%
12/31/06	\$7,403,147	81%	118%
12/31/07	\$9,364,083	78%	148%
12/31/08	\$12,793,939	72%	190%
12/31/09	\$11,757,294	73%	188%
12/31/10	\$12,187,683	73%	203%
12/31/11	\$13,612,993	71%	221%

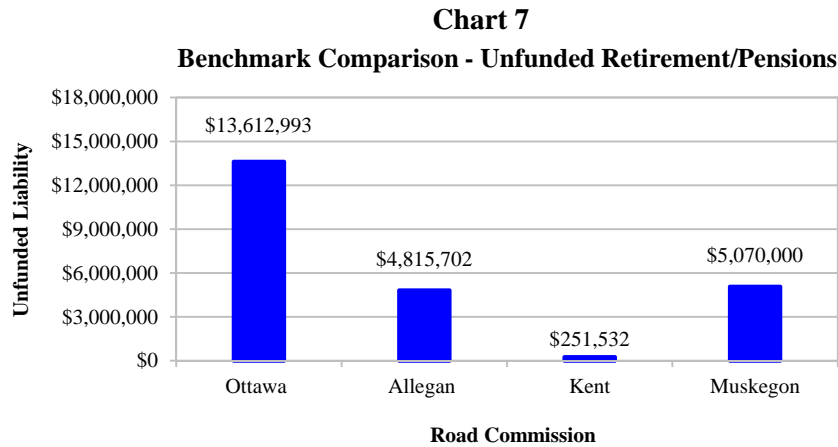
Source: Ottawa County Road Commission Audit Reports, Michigan Department of Treasury



Although the Road Commission has taken several steps in recent years to manage their retirement liabilities, it has not been adequate to prevent a significant increase in unfunded pension liability. The steps that have been taken include the following:

- The retirement plan multiplier was reduced from a B-1 to a B-3 for new hires in 2011.
- Employees' contribution toward their retirement plan was increased in 2010 from zero to 3% of their wages.
- The Road Commission has been contributing approximately \$150,000 extra toward their unfunded retirement liability each year. Additionally, the Road Commission is continuing to bargain for increases in employee contributions towards retirement plans.
- The Road Commission has requested an analysis from MERS to determine the cost of transferring the existing Defined Benefit retirement plan to a Defined Contribution plan and continues to explore methods for implementing these changes.

Chart 7 depicts the retirement/pension system unfunded liability for the Ottawa County Road Commission and the Road Commissions located in the adjacent counties. This is the unfunded liability as of December 31, 2011 with the exception of Allegan County which is from December 31, 2010.



b. Legacy Cost – Other Post-Employment Benefits (OPEB)

The Road Commission’s Post-Employment Benefits (OPEB) are comprised of health care benefits provided to retirees. The Road Commission provides healthcare for retirees until they reach the age of 65 and become Medicare eligible. Retirees do not currently contribute toward their OPEB health insurance premium, but the Road Commission is bargaining with retirees to have them pay the same matching contribution as employees.

As of October 1, 2011, the total unfunded OPEB liability of the Road Commission was \$1,931,708 (**Table 2**). The Road Commission is currently taking steps to require retirees to contribute 10% of their OPEB health insurance premium.

Table 2
OPEB Liability

Date	Unfunded Liability	Percent Increase in Unfunded Liability
1/1/08	\$1,835,591	n/a
10/1/11	\$1,931,708	5.24%

Source: Ottawa County Road Commission Audit Reports, Michigan Department of Treasury

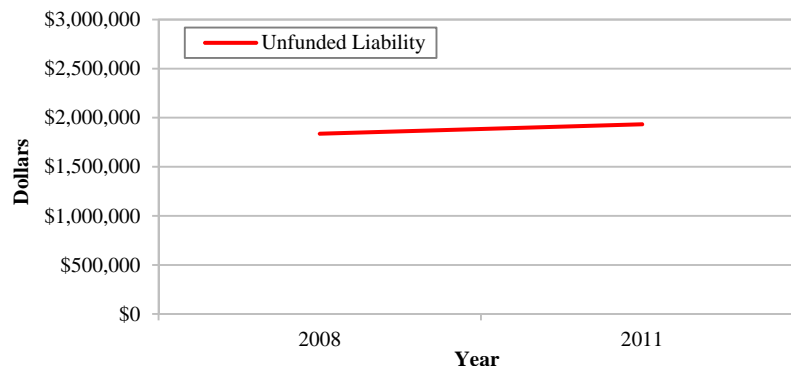
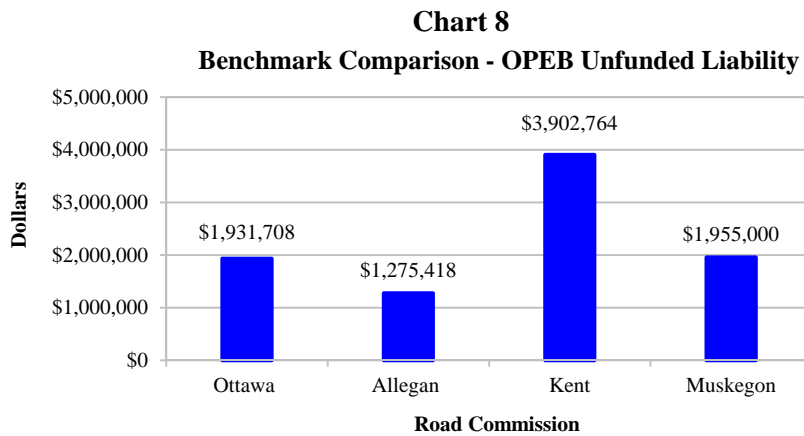


Chart 8 depicts the unfunded OPEB liability for the Ottawa County Road Commission and the Road Commissions located in adjacent counties. The data reflects the most recent actuarial valuation for each Road Commission.



c. Long Term Debt

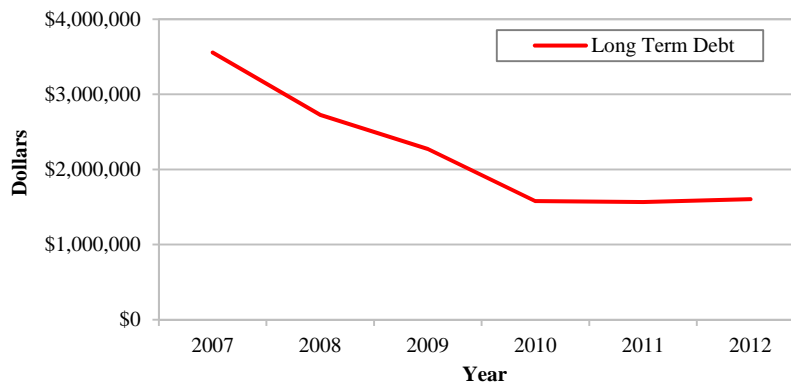
The Road Commission’s long term debt, which was \$1,604,457 as of September 30, 2012, primarily results from accrued, paid time-off (**Table 3**) which is paid if an employee retires or severs their employment. The long term debt of the Road Commission has decreased nearly 55% since 2007.

Table 3

Long Term Debt		
Date	Total Long Term Debt ¹	Percent Increase/ Decrease in Long Term Debt
9/30/07	\$3,556,650	n/a
9/30/08	\$2,725,622	-23.37%
9/30/09	\$2,273,259	-16.60%
9/30/10	\$1,577,335	-30.61%
9/30/11	\$1,565,203	-0.77%
9/30/12	\$1,604,457	2.51%

Source: Ottawa County Road Commission Audit Reports, Michigan Department of Treasury

1. Excludes OPEB liability that has been reported separately



d. Capital Needs

As previously mentioned, roads have a PASER score that represents the conditions of road pavement. The Road Commission estimates that the cost to improve local paved and primary roads from a *fair* or *poor* PASER score to a *good* score would be approximately \$101 million. These estimates are provided in the Appendix (**Attachment N**).

The percent of County roads with a *fair/poor* PASER score has been increasing in recent years, but this is due to the fact that MTF revenues have remained flat over the last 10 years while Road Commission expenditures have increased. While it is not realistic to expect all roads to be maintained at a *good* rating, these capital needs must still be considered in the discussion about liabilities.

The Road Commission also anticipates other capital needs occurring within the next 10 years. These needs are associated with the reconstruction or renovation of the garages in Coopersville and Hudsonville. The scope of work that and cost for these capital projects has not yet been determined.

e. Total Liabilities and Capital Needs

The total liabilities and capital needs for the Road Commission are \$118,154,058 (**Table 4**). This represents slightly more than \$17 million in liability and \$101 million in capital needs.

Table 4

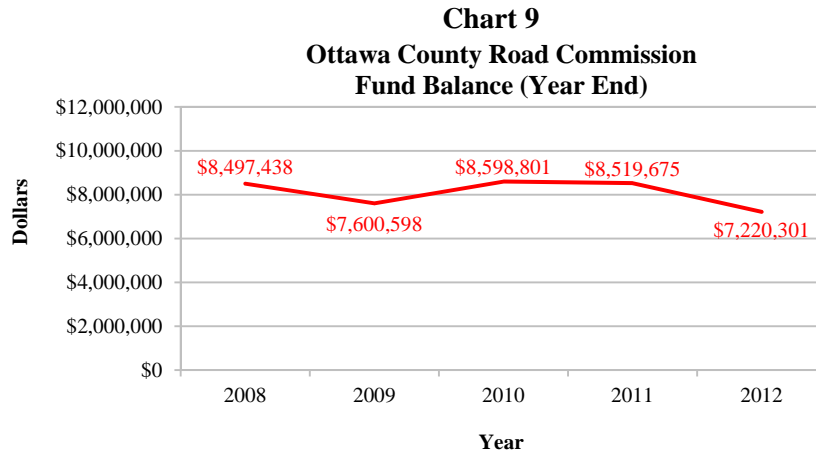
Total Liabilities and Capital Needs	
Liabilities	
Other Post-Employment Benefits (OPEB)	\$1,931,708
Pension/Retirement	\$13,612,993
Long-Term Debt	\$1,604,457
Total Liabilities	\$17,149,158
Capital Needs	
Improve Roads in Fair/Poor Condition	\$101,004,900
Total Liabilities and Capital Needs	\$118,154,058

Source: Ottawa County Road Commission; Ottawa County Road Commission Audit Reports; Michigan Department of Treasury

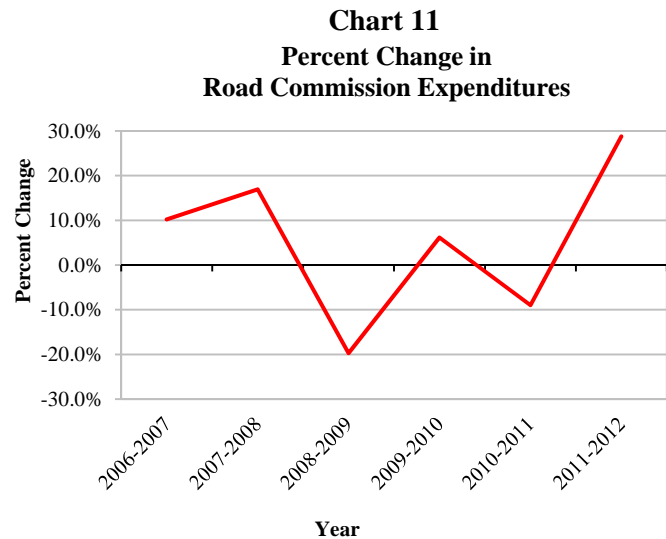
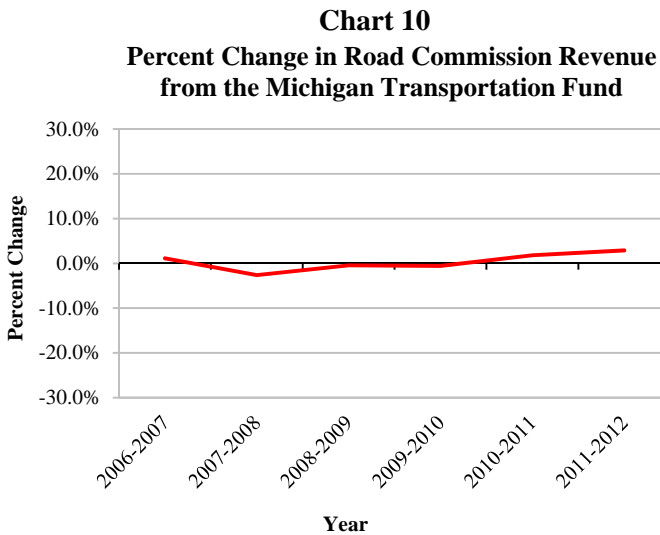
3. Fund Balance and Other Revenue Sources

The Road Commission used approximately \$1.3 million from their Fund Balance in 2012, which leaves a new balance of \$7.2 million (**Chart 9**). A good rule-of-thumb as it relates to the amount of fund balance that government agencies should have is 10% of annual expenditures. The Road Commission’s fund balance was 21% of their 2012 expenditures.

Despite fluctuations in the Road Commission’s Fund Balance over the last 5 years, it has remained relatively consistent.

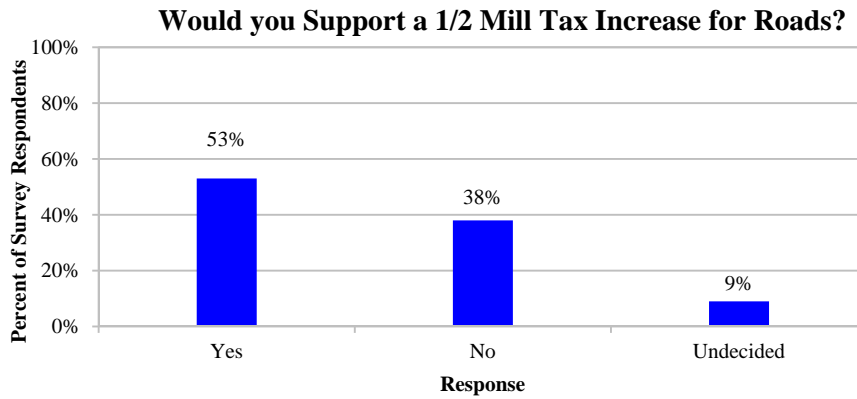


Revenue received from the State has remained relatively flat for several years despite fluctuating and rising Road Commission expenditures (**Chart 10 & 11**).



Another potential source of revenue that can be used for county roads is a countywide millage. In 2012, residents were asked in the Citizen Survey whether they would support an increase in property taxes by one-half mill for county road maintenance and improvement. The majority of survey respondents (53%) indicated that they would support a ½ mill tax increase to improve roads (**Chart 12**).

Chart 12



The amount of revenue that could be generated through a county millage, based on several millage rate scenarios, is shown in **Table 5**. If all of the tax dollars generated by a ½ mill went to the Road Commission, this would be a 14.3% increase in the current Road Commission budget. Based on the average home value in Ottawa County (\$120,000), this would result in a \$30 per year tax increase for a homeowner.

Table 5

Countywide Road Millage			
Number of Mills	Total Estimated Tax Dollars (2013)	Estimated Tax Dollars Paid by a Home Owner ¹	Percent Increase in Road Commission Budget ²
0.25	\$2,441,677	\$15	7.1%
0.50	\$4,883,354	\$30	14.3%
0.75	\$7,325,031	\$45	21.4%
1.00	\$9,766,707	\$60	28.5%

Source: Ottawa County Equalization Department

1. Based on a \$120,000 home value, which the Equalization Department estimates is the average value of a home located in Ottawa County
2. Although cities and villages would be included in any road millage disbursements, the computations in this Table 5 reflected the entire millage being received by the Road Commission since disbursements are still speculative

As of August, 2012, there were 19 counties in Michigan with a countywide road millage (**Attachment O**). The countywide millages vary from 0.25 mills to 5 mills and are in effect for time-spans ranging from 2 - 15 years.

In Ottawa County there would be several challenges to passing a countywide millage. One challenge would be the development of an equitable revenue disbursement formula since some townships have already passed road millages. The tax dollars that are currently generated by township road millages in Ottawa County are provided in **Attachment P**. Additionally, there would be challenges relating to how funds would be dispersed to cities and villages since they are responsible for maintaining their own roads. Five allocation options for disbursing the revenue between the Road Commission (i.e. townships) and cities are provided in **Attachment Q**.

VI. CONCLUSIONS AND GOVERNANCE OPTIONS

This section of the Report provides an overview of the study findings, as well as the options that the Board of Commissioners could undertake as it relates to the potential governance and/or transfer of the Road Commission/Public Utilities to the County. A list of benefits and drawbacks for each governance option are also provided.

Study Findings

- The operational aspects of the Road Commission are satisfactory. When the PASER scores for roads in Ottawa County are compared against other counties the conditions are commensurate.
- The level of collaboration between the Road Commission and the County has increased in recent years (e.g. Road Salt Task Force, Sheriff's Office - Vehicle Maintenance Program, Quarterly Joint County/Road Commission Meetings). However, other opportunities still exist to increase the amount of collaboration that occurs.
- Some county residents are not satisfied with the condition of roads. In the 2010 and 2012 Citizen Surveys county residents ranked "Roads" as the second biggest problem in the county after Unemployment. Additionally, the Road Commission was ranked as the service needing the most improvement in the same surveys (33% and 37% respectively).
- Residents also ranked the service they believed the County does the best job of delivering. 17% of residents ranked snow removal as the best service delivered in 2010 while 10% ranked it best in 2012. 12% of residents ranked the Road Commission as the best service delivered in 2010 while 15% ranked it the best service in 2012.
- Some county residents have expressed concerns with the Road Commission regarding "community planning issues" such as the tree removal along roadways and other issues. These concerns are sometimes received by County Board of Commission members and County Administration.
- There is a common perception among citizens that the Board of Commissioners controls the operations of the Road Commission. This is demonstrated, in part, by the frequency of complaints received by county commissioners and county administration regarding road problems.
- When residents were presented with the choice of dissolving the Road Commission and transferring their responsibilities to the Board of Commissioners in the 2012 Citizen Survey, 53% were opposed to the action while 38% favored it.
- Citizens appear to hold one of two primary views regarding the possible transfer of Road Commission responsibilities to the Board of Commissioners. Some believe having elected officials oversee Road Commission responsibilities could improve accountability. Others believe elected officials could politicize decisions which would negatively impact objective decision making especially as it relates to road maintenance and construction.
- There is increasing discussion, and passage of legislation, at the state level which tacitly implies there is a preference for counties to be more involved in funding and/or operating local road commissions.
- The most recent legislative initiative regarding counties and road commissions involves legislative efforts to overhaul the State's transportation funding formula. There is some concern that the changes may not be favorable to county road commissions and could result in negative financial impacts.
- If the Road Commission operations are transferred to the Board of Commissioners it would result in a cost increase of approximately \$94,000 - \$167,000 to the Road Commission budget.

- The Road Commission's revenues have remained stagnant for at least the last five years while expenses have increased.
- The Road Commission's long-term debt (\$1.6 million) is relatively low and the fund balance is high at \$7.2 million (21% of their 2012 expenditures).
- The estimated cost to improve local paved and primary roads from a *fair* or *poor* PASER score to a *good* score would cost over \$101 million. While it is not realistic to expect the Road Commission to maintain all roads at a *good* level, it must still be treated as a future capital need.
- In the next 10 years, the Coopersville and Hudsonville garages will both need to be reconstructed or significantly improved. Although the scope-of-work and cost have not been determined for these facilities it must also be treated as a future capital need.
- The Road Commission has a significant legacy cost. The legacy cost includes employee pensions and Other Post-Employment Benefits (OPEB) such as retiree health care. While the Road Commission has taken some steps to reduce legacy cost, the overall liability is over \$15.5 million and increasing each year.
- Although some cost savings could potentially be realized by having the County oversee the Road Commissions' current risk management insurance cost, it would be necessary to complete an actuarial report to verify the savings.
- If the Board of Commissioners assumed the responsibilities of the Road Commission it could expose the County to significant risk and liabilities. If the Road Commission was transferred to the Board of Commissioners and revenue sources were not increased to address rising expenses and existing liabilities, the County could be forced to utilize its General Fund revenue to balance the Road Commission budget. This could jeopardize existing services that the County provides to citizens. Further, the liability could jeopardize the County's superior bond ratings which would increase the cost of capital projects for both the County and local units of government who utilize the County's bond rating.
- The expenditure of County general funds on Road Commission operations could also result in other negative outcomes. If expenditures were made on township roads and not city and village roads, cities and villages may question the equity and fairness of such an action while eliciting very negative responses from these municipalities.

Governance Options

There are three options that the Board of Commissioners could undertake as relates to the governance of the Road Commission/Public Utilities agencies.

These options are: 1) Keep the Status Quo; 2) Transfer Road Commission Operations to the Board of Commissioners; and 3) Increase Collaboration between the Road Commission and Board of Commissioners.

Regardless of the option that is selected, this study will be revisited every 5 years to determine if the circumstances and conclusions of the report remain valid. Since the statutory language allowing Road Commission operations to be transferred to the Board of Commissioners sunsets on January 1, 2015 this option would not be revisited in 5 years unless the sunset is extended or eliminated by the legislature. However, the Road Commission Task Force should reconvene in one year to review the implementation progress for the governance option that is selected by the Board of Commissioners.

Option 1: Keep the Status Quo

BENEFITS:

- A. No further action would be required.
- B. Maintaining the status quo would not increase the County's financial liability or risk.

DRAWBACKS:

- A. The Board of Commissioners would not be directly involved in the resolution of Road Commission issues.
 - B. The financial hurdles (stagnant revenue, increasing expenses, and legacy cost) facing the Road Commission would remain an issue.
-

Option 2: Transfer Road Commission Operations to the Board of Commissioners

BENEFITS:

- A. The Board of Commissioners would be directly involved in approving polices and overseeing solutions that are focused on resolving road and community planning issues.
- B. The Board of Commissioners would be directly involved in approving polices and overseeing solutions that are focused on implementing model programs and/or best practices which could result in cost-savings and improved customer service.
- C. This governance model could increase accountability because an elected board of commissioners would oversee the operations.

DRAWBACKS:

- A. Although the Board of Commissioner's authority and involvement would increase, it is unlikely that improvements in road maintenance or construction issues could be achieved based on current stagnant revenue levels and increasing expenses.
- B. There would be an increase in cost to the Road Commission if their responsibilities were transferred to the Board of Commissioners.
- C. Increased collaboration would require a significant investment of staff time.
- D. Uncertainty about state funding, capital needs, and legacy cost could create financial challenges for the County in the future that could necessitate reductions in services that are provided by the County.
- E. Although not likely to be an issue with the current Board of Commissioners, it is possible that the selection of road projects could become politicized and negatively impacted by having an elected board of commissioners oversee the operations.
- F. A majority of citizens have indicated in recent surveys that they are not in favor of the Board of Commissioners dissolving the Road Commission and assuming their responsibilities.

Option 3: Increase Collaboration between the Road Commission and Board of Commissioners

BENEFITS:

- A. Increased collaboration would increase the involvement of the Board of Commissioners in developing policies and solutions that are focused on resolving road and community planning issues. The programs and practices that could be utilized to achieve this include, but are not be limited to, the following:
 - a. Continuation of existing collaboration efforts such as quarterly meetings between the Road Commissioners and Board of Commissioners
 - b. In situations where the Board of Commissioners and the Road Commission cannot agree on a solution to an issue, the Board of Commissioners and the Road Commission shall enter into a non-binding mediation process and mutually select a mediator and split the cost of mediation
 - c. Appointment of a non-voting, ad-hoc Road Commission member to the County Planning Commission
 - d. Increased educational efforts targeted at citizens (roles and responsibilities, positive accomplishments, awards, funding challenges, etc.)
- B. Increased collaboration would not increase the County's financial liability or risk.
- C. Increased collaboration and sharing of model programs and/or best practices could result in cost-savings and improved customer service. These programs and practices could include, but not be limited to, the following:
 - a. County Reverse Auction System
 - b. County Health Cost Containment Plan
 - c. Legacy Cost (pension & OPEB) Reform Plan implemented by County or other agencies (*Because legacy costs are of prominent concern, a review of this issue should be completed within 6 months of the acceptance of this report*)
 - d. Employee Classification Study
 - e. Service Sharing or Cost Sharing (expanded vehicle maintenance program, strategic planning, public relations, sand drop-off, sign painting)
 - f. County's Four C's and Disney Customer Service Training Initiatives
 - g. Lobbying (especially as it relates to road funding)
 - h. Citizen Surveys
 - i. Performance Evaluations (programs and services)
 - j. Performance Dashboards
- D. Increased collaboration could result in more discussions and possible support for a referendum on a county road millage for road maintenance and improvements only (i.e. not for legacy cost or increased staffing levels).
- E. Increased collaboration would be viewed favorably by the State.
- F. Increased collaboration (as opposed to transferring power) should result in a memorandum-of-understanding between the Board of Commissioners and Road Commission that the County's General Fund will not be used for any Road Commission operations.

DRAWBACKS:

- A. Increased collaboration would require a significant investment of staff time.

Attachments

SUMMARY
ACT 51 OF THE PUBLIC ACTS OF 1951, AS AMENDED
“ACT 51 MADE SIMPLE”
August 2000

Article IX, Section 9, of the Michigan Constitution of 1963, as amended, states that "All specific taxes . . . imposed directly or indirectly on fuels sold or used to propel motor vehicles upon highways. . . or on registered motor vehicles . . . shall, after payment of necessary collection expenses, be used exclusively for transportation purposes. . ."

Public Act 51 of 1951, as amended ("Act 51") governs the distribution of this revenue. The following pages summarize this distribution.

Act 51 creates a fund into which specific transportation taxes are deposited, and prescribes how these revenues are to be distributed and the purposes for which they can be spent. Act 51 establishes jurisdictional road networks, sets priorities for the use of transportation revenues, and allows bonded indebtedness for transportation improvements and guarantees repayment of debt.

The Act also imposes administrative requirements on road agencies, and creates several institutions not having to do with finance.

Michigan Transportation Fund [Sec. 10]

Act 51 creates the Michigan Transportation Fund (MTF). Revenues collected through highway user taxes—state motor fuels taxes, vehicle registration fees, and other miscellaneous automobile-related taxes—are deposited in MTF.

Interdepartmental Transfers — In accordance with the state Transportation Department's appropriations bill, significant payments are made from the collected funds to several state agencies (the Departments of State, Treasury, State Police, Natural Resources, Civil Service, and the Legislative Auditor General) for services they provide. These payments amounted to \$108 million in Fiscal Year 1996, but have been reduced to \$64 million in recent appropriations bills. The largest interdepartmental transfer is to the Secretary of State for administration of the license-plate system.

Several other programs receive statutory shares of the MTF. Through Public Act 221 of 1987, two per cent of the gasoline tax goes to the DNR's Recreation Improvement Fund, almost \$18 million in Fiscal 1998. This amount represents taxes paid on fuel used by recreational vehicles.

Amendments to Formula — Before the three-way division is made of funds between state highways, county roads and municipal streets, several appropriations are made directly to programs or particular jurisdictions:

The Rail Grade Crossing Account receives \$3 million.

The Critical Bridge Fund receives \$3 million for debt service on past bond issues, and \$5 million for current projects.

An amount equal to 3 cents' tax on gasoline (but not other fuels) is divided between the STF, counties and cities and villages according to the 39.1 / 39.1 / 21.8 per cent formula.

An amount equal to 1 cent of the tax on gasoline is apportioned directly to the STF. (These two amendments have the effect of making the 1997 four-cent gas-tax increase unavailable for transit.)

The STF receives \$43 million for debt service on state of Michigan projects.

The Local Program Fund receives \$33 million for division 64.2 per cent to county road commissions and 35.8 per cent to cities and villages.

The Transportation Economic Development Fund receives \$40,275,000 for debt service and division among its five programs. The TEDF law is not part of Act 51, and distributes money to counties and municipalities through three formulas and two grant programs.

After these apportionments, the Comprehensive Transportation Fund (CTF) for transit programs is allocated 10 per cent of the balance, or approximately 8.5 per cent of the MTF. The maximum share permissible under paragraph 2 of Article IX, Section 9 of the Constitution is 10 per cent ("Not less than 90 per cent. . . shall be used exclusively for . . . roads, streets, and bridges . . .").

Main Formula — After these distributions, the remainder of the MTF is divided between road systems under three levels of government. The State Trunkline Fund receives 39.1 per cent, county road commissions divide 39.1 per cent, and cities and villages divide 21.8 per cent.

Federal-aid Allocation — This section also prescribes the distribution of a fraction of federal aid: 31.5 per cent of Michigan's Minimum Guarantee apportionment. Nearly a third of this aid, which would otherwise be combined with the rest of Michigan's federal aid, is distributed to the

TEDF, with 16.5 per cent earmarked for projects in 78 rural counties and 15 per cent for capacity improvements in the five most urban counties.

Comprehensive Transportation Fund [Sec. 10b and e]

Act 51 creates the Comprehensive Transportation Fund (CTF). Its purpose is to provide funds for planning, programming, operation and construction of public transportation systems, in accordance with the policies of the State Transportation Commission. The CTF receives 6.975 per cent of the sales tax on motor-vehicle-related items and approximately 8.5 per cent of net revenues in MTF. The first priority for use of CTF monies is debt service. Administrative expenses are restricted to not more than was used for administration in 1987 (after correcting for inflation).

Most of the remaining CTF money is distributed to local transit agencies for operating and capital grants for public transportation. Not less than 10 per cent is to be used for intercity passenger and freight service. The remainder is allocated for specialized services and other public transportation purposes.

Jurisdictional Road Networks

Act 51 authorizes designation of jurisdictional road networks: county roads and city and village streets. These “legal systems” fix which road is under which agency’s jurisdiction, and determine funding. The Act sets criteria for those designations and allows for the transfer of mileage between systems. Act 51 assigns responsibility for maintenance, construction, and improvement of those roads to the various governmental bodies. Maintenance includes snow removal, cleaning, patching, signing, and marking, in addition to preservation, reconstruction, resurfacing, restoration and rehabilitation.

State Trunklines [Sec. 1]:

The State Trunkline System is one of the jurisdictional road systems authorized by Act 51. Designated by the State Transportation Commission, the state trunkline system consists of roads, streets, and highways found both inside and outside the limits of incorporated cities and villages. It assigns to the Michigan Department of Transportation the direction, supervision, control, and cost of maintenance, construction, and improvements to state trunkline highways,

Incorporated cities of over 25,000 people are required to make a financial contribution, according to population, for improvements to state trunkline highways within their jurisdiction, and for connections between city streets and the state trunkline system. [Section 1c(a)]

This section also requires that the state develop a pavement management system, use life-cycle-cost analysis for projects costing over \$1 million in state funds, and employ various strategies to help minority business enterprises compete for contracts.

County Primary and Local Roads [Sec. 2, 3, 4 and 5]:

The County Primary and County Local Road systems, designated by board members of the County Road Commissions and subject to approval by the State Transportation Commission, are also established by Act 51.

County Primary roads are selected according to their importance to the county, and may be located within cities and villages. All other county roads are part of the County Local road system. In addition, the act authorizes designation of a Seasonal County Road system which is open to public travel only six months a year. [Section 5a]

City Major and Local Streets [Sec. 6,7, 8, and 9]:

City Major Street and Local Street systems established by Act 51 are designated by a municipality's governing body, subject to the approval of the State Transportation Commission. City Major Streets are chosen according to their importance to the municipality. All other streets are City or Village Local Streets. These street systems include no county roads or state trunkline highways.

Transfer of mileage between jurisdictions

Road mileage may be transferred between jurisdictional entities. A county or city may transfer a road to the state, or the state may transfer a road to a city or county, as long as certain conditions are met; see Act 296 of 1969 (MCL 247.851-247.861). Also, a city or village may request that a county primary road within its boundaries be placed under its jurisdiction; if the county road commission refuses, the decision can be appealed to the Transportation Commission. [Sec. 12c]

MDOT keeps track of the mileage transferred from each jurisdiction to every other jurisdiction. Jurisdictions receiving mileage get a distribution of funds for each mile transferred since 1973.

The amount is governed by the average “revenue worth” per mile of county Primary and Local Roads in the previous year. [Sec 10a]

Formulas and Priorities of Funding

Act 51 sets priorities for the use of funds distributed to state trunklines, county road commissions, and cities and villages. The first priority for each of these systems is debt service.

Restrictions on Funds for State Trunklines [Sec. 11] — After debt service, grants to the railroad grade crossing account are the next priority, with restrictions on the use of those funds including that not more than 50 per cent be used for crossings on state trunklines. Trunkline operating costs are the next priority use of state trunkline funds; these include tort liability settlements by the Department of Transportation, according to a ruling by the Attorney General. Remaining funds are used for maintenance of roads and bridges and for capital improvements. According to Section 11(2), 90 per cent of state funds must be used for “maintenance” as defined in the act, including snow-plowing, marking, patching, as well as reconstruction, resurfacing, restoration and rehabilitation. In addition, Section 11(3) requires 90 per cent of federal revenues be used for maintenance; however, federal funds cannot be used for non-capital “maintenance” activities. This requirement is waived for projects on the federally-designated National Highway System or if compliance causes the state to be ineligible for federal funds, but only to the extent necessary to achieve eligibility.

The act also requires, where possible, warranties of not less than 5 years for contracted construction work, and notification of the legislature of large cost overruns. The act also limits administrative expenditures to ten per cent of annual program expenses. Projects costing over \$100,000 must be competitively bid, for both state and local projects.

County Formula [Sec. 12] — Act 51 sets aside a percentage of funds from the county allocation to be used for snow removal in counties with greater than 80 inches of snow annually. An annual \$10,000 from each county’s portion is also allowed for the services of a licensed professional engineer. After that, the Act requires that ten per cent of MTF funds be distributed to counties having Urban mileage, calculated according to a specific formula, and four per cent be distributed to all counties according to population and Local Road mileage for use on county Local Roads.

Seventy-five per cent of the remainder is then distributed for use on County Primary roads, according to each county’s share of vehicle registrations, County Primary mileage, and with 15

per cent distributed equally to all counties. The other 25 per cent of the remainder is distributed for use on County Local roads, based on population and road mileage.

Restrictions on County Use of Funds — Transfer of funds from Primary to Local systems, or vice versa, is allowed by Act 51. Up to 30 per cent can be transferred from Primary to Local roads, with or without match. Fifteen per cent can be transferred from Local to Primary roads, and another 15 per cent in an emergency or with the approval of the State Transportation Department.

Several restrictions are placed on the use of MTF monies by County Road Commissions. Not more than five per cent can be used for roadside parks. County local funds used for bridge construction on county local roads cannot exceed 75 per cent of the cost of bridge construction, and must be matched by money from other sources. At least 90 per cent of the funds remaining after payments are made for debt service, administration, and capital outlay projects for equipment and buildings, must be used for maintenance. Ninety per cent of federal revenues must also be used for maintenance, but this calculation may be based on a three year average, rather than a single year's expenditure. Federal aid used for non-maintenance activities on county Primary roads within urban-area boundaries and for hard-surfacing of gravel roads on the county Primary system are exempt from the 90 per cent requirement.[Sec. 12(17)]

In addition, the act authorizes county road commissions to contract with other county road commissions for the purchase and use of necessary equipment. The act requires the state and county road associations to jointly develop incentives for counties to establish statewide purchasing pools. It limits county administrative expenditures not attributable to projects to 10 per cent of annual program expenses, and requires the Department of Treasury to conduct performance audits of county road commission use of MTF funds.

City Formula [Sec. 13] — Act 51 mandates that a portion of the city share of MTF funds be reserved for snow removal in cities with snowfall greater than 80 inches in a given year. Seventy-five per cent of the remaining funds are allocated, based on population and a road-mileage formula, for debt service and use on City Major streets. A maximum of five per cent of the funds may be used for roadside parks. The remaining 25 per cent, again distributed according to population and mileage, is for use on the Local street system or for payment of bonds to that purpose. This amount must be matched by an equal amount of locally-raised funds. Not more than ten per cent of the total for City Major and Local streets can be used for administration.

Restrictions on City and Village Use of Funds — Cities and Villages may use their funds on major or local streets, provided the first priority shall be the major street system. Money returned

for expenditure on the major system may be spent on the local system in an amount equal to the amount of local revenues spent on major streets or trunkline highways in any given year and, if not, a comparable amount of major street funds may be transferred for up to two years after that. If a city or village transfers more than 25 percent of its major street funds to the local system, they shall adopt a resolution with a copy to the department listing the municipality's major streets, a statement that they are being adequately maintained, the dollar amount of the transfer and the local streets that received the funds.

Cities may enter into agreements with other cities or villages to consolidate services and provide for joint participation in costs. No requirement is specified for the percentage of funds expended for maintenance.

Townships — Townships are authorized to transfer unexpended township General Fund revenues to the county road fund for maintenance and improvement of county roads within the township, or for widening of state trunkline highways beyond the required width in unincorporated areas of the township. A township may also issue bonds or levy property taxes for maintenance or improvement of county roads within its jurisdiction (3 mills without a vote, and an additional 3 mills with a vote of the people).

Forfeiture of Funds — MTF funds allocated to a county road commission, city or village which remain unused for a period of one year can be forfeited and redistributed among the other counties and cities as described in Section 10.

Non-Motorized Routes — A minimum of one per cent (based on a ten-year average) of MTF funds distributed to the state, counties and cities must be used for non-motorized transportation facilities. Such facilities can be in conjunction with or separate from a road. [Sec. 10k]

Advance Right-of-Way Acquisition — Act 51 authorizes the state, county road commissions, and cities and villages to acquire right-of-way in advance of construction programming and to use MTF distributions for that purpose. [Sec. 13a]




Bonded Indebtedness and Taxation — Act 51 enables the State Transportation Department to sell bonds or notes for several purposes with the approval of the State Transportation Commission. These include bond sales to construct highways or transit systems, to make loans and grants, and to refund old notes. Within 30 days subsequent to a bond issue, the description of a project on the bond list can be amended by the State Transportation Commission.

County Road Commissions are authorized to sell bonds for construction, by resolution of the board of the County Road Commission. The annual amount of a county's debt service cannot exceed 50 per cent of the county's previous-year MTF receipts. [Sec. 18a, b, c]

Corridor Planning — The act requires county road commissions and cities and villages to establish corridor planning committees and corridor plans.

Ottawa County Road Commission Facilities & Property

Legend

-  Grand Haven Garage/Office
-  Garage
-  Pit



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Public Acts of 1996, as amended.

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Photography date: April 2008

City of Ferrysburg Pit
0.30 Acres

County 80 Pit
55.10 Acres

Bradish Pit
38.40 Acres

**Grand Haven
Garage and Office**
7.20 Acres
Employees
Office: 28.3
Road Crew: 12
Sign Shop: 3
Mechanics: 4
Supervisors: 3.5

Coopersville Garage
7.20 Acres
Employees
Road Crew: 14
Mechanics: 4
Supervisors: 1.5

JAC Jungle Pit
42.0 Acres

Grand Haven Garage Pit
26.85 Acres

Kirkbride Pit
59.20 Acres

Cheyne Pit
92.0 Acres

Scharl's Pit
41.50 Acre

North Holland Garage
19.96 Acres
Employees
Road Crew: 19
Mechanics: 4
Supervisors: 2.5

Hudsonville Garage
10.08 Acres
Employees
Road Crew: 13
Mechanics: 3
Supervisors: 1.5

Kok Pit
154.0 Acres

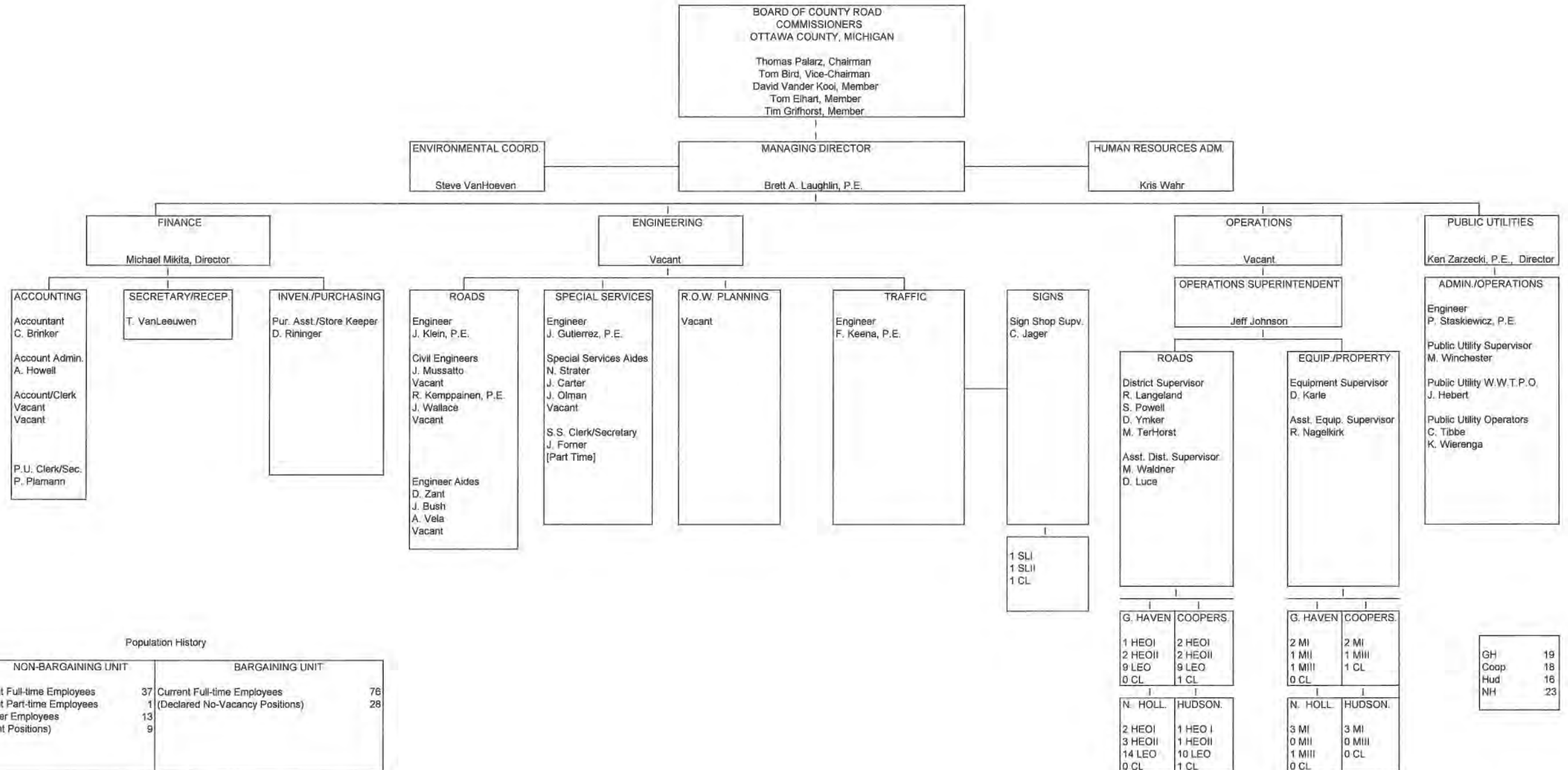
Van Noord Pit
44.50 Acres



Attachment C

ORGANIZATION CHART

TOTAL POSITIONS
2012



Population History

NON-BARGAINING UNIT		BARGAINING UNIT	
Current Full-time Employees	37	Current Full-time Employees	76
Current Part-time Employees	1	(Declared No-Vacancy Positions)	28
Summer Employees	13		
(Vacant Positions)	9		

Act No. 598
Public Acts of 2006
Approved by the Governor
December 30, 2006
Filed with the Secretary of State
January 3, 2007
EFFECTIVE DATE: January 3, 2007

**STATE OF MICHIGAN
93RD LEGISLATURE
REGULAR SESSION OF 2006**

Introduced by Rep. Hoogendyk

ENROLLED HOUSE BILL No. 4315

AN ACT to amend 1909 PA 283, entitled "An act to revise, consolidate, and add to the laws relating to the establishment, opening, discontinuing, vacating, closing, altering, improvement, maintenance, and use of the public highways and private roads; the condemnation of property and gravel therefor; the building, repairing and preservation of bridges; maintaining public access to waterways under certain conditions; setting and protecting shade trees, drainage, and cutting weeds and brush within this state; providing for the election or appointment and defining the powers, duties, and compensation of state, county, township, and district highway officials; and to prescribe penalties and provide remedies," by amending section 6 of chapter IV (MCL 224.6), as amended by 1982 PA 299.

The People of the State of Michigan enact:

CHAPTER IV

Sec. 6. (1) Except as provided under subsection (4) or (5), in a county where the county road system is adopted, a board of county road commissioners consisting of not less than 3 members or more than 5 members shall be elected by the people of the county. The initial road commissioners shall be appointed by the county board of commissioners or elected at a general or special election called for that purpose, as determined by the county board of commissioners. The county board of commissioners may by resolution provide for staggered terms of office for the road commissioners under this subsection so that not more than 2 road commissioners' terms of office expire in the same year.

(2) If the road commissioners are appointed, they shall hold office only until January 1 of the first odd numbered year following the date of appointment. If the road commissioners are to be elected at a general or special election, notice of the election, embodying a copy of the resolutions of the county board of commissioners, giving the number and terms of the office of the road commissioners to be elected, shall be published by the clerk as required by section 3 of this chapter.

(3) The regular election of county road commissioners shall be held at the general election on the first Tuesday after the first Monday in November. The term of office of an elected county road commissioner shall commence on January 1 in the year following his or her election. The notice of the election shall be given at the time notice is given of the general election of county officers.

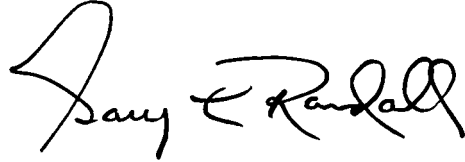
(4) The election of county road commissioners shall not be mandatory in any county that contains all or part of 12 surveyed townships as determined by the government survey of the county. Except as provided under subsection (5), in a county under this subsection the county board of commissioners, by a majority of its members elect, may appoint the county road commissioners. A county road commissioner appointed under this subsection shall not be removed from office before the expiration of his or her term of office without being given written notice of the charges made against him or her and an opportunity to appear before the county board of commissioners for a hearing on the charges.

Attachment D


(5) In a county having a population of 1,500,000 or more that has adopted a charter under 1966 PA 293, MCL 45.501 to 45.521, the powers and duties that are otherwise provided by law for a board of county road commissioners may be reorganized by amendment to the charter. Funds provided to the county under 1951 PA 51, MCL 247.651 to 247.675, shall only be expended for the purposes provided under 1951 PA 51, MCL 247.651 to 247.675.

(6) If the county board of commissioners proposes to alter the number of county road commissioners as allowed under this act, the county board of commissioners shall hold not less than 1 public hearing on the proposed change to the road commission. The county board of commissioners shall give notice as required under the open meetings act, 1976 PA 267, MCL 15.261 to 15.275, of the time and place of the public hearing not less than 28 days before the hearing. The county board of commissioners shall also provide written notice of the hearing to the county road commission and, if available, by posting the notice on the county's website. The county board of commissioners may vote on whether to alter the number of county road commissioners at the meeting noticed under this subsection.

This act is ordered to take immediate effect.



Clerk of the House of Representatives



Secretary of the Senate

Approved

Governor

Act No. 119
Public Acts of 2011
Approved by the Governor
July 20, 2011
Filed with the Secretary of State
July 20, 2011
EFFECTIVE DATE: July 20, 2011

**STATE OF MICHIGAN
96TH LEGISLATURE
REGULAR SESSION OF 2011**

Introduced by Reps. Zorn, Foster, Daley, Crawford, Ouimet, Knollenberg, McMillin, Damrow, Irwin and Stanley

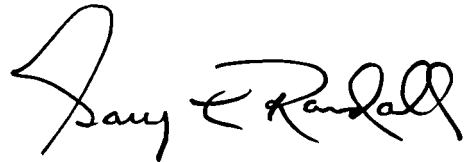
ENROLLED HOUSE BILL No. 4347

AN ACT to amend 1917 PA 253, entitled "An act to authorize the transfer of moneys from the general fund of counties, in certain instances, to the county road fund of said counties, to be used in the construction, maintenance and repair of highways," by amending section 1 (MCL 247.121).

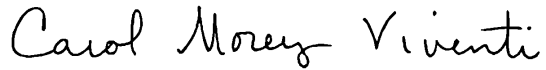
The People of the State of Michigan enact:

Sec. 1. If a county operating under the county road system of this state has a surplus in the general fund, the board of commissioners of that county may, by resolution, direct the transfer of a part of that surplus from the general fund to the county road fund, to be used for the construction, maintenance, and repair of highways under the supervision and direction of the board of county road commissioners.

This act is ordered to take immediate effect.



Clerk of the House of Representatives



Secretary of the Senate

Approved

Governor

Act No. 14
Public Acts of 2012
Approved by the Governor
February 21, 2012
Filed with the Secretary of State
February 21, 2012
EFFECTIVE DATE: February 21, 2012

**STATE OF MICHIGAN
96TH LEGISLATURE
REGULAR SESSION OF 2012**

Introduced by Rep. Switalski

ENROLLED HOUSE BILL No. 5125

AN ACT to amend 1909 PA 283, entitled "An act to revise, consolidate, and add to the laws relating to the establishment, opening, discontinuing, vacating, closing, altering, improvement, maintenance, and use of the public highways and private roads; the condemnation of property and gravel therefor; the building, repairing and preservation of bridges; maintaining public access to waterways under certain conditions; setting and protecting shade trees, drainage, and cutting weeds and brush within this state; providing for the election or appointment and defining the powers, duties, and compensation of state, county, township, and district highway officials; and to prescribe penalties and provide remedies," by amending section 6 of chapter IV (MCL 224.6), as amended by 2009 PA 39.

The People of the State of Michigan enact:

CHAPTER IV

Sec. 6. (1) Except as otherwise provided by law and under subsection (4), (5), (7), or (8), in a county where the county road system is adopted, a board of county road commissioners consisting of not less than 3 members or more than 5 members shall be elected by the people of the county. The initial road commissioners shall be appointed by the county board of commissioners or elected at a general or special election called for that purpose, as determined by the county board of commissioners. The county board of commissioners may by resolution provide for staggered terms of office for the road commissioners under this subsection so that not more than 2 road commissioners' terms of office expire in the same year.

(2) If the road commissioners are appointed, they shall hold office only until January 1 of the first odd numbered year following the date of appointment. If the road commissioners are to be elected at a general or special election, notice of the election, embodying a copy of the resolutions of the county board of commissioners, giving the number and terms of the office of the road commissioners to be elected, shall be published by the clerk as required by section 3 of this chapter.

(3) The regular election of county road commissioners shall be held at the general election on the first Tuesday after the first Monday in November. The term of office of an elected county road commissioner shall commence on January 1 in the year following his or her election. The notice of the election shall be given at the time notice is given of the general election of county officers.

(4) The election of county road commissioners shall not be mandatory in any county that contains all or part of 12 surveyed townships as determined by the government survey of the county. Except as provided under subsection (5), in a county under this subsection the county board of commissioners, by a majority of its members elect, may appoint the county road commissioners. A county road commissioner appointed under this subsection shall not be removed from office before the expiration of his or her term of office without being given written notice of the charges made against him or her and an opportunity to appear before the county board of commissioners for a hearing on the charges.

Attachment F

(5) In a county having a population of 750,000 or more that has adopted a charter under 1966 PA 293, MCL 45.501 to 45.521, the powers and duties that are otherwise provided by law for a board of county road commissioners may be reorganized by amendment to the charter. In a county having a population of 750,000 or more with a charter commission proposing a charter under 1966 PA 293, MCL 45.501 to 45.521, the powers and duties that are otherwise provided by law for a board of county road commissioners may be reorganized under the charter if, at the election considering the approval of the charter, the voters approve both the charter and a separate ballot question presented by the charter commission to reorganize the board of county road commissioners. Funds provided to the county under 1951 PA 51, MCL 247.651 to 247.675, shall only be expended for the purposes provided under 1951 PA 51, MCL 247.651 to 247.675.

(6) If the county board of commissioners proposes to alter the number of county road commissioners as allowed under this act, the county board of commissioners shall hold not less than 1 public hearing on the proposed change to the road commission. The county board of commissioners shall give notice as required under the open meetings act, 1976 PA 267, MCL 15.261 to 15.275, of the time and place of the public hearing not less than 28 days before the hearing. The county board of commissioners shall also provide written notice of the hearing to the county road commission and, if available, by posting the notice on the county's website. The county board of commissioners may vote on whether to alter the number of county road commissioners at the meeting noticed under this subsection.

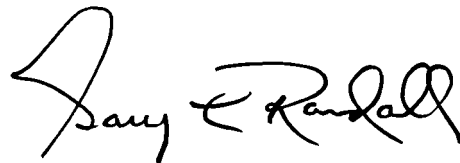
(7) Except as otherwise provided under subsection (5) and subject to the requirement provided in subsection (9), before January 1, 2015, the powers, duties, and functions that are otherwise provided by law for an appointed board of county road commissioners may be transferred to the county board of commissioners by a resolution as allowed under section 11 of 1851 PA 156, MCL 46.11. The appointed board of county road commissioners of that county is dissolved on the date specified in the resolution adopted under this subsection, and the county board of commissioners is authorized to receive and expend funds as allowed under 1951 PA 51, MCL 247.651 to 247.675.

(8) Except as otherwise provided in subsection (5) and subject to the requirement provided in subsection (9), before January 1, 2015, the county board of commissioners in a county with an elected board of county road commissioners may, by a resolution as allowed under section 11 of 1851 PA 156, MCL 46.11, submit to the qualified and registered electors of the county at the next regular election to be held in the county the question of transferring the powers, duties, and functions of the elected board of county road commissioners of that county to the county board of commissioners. If a majority of the qualified and registered electors of the county voting on the question vote in favor of transferring the powers, duties, and functions of the elected board of county road commissioners of that county to the county board of commissioners, the elected board of county road commissioners of that county is dissolved and the county board of commissioners is authorized to receive and expend funds as allowed under 1951 PA 51, MCL 247.651 to 247.675.

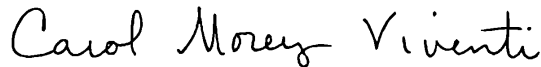
(9) Before adopting a resolution under subsection (7) or (8), the county board of commissioners shall conduct, at a minimum, 2 public hearings on whether to transfer the powers, duties, and functions of the board of county road commissioners to the county board of commissioners.

Enacting section 1. This amendatory act does not take effect unless House Bill No. 5126 of the 96th Legislature is enacted into law.

This act is ordered to take immediate effect.



Clerk of the House of Representatives



Secretary of the Senate

Approved

Governor

Attachment F

Act No. 15
Public Acts of 2012
Approved by the Governor
February 21, 2012
Filed with the Secretary of State
February 21, 2012
EFFECTIVE DATE: February 21, 2012

**STATE OF MICHIGAN
96TH LEGISLATURE
REGULAR SESSION OF 2012**

Introduced by Rep. Zorn

ENROLLED HOUSE BILL No. 5126

AN ACT to amend 1851 PA 156, entitled "An act to define the powers and duties of the county boards of commissioners of the several counties, and to confer upon them certain local, administrative and legislative powers; and to prescribe penalties for the violation of the provisions of this act," by amending section 11 (MCL 46.11), as amended by 2003 PA 94.

The People of the State of Michigan enact:

Sec. 11. A county board of commissioners, at a lawfully held meeting, may do 1 or more of the following:

(a) Purchase or lease for a term not to exceed 20 years, real estate necessary for the site of a courthouse, jail, clerk's office, or other county building in that county.

(b) Determine the site of, remove, or designate a new site for a county building. The exercise of the authority granted by this subdivision is subject to any requirement of law that the building be located at the county seat.

(c) Authorize the sale or lease of real estate belonging to the county, and prescribe the manner in which a conveyance of the real estate is to be executed.

(d) Erect the necessary buildings for jails, clerks' offices, and other county buildings, and prescribe the time and manner of erecting them.

(e) Borrow or raise by tax upon the county those funds authorized by law. The exercise of the authority granted by this subdivision is subject to any voting requirement provided by the law authorizing the borrowing or tax if different from the voting requirement under section 3.

(f) Provide for the repayment of a loan made by the board, by tax upon the county. The loan shall be repaid within 15 years after the date of the loan, except that a loan to erect a county building for a public function shall be repaid within 30 years after the date of the loan.

(g) Prescribe and fix the salaries and compensation of employees of the county if not fixed by law and, except in a county having a board of county auditors, adjust claims against the county. The sum allowed in the adjustment of a claim is subject to appeal as provided by law.

(h) Direct and provide for the raising of money necessary to defray the current expenses and charges of the county and the necessary charges incident to or arising from the execution of the board's lawful authority, subject to the limitations prescribed in this act. The county board of commissioners may borrow in a year, in anticipation of the levy or collection of taxes for the year, a sum of money, not exceeding 50% of the tax to be levied or collected for the general fund of the county, necessary to defray current expenses of the county. The money borrowed shall be repaid from the tax when levied and collected.

(i) Authorize the making of a new tax roll.

(j) By majority vote of the members of the county board of commissioners elected and serving, pass ordinances that relate to county affairs and do not contravene the general laws of this state or interfere with the local affairs of a township, city, or village within the limits of the county, and pursuant to section 10b provide suitable sanctions for the violation of those ordinances. The board may change the limits of a city, village, or school district within the county as provided by law. If there is not a general law governing the subject, or if a change cannot be made pursuant to a general

Attachment F

law, the board may change the limits of the village upon petition of at least 10% of the resident taxpayers. An ordinance or act of incorporation provided in this subdivision shall take effect when notice of the adoption is published in a newspaper of general circulation in the county. The clerk of the county board of commissioners shall engross each ordinance or act, and it shall be signed by the chairperson of the county board of commissioners and certified by the clerk of the county board of commissioners. If, within 50 days after the county board of commissioners adopts an ordinance or act, a petition signed by not less than 20% of the electors residing in the district to be affected by the ordinance or act is filed with the county clerk asking that the ordinance or act be submitted to electors of the district to be affected by the ordinance or act for approval or rejection, then the ordinance or act shall not take effect until it is approved by a majority of the electors of the district affected voting on that issue at a regular or special election called for that purpose. The county board of commissioners shall provide the manner of submitting the ordinance or act to the electors for their approval and of determining the result of the election.

(k) Require a county officer whose salary or compensation is paid by the county to make a report under oath to the county board of commissioners on any subject connected with the duties of that office and require the officer to give a bond reasonable or necessary for the faithful performance of the duties of the office. An officer who neglects or refuses either to make a report or give a bond within a reasonable time after being required to do so may be removed from office by the board by a vote of 2/3 of the members elected or appointed, and the office declared vacant. The board may fill the vacancy for the unexpired portion of the term for which the officer was elected or appointed. If an election occurs before the expiration of the unexpired term, and if the office is elective, the vacancy shall be filled at that election. The board shall give reasonable notice of the election to fill the vacancy.

(l) Represent the county and have the care and management of the property and business of the county if other provisions are not made.

(m) Establish rules and regulations in reference to the management of the interest and business concerns of the county as the board considers necessary and proper in all matters not especially provided for in this act or under the laws of this state. The county board of commissioners shall not audit or allow a claim, including a bill or charge, against the county unless the claim has been filed with the county clerk of the county before the fourth day of a regular meeting of the board, or before the second day of an adjourned or other meeting, the claim is contracted by the board during the session of the board or the claim is for mileage and per diem of the members of the board. The county clerk shall keep a book of all claims in the order in which the claims are presented, giving the name of each claimant and the amount and date of presentation of each claim. The book, after the time prescribed for the presentation of claims, shall be delivered to the chairperson for the use of the board. At the October session, the board, by a vote of 2/3 of the members, may receive and allow accounts that have wholly accrued during the session.

(n) Subject to subdivision (o), remove an officer or agent appointed by the board if, in the board's opinion, the officer or agent is incompetent to execute properly the duties of the office or if, on charges and evidence, the board is satisfied that the officer or agent is guilty of official misconduct, or habitual or willful neglect of duty, and if the misconduct or neglect is a sufficient cause for removal. However, an officer or agent shall not be removed for that misconduct or neglect unless charges of misconduct or neglect are preferred to the county board of commissioners or the chairperson of the county board of commissioners, notice of the hearing, with a copy of the charges, is delivered to the officer or agent, and a full opportunity is given the officer or agent to be heard, either in person or by counsel.

(o) If the county has an appointed county manager or other appointed chief administrative officer or a county controller, the county board of commissioners may enter into an employment contract with that officer. The term of the employment contract may extend beyond the terms of the members of the county board of commissioners. The term of the employment contract shall be 3 years or less, unless the employment contract is entered into on or after August 1 of an even-numbered year, in which case the term of the employment contract shall be 1 year or less. However, in a county organized under 1966 PA 293, MCL 45.501 to 45.521, with an appointed chief administrative officer, an employment contract with the appointed chief administrative officer shall be for the term provided by section 11a of 1966 PA 293, MCL 45.511a. An employment contract under this subdivision shall be in writing and shall specify the compensation to be paid to the officer, any procedure for changing the compensation, any fringe benefits, and any other conditions of employment. If the officer serves at the pleasure of the county board of commissioners, the contract shall so state and may provide for severance pay or other benefits in the event the employment of the officer is terminated at the pleasure of the county board of commissioners.

(p) Establish rules consistent with the open meetings act, 1976 PA 267, MCL 15.261 to 15.275, for the manner of proceeding before the board.

(q) Acquire by exchange land needed for county purposes, including the purchase of land to be used in exchange for other land of approximate equal value owned by the federal government and needed for county purposes.

(r) Grant or loan funds to a nonprofit corporation organized for the purpose of providing loans for private sector economic development initiatives. A grant or loan under this subdivision shall not be derived from ad valorem taxes except for ad valorem taxes approved by a vote of the people for economic development. The county shall establish an application process for proposals to receive a grant or loan under this subdivision. The awarding of a grant or loan under this subdivision shall be made at a public hearing of the county board of commissioners. The grant or loan contract shall require a report to the county board of commissioners regarding the activities of the recipient and the degree to which the recipient has met the stated public purpose of the funding.

Attachment F

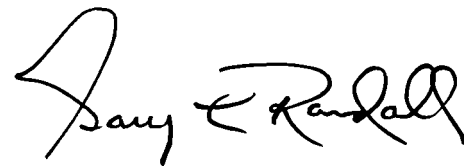
(s) Before January 1, 2015, by majority vote of the members of the county board of commissioners elected and serving in a county with an appointed board of county road commissioners, pass a resolution that transfers the powers, duties, and functions that are otherwise provided by law for the appointed board of county road commissioners of that county to the county board of commissioners. The resolution is subject to the requirement in section 6(9) of chapter IV of 1909 PA 283, MCL 224.6. The appointed board of county road commissioners of that county is dissolved on the date specified in the resolution adopted under this subdivision, and the county board of commissioners is authorized to receive and expend funds as allowed under 1951 PA 51, MCL 247.651 to 247.675. If the powers, duties, and functions of the board of county road commissioners of a county are transferred to the county board of commissioners of that county under this subdivision and the powers and duties of the office of county drain commissioner of that county had previously been transferred to the board of county road commissioners as provided in section 21(3) of the drain code of 1956, 1956 PA 40, MCL 280.21, then the county board of commissioners of that county shall reestablish, by resolution, the office of county drain commissioner as an elected office. The resolution reestablishing the office of county drain commissioner shall provide for the appointment of an acting county drain commissioner for that county who shall hold office until the next general election at which a county drain commissioner will be elected as provided in chapter X of the Michigan election law, 1954 PA 116, MCL 168.191 to 168.211.

(t) Before January 1, 2015, by majority vote of the members of the county board of commissioners elected and serving in a county with an elected board of county road commissioners, pass a resolution to submit to the qualified and registered electors of the county at the next regular election to be held in the county the question of transferring the powers, duties, and functions of the elected board of county road commissioners of that county to the county board of commissioners. The resolution is subject to the requirement in section 6(9) of chapter IV of 1909 PA 283, MCL 224.6. If a majority of the qualified and registered electors of the county voting on the question vote in favor of transferring the powers, duties, and functions of the elected board of county road commissioners of that county to the county board of commissioners, the elected board of county road commissioners of that county is dissolved and the county board of commissioners is authorized to receive and expend funds as allowed under 1951 PA 51, MCL 247.651 to 247.675. If the powers, duties, and functions of the board of county road commissioners of a county are transferred to the county board of commissioners of that county under this subdivision and the powers and duties of the office of county drain commissioner of that county had previously been transferred to the board of county road commissioners as provided in section 21(3) of the drain code of 1956, 1956 PA 40, MCL 280.21, then the county board of commissioners of that county shall reestablish, by resolution, the office of county drain commissioner as an elected office. The resolution reestablishing the office of county drain commissioner shall provide for the appointment of an acting county drain commissioner for that county who shall hold office until the next general election at which a county drain commissioner will be elected as provided in chapter X of the Michigan election law, 1954 PA 116, MCL 168.191 to 168.211.

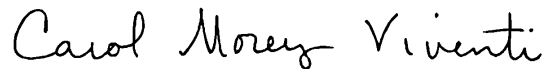
(u) If, after a board of county road commissioners is dissolved as provided in subdivision (s) or (t), the county board of commissioners for a county determines that a board of county road commissioners would provide a cost savings to the county residents and would better meet the needs of the county residents, the county board of commissioners for that county may, upon majority vote of the members of the county board of commissioners, submit the question of adopting a county road system with a board of county road commissioners to a vote of the electors of the county as provided in chapter IV of 1909 PA 283, MCL 224.1 to 224.32.

Enacting section 1. This amendatory act does not take effect unless House Bill No. 5125 of the 96th Legislature is enacted into law.

This act is ordered to take immediate effect.



Clerk of the House of Representatives



Secretary of the Senate

Approved

Governor

CALHOUN COUNTY ROAD COMMISSION TRANSITION PLAN

DRAFT 1

August 31, 2012

I. Enabling Legislation

Public Acts 14 and 15 of 2012 were signed by Governor Snyder on February 12, 2012. They enable Michigan Counties, by a majority vote of the Board of Commissioners, to dissolve Boards of Road Commissioners and transfer all powers, duties and functions of the Road Commission to County Board of Commissioners. *Copies of these bills are attached as Appendix A.*

II. Creation of Task Force

The Board of Commissioners established the Calhoun County Road Commission Task Force on April 10, 2012. The list of members and contact information are attached. The County's Human Resources/Labor Relations Director and Assistant County Administrator also attended Task Force meetings and provided input at the request of the Task Force.

III. Task Force Activities

The Task Force met 7 times from April through July 2012. Meetings were open to the public and included opportunities for public comment. Their objective was to review and better understand the oversight, management, and operations of the Road Commission in order to recommend to the County Board of Commissioners whether the County should transfer the powers, duties and functions of the Road Commission to the County Board of Commissioners. The Task Force expressed an intense desire to make the best decision in the best interest of Calhoun County residents to ensure transparent use of funds, trust, accountability, efficiency and quality control.

Key task force activities included:

- ✓ Creation of a **Task Force Timeline** that shows key meeting dates and decision points spanning an eight month period from May to November 2012. A key consideration in the development of this timeline was to minimize the length of time Road Commission employees would be subjected to a state of uncertainty as to their future governance. The Timeline has been revised several times, *and the latest version as of July 24, 2012 is attached as Appendix B.*
- ✓ **Requested Information** from the Road Commission, totaling 40 items and covering policies, procedures, road maintenance plans, staffing, safety, budgets and financial reports, among others. Road Commission staff provided all materials with copies for each Task Force member. *A copy of the list of items requested is attached as Appendix C.*

Attachment G

- ✓ Reviewed **5-Year Road Commission Financial History**, and **Comparison of Road Commission Employee Benefits** vs. County Employee Benefits, both prepared by County staff. *Copies are attached as Appendix D.*
- ✓ Engaged Rehmann Robson to prepare **Phase I and Phase II Due Diligence Reports**. Phase I entailed an assessment of the previous 15 years of operating results, looking at financial trends of the Road Commission itself, and comparing this information to other Michigan road commissions. Phase II provided a pro forma liabilities and cost saving analysis, a discussion of potential pros and cons, including road funding, if the Road Commission were to be consolidated with the County. *Copies of both reports are attached as Appendix E.*
- ✓ Issued letter to Road Commission Board Chair requesting the Road Commission **refrain from entering into long-term financial commitments** extending beyond 12/31/12 and during the Task Force's activities. *A copy of the letter and the response is attached as Appendix F.*
- ✓ Conducted a **Road Commission Employee Survey** to get employees' perspectives on working conditions, job satisfaction and suggestions for improvements. Approximately 70% of Road Commission employees responded to the survey. *Its results are attached as Appendix G.*
- ✓ Requested the **presence of Road Commission Board Chair and Road Commission Managing Director** at the July 24, 2012 Task Force meeting to address 42 follow up questions from Task Force members regarding materials received from the Road Commission, and several additional concerns voiced to Task Force members from employees and other interested persons. The request was declined. *Copies of the request letter with list of questions, and the response letter are attached as Appendix H.*
- ✓ Reviewed **Ingham County's Transportation Transition Plan** as approved by their County Services Committee on March 20, 2012.

IV. Recommendation of Task Force

The Task Force **voted unanimously on July 24, 2012** to recommend that the County Board of Commissioners dissolve the County Road Commission and transfer all powers, duties and functions to the County.

V. Board of Commissioners Vote of Intent

The Calhoun County Board of Commissioners **passed a resolution on August 2, 2012** to set two public hearings to hear interested persons on the issue of the dissolution of the Calhoun County Road Commission. *A copy of the resolution is attached as Appendix I.*

VI. Public Hearings

The first public hearing was held on Thursday, **August 16, 2012** during a regular County Board of Commissioners meeting at 7pm. No comments were received. The second public hearing is scheduled for Thursday, **September 6, 2012**, again during a regular meeting of the County Board of Commissioners.

VII. Final Board of Commissioners Approval

On Thursday, September 20, 2012, during the regularly scheduled Board of Commissioners meeting at 7pm, the County Board of Commissioners is scheduled to vote on whether to dissolve the Road Commission.

VIII. Transitional Advisory Board

The County may choose to create an Advisory Board, to include representatives from townships, cities, villages, MDOT and others, to provide broader input for the transition and for future road management issues.

IX. Meetings of County and Road Commission Management

County Administrator/Controller Kelli Scott has been meeting regularly since August 2 with Road Commission Managing Director Kevin Henning to exchange ideas for this transition plan.

X. Meeting with Ingham County Management

The County is planning to request a visit to Ingham County to seek input on our transition plan, based on their recent dissolution of their Road Commission and transition that occurred in June 2012. Ingham County is the only other known county in Michigan to have dissolved their Road Commission since the passage of PA 14 and PA 15.

XI. Transition Date

The latest version of the Task Force Timeline calls for a **November 1, 2012** transition date.

Powers, Duties and Functions

The current CCRC organizational chart is attached as Appendix J. If this transition takes place in Calhoun County, it is expected that the resulting organizational structure would place the Calhoun County Road Commission (CCRC) as a County Department reporting to County Administration. Once staffing details are worked out, the County will integrate the CCRC staff into the County's organizational charts.

Communication of Transition

County Administration will work with CCRC Management to ensure the transition is communicated to the public and that any language on websites, FaceBook, voicemails, letterhead, business cards, etc. are revised as needed to reflect the consolidation.

Board Policies

The CCRC has 46 Board Policies covering various topics from personnel to road closures. Many of them were recommended by legal counsel, state agencies and associations, and insurance carriers. County Administration will work with the CCRC Managing Director to determine which policies will need to be adopted by the County Board of Commissioners by November 1, 2012 in order to maintain proper governance and ensure operational continuity.

Operating Procedures

County Administration and the CCRC Managing Director will together review operating procedures and seek input from employees and others on an ongoing basis to identify and implement best practices. The Winter Maintenance Procedure is likely to be an initial priority, given the timing of the scheduled November 1 transition.

Non-union Employment Agreements

The CCRC's Managing Director and Assistant Managing Director currently have Employment Agreements with the Board of Road Commissioners. The County will seek legal counsel and determine how to proceed, and will ensure adequate advance communication is given to these two individuals to clarify the intended nature of their continued employment after November 1, 2012.

SEIU and Teamsters Contracts

The CCRC has two unions—the Service Employees International Union (SEIU) and the Teamsters, State, County and Municipal Workers (Teamsters). The SEIU represents 10 employees who are supervisors, technical and office staff, and has a current labor agreement in place. The Teamsters represents 48 employees who are mechanics and truck drivers, and also has a current labor agreement in place. The County will consult with legal counsel to determine how to proceed from a labor relations standpoint and will be prepared to communicate with union representatives prior to the scheduled November 1, 2012 transition date. The County has nine unions including two court employees' unions, and also unrepresented groups of employees.

Physical Location of Offices and Staff

The County Administration will work with CCRC Management to determine whether any staff relocations will take place immediately on November 1 or soon thereafter.

Job Descriptions

The CCRC's job descriptions are inconsistent as to format with the County's standard job description elements. Once the job descriptions are reviewed and, in some cases, revised as to content due to the transition, the County's HR staff will assist in modifying the CCRC job descriptions so that they match the County's standard format and elements.

Budget 2012 and 2013

The County Board of Commissioners will need to adopt, by November 1, 2012, CCRC budgets for the remainder of 2012. The CCRC budgets will also become part of the recommended County budgets for 2013, which are expected to be adopted by the County Board of Commissioners on December 6, 2012.

Cash

The County Treasurer already manages cash for the CCRC. CCRC funds are accounted for separately from those of the County, and so no expected changes are needed.

Finance/Accounting/Accounts Payable and Receivable

The CCRC has one Finance Clerk, whose primary duties include accounts payable, accounts receivable, purchasing, inventory, and insurance processing. The County has a Finance Department with one Finance Analyst, one Budget Analyst, and one Accounts Payable Clerk, in addition to the Payroll Technician. The County's Finance Director position has been vacant since 2010. The CCRC's finance and payroll software is highly specialized for Road Commissions to accommodate detailed project and cost accounting and reporting to the state. It is expected that this software will need to continue to be used after the transition for continued processing of all financial/accounting and payroll transactions. It is also expected that the current combined staffing count of Finance positions the County and CCRC have will be necessary for the foreseeable future.

Payroll

The CCRC has one Payroll Clerk, who does daily time entry and biweekly payroll processing for the CCRC's 61 employees. This position's responsibilities also include various reports, workers' compensation administration, leave bank management, mail duties and payroll bank depositing. The County has one Payroll Technician who processes payroll for the County's approximately 550 employees and the 32 employees of the Calhoun County Consolidated Dispatch. This position is also responsible for various reporting and analysis functions, training of end users of the computerized payroll entry system, as well as assistance to management with labor negotiations calculations and spreadsheets. As mentioned under Finance/Accounting, the CCRC utilizes an integrated software system including payroll, and this system is expected to remain in place after the transition.

Human Resources/Labor Relations

The CCRC has no full-time Human Resources positions. HR duties are currently spread among the Deputy Managing Director, the Finance Clerk and the Payroll Clerk. The CCRC uses an outside third party benefits administrator, and outside labor counsel. These functions would be absorbed into the County's Human Resources Department. The County has a HR department of four staff, led by an HR/Labor Relations Director. It is expected that the County will absorb the HR functions and duties of the CCRC, possibly with the addition of one HR staff. The job descriptions of CCRC staff currently containing HR functions and duties will be reviewed and adjusted accordingly.

Employee Benefits Open Enrollment

The CCRC has a benefits plan year beginning July 1, while the County's benefits plan year begins January 1. Both entities currently offer Blue Cross Blue Shield as the employee health insurance claims administrator, but the plans, plan costs and employee cost share amounts are different. Both entities also offer vision, dental and life insurance for employees with varying plan provisions. The County will seek advice from legal counsel and our Benefits Consultants to determine the best timing and procedure

for working toward an integration of CCRC employees into the County's plans. The County also intends to continue to comply with PA152 of 2011 (the Board of Commissioners opted for the 80%/20% section for 2012), which limits the employer's share of employee health insurance costs.

Workers Compensation Insurance

The County is self-insured. The CCRC's carrier is the County Road Association Self Insurance Fund. The County will absorb the CCRC employees into the County's self insurance pool.

Retiree Health Insurance

The CCRC offers health insurance coverage for medical care and pharmaceuticals to eligible retirees and retirees' spouses, with the CCRC paying 90% of the premium cost and the retirees contributing 10%. The CCRC's retiree health insurance program is set forth in Board Policy 27. The County also offers retiree health insurance, but with retirees contributing the entire amount of the premium costs. Certain retirees meeting age and years of service eligibility requirements are given a discount toward their premium of up to \$10 per month per year of service. The County's retiree health insurance program is set forth in Board Policy 361. Due to the CCRC's growing postemployment benefit obligation related to the current retiree health insurance program, and the lack of sufficient spendable fund balance (as of the last audited financial statement dated 12/31/11), this benefit will be reviewed to determine how to make it financially sustainable in the future.

MERS Pension Benefits

The CCRC currently offers defined benefit pension plans for employees through the Municipal Employee Retirement System (MERS). The Teamsters' plan (B-3; V-6; FAC-3) provides for a 2.25% multiplier and a vesting period of 6 years, with a normal retirement age of 60, at no cost to Teamsters employees. The SEIU plan (B-4; V-6; F55(30); FAC-3) provides for a 2.5% multiplier and vesting period of 6 years, with early retirement with full benefits available at age 55 with 30 years of service, with an employee contribution rate of 3.1%. The non-union plan (B-4; V-6; F55(15); FAC-3; E-2) provides for a 2.5% multiplier and vesting period of 6 years, with early retirement with full benefits available at age 5 with 15 years of service, and an automatic 2.5% annual increases each year after retirement, at no cost to non-union employees.

The County has an internally administered defined benefit (DB) plan, with a 2.0% multiplier and a vesting period of 8 years, with a normal retirement age of 60, with an employee contribution rate of 9.5%. Most employees within the county and courts (other than Office of the Sheriff) are either in the County DB Plan or a 401K plan with a 1 for 1 match up to 7% of employee contributions.

The above pension benefits are provided for in collective bargaining agreements, non-union benefits policies and employment agreements. As part of the transition, the Board of Commissioners will adopt a resolution that establishes Calhoun County as the employer for the CCRC divisions of MERS. The divisions will be tracked separately as far as funded ratios and employer contributions, so that all costs will appropriately be charged against transportation funds.

Legal Counsel

The County has a full-time Corporation Counsel on staff for general legal counsel and representation. The County also engages outside legal counsel as needed, in areas such as labor relations and specialized topics such as drain/water resources litigation. The County's liability insurance carrier MMRMA also provides legal counsel to represent the County in claims against the County. The CCRC has utilized outside legal counsel exclusively, and so it is expected that the County's Corporation Counsel will be able to assist in road commission related legal issues and thus create some savings in outside legal fees.

Property and Liability Insurance

The County is a member of the Michigan Municipal Risk Management Authority (MMRMA), which is a public entity self-insurance pool that provides liability and property coverage to municipal governmental entities across Michigan. MMRMA has indicated that the CCRC's current coverage through the Michigan County Road Commission Self Insurance Pool (MCRCSIP) can be transferred to the County's policy with MMRMA, and the County will ensure this transition happens smoothly effective November 1, 2012.

Facilities/Grounds Maintenance

Both the County and the CCRC currently maintain our facilities and grounds with a combination of staff and contractors. Initial discussions indicate the possibility for there to be some savings in this area due to consolidation and sharing of services and contracts.

Information Technology

The CCRC has one full-time Technical Assistant and one Intern who support the CCRC's IT networking and software systems, maintain the CCRC's website and integrated applications, and manage its social media presence. The County has an IT department of four, led by an IT Manager. The County has a centralized IT support model that will likely support the CCRC's IT needs as well, with the transfer or addition of one IT staff whose responsibilities will likely include support of other County departments and applications as well. This additional position is already being included in the County's IT Budget submission.

Purchasing

The CCRC has no dedicated purchasing staff, but rather purchasing duties are shared. These duties should be absorbed by the County. The County has one Purchasing Coordinator. It is expected that the CCRC's purchases will follow the County's Purchasing Policy after November 1, 2012, and that the County's staff may become the authorized purchasing agent for the CCRC under our centralized purchasing system.

Receptionist

The CCRC has not filled a vacant receptionist position, and so front office duties are currently being filled on a rotation basis by SEIU staff. Due to the physical location of current CCRC offices, it is not practical for the County to absorb this function. The important duties of greeting the public and communicating with field staff will need to be considered as part of the review of job descriptions and staffing of office positions.

Parks

Calhoun County owns three parks—Historic Bridge Park, Ott Biological Preserve, and Kimball Pines. The Calhoun County Parks are currently managed by the County Road Commissioners, which also act as the County Parks Trustees Board pursuant to MCL 123.66. The Parks Trustees have the “management and control” of the parks and hold in trust for the county the title to any real estate purchased by the county (or gifted to it) for park purposes. If the Road Commission is dissolved, the County Board of Commissioners will need to either create a Parks Commission or appoint members of the Board of Commissioners to a new Parks Trustees Board, with both options requiring a resolution, before November 1, 2012. The CCRC staffs the parks management function with one Environmental Services Coordinator, who also manages solid waste management and other projects relating to natural resources and the environment. Teamsters employees and contractors handle park maintenance and grounds upkeep. The County also has three different master plans dealing with park related issues. A Recreation Plan was adopted in February of 2009. A Trailway Master Plan was developed in July of 2006. A Parks and Recreation Master Plan was developed for the 2002 – 2007 time-period. All three County parks are currently in a state of transition, and it is recognized that updated plans for managing them, and the related staffing/contracting requirements, will be needed soon. The County and CCRC will also continue discussions with local townships and the Calhoun County Conservation District regarding coordination of all current parks and new parks created by Enbridge following the July 2011 oil spill impacting the Kalamazoo River and surrounding land.

Public Works

The County will need to pass a resolution before November 1, 2012, appointing a new Board of Public Works.

Solid Waste

The CCRC’s solid waste activities are coordinated by one Environmental Services Coordinator, who had multiple other duties. The County has a County-wide Solid Waste Plan and collects fees from the Convis Township landfill as part of that plan and a related Agreement between BFI (and its successor) and the County. There is also a Solid Waste Advisory Committee appointed by the County Board of Commissioners.

Engineering, Inspections, Permitting

The CCRC has one countywide Permit Agent who also serves as the Address Administrator for the County Address Ordinance. The CCRC has one required certified Engineer for all civil and construction engineering tasks and projects, with additional duties including preparing grant proposals and applications for Federal Aid and state funding. The CCRC has one Construction Inspector for work performed on the county road system. This position also acts as the right-of-way agent to ensure safety along roadways, and makes recommendations to supervisors/coordinators about quality control. These specialized functions are not ones the county could absorb. There will, however, be discussions about whether there can be any cost savings with the transition due to leveraging the expertise to assist with other county departments (for example, the Office of the County Water Resources Commissioner currently contracts all engineering services for drain projects).

Transportation Planning

Continued and more formal long-term planning and budgeting for maintenance and improvement of county roads and bridges will be an initial key focus, with the nearly impossible task of meeting road improvement needs with limited revenues. The CCRC already has taken numerous steps toward this end, and has many tools to reference, including a Service Request Procedure and on-line database tracking system, an inventory of recommended work needed on many of the 87 bridges, Pavement Surface Evaluation and Ratings and calculated preventative maintenance and reconstruction costs for more than 1,300 miles of county roads, a seven-year Primary Road Sealcoat Plan (2011-2017) and annual patching plans by township.

County Funding

The County currently provides no General Fund appropriation to support the operations of the CCRC. If the duties and responsibilities are absorbed into a County Roads Department, the Board of Commissioners would make it clear in the resolution that the County does not intend to provide any General Fund support. The Board will also direct the Administrator/Controller to ensure that all unfunded pension and post employment benefit obligations are tracked separately from the County's and paid for out of road funds, so that such obligations do not become liabilities of the County's General Fund.

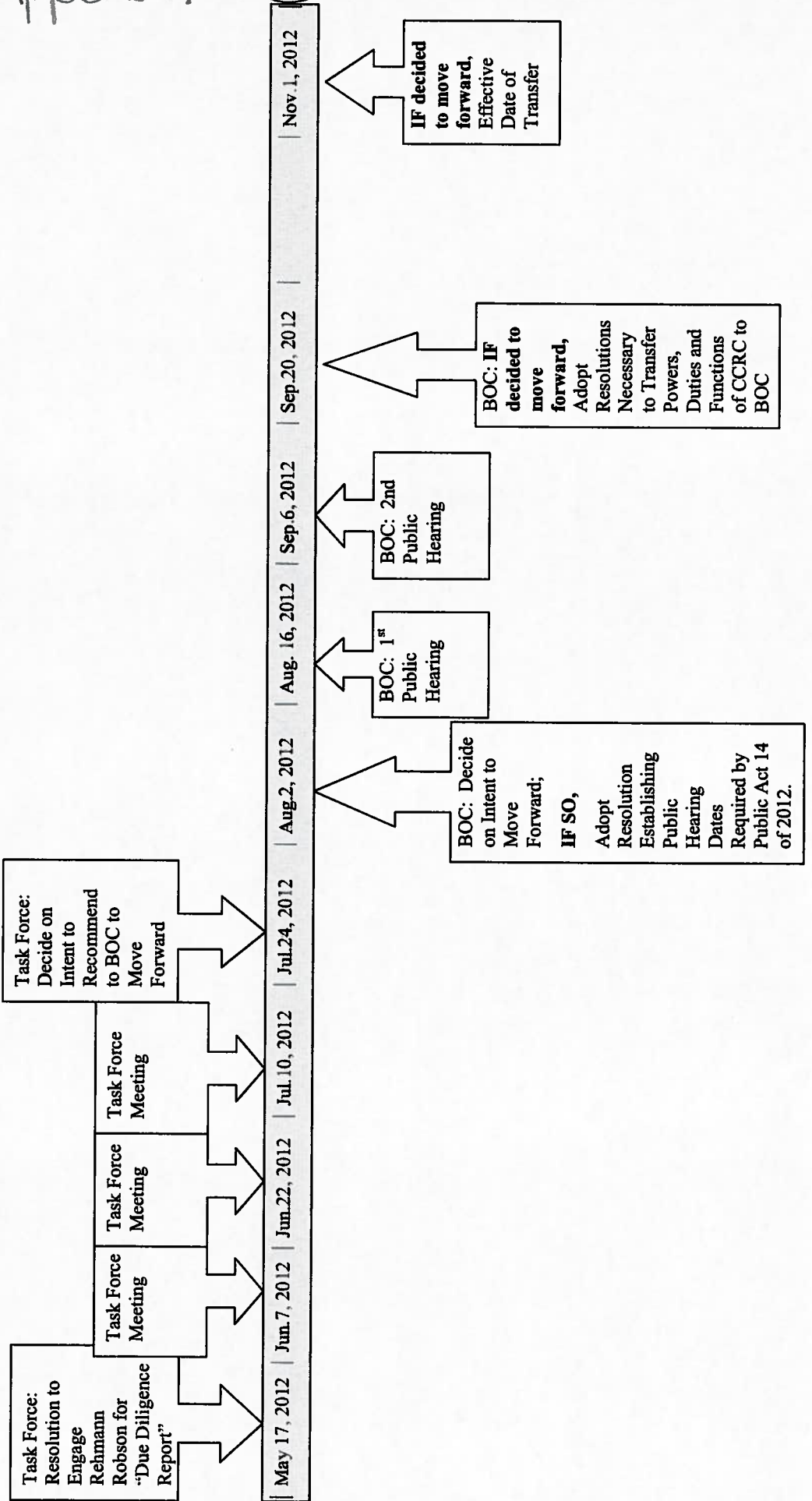
The resolution transferring power will also indicate the Board of Commissioners intent to maximize funding for transportation priorities by reducing administrative and operational costs, by considering ways to enhance revenues, and by implementing long term budgeting processes. The resolution will also state that the Board will comply with Article IX Section 9 of the Michigan Constitution, requiring that transportation related fees and tax revenues must be used exclusively for transportation purposes and not for other general operations of the County. This commitment to ensuring road funding is spent only on transportation related activities and not other County operations does not, however, preclude the County from allocating direct and indirect service related charges consistent with the treatment of other County departments according to our Cost Allocation Plan.



Calhoun County Road Commission Task Force:

Proposed Timeline

Last Revised: July 2, 2012



Requested Information from CCRC

Calhoun County Road Commission Task Force

April 25, 2012

1) Oversight:

- a) Board Policies
- b) Board Rules
- c) Board Meeting Schedule
- d) Board Strategic plan
- e) Organizational Chart
- f) Road Commissioner Position Descriptions and Compensation Structure
- g) Business plan/model for oversight of CCRC
- h) Managing Director Employment Contract
- i) Managing Director Performance Evaluation process and results for past five (5) years

2) Management:

- a) Employment Agreements and/or Offer to Hire Letters for Non-Union Employees
- b) Performance Reviews for Non-Union Employees for past five (5) years
- c) Policies and procedures/employee handbook(s) – general and for specific tasks
- d) Annual and Long-Term Plans for Maintenance and Construction of Roads and Bridges
- e) Preventative Maintenance / Rehabilitation Analysis 2010, 2011
- f) Total Patching by Township 2010, 2011
- g) Primary Road Sealcoat Plan 2012-2018
- h) Last five (5) years annual adopted Budgets and Presentations
- i) Year to date financial reports/budget
- j) Last five (5) years annual audits
- k) Act 51 Annual Reports past five (5) years
- l) Insurance – health, workers comp., property/ liability insurance
- m) Employee Retirement Plan Documents or Summaries thereof
- n) Lease / Purchase Agreements on equipment or other capital assets
- o) Current Accounts Payable and Receivable Listings with Aging
- p) Existing and Pending Grant Information and Budgets
- q) Current List of Contracts for services (legal, financial, IT maintenance, etc.)
- r) Inventory of Fixed Assets including IT equipment
- s) List of Software Applications and Systems

3) Operations

- a) Position Descriptions for Non-Union Employees
- b) Labor Agreements
- c) Performance Reviews for Union Employees for past two (2) years
- d) Policies and procedures for non-management/hourly employees
- e) Safety procedures; five (5) year history of safety violations
- f) Quality control/complaint procedure
- g) List of complaints/resolutions – last five (5) years
- h) Procedure for assigning work to hourly employees

4) Other:

- a) List of pending litigation and unasserted claims
- b) List of former Road Commissioners and contact information for last fifteen (15) years
- c) Contact information for all employees of CCRC
- d) CRCC Staff representation on external Boards and Committees (i.e. BCATS, etc.)

Attachment G
Appendix D

Calhoun County Road Commission

Financial History - Past 5 Years

Data Sources: Act 51 Reports, Audited Financial Statements; compiled by K.Scott 5-31-12

	2007	2008	2009	2010	2011
Cash	\$ 202,309	\$ 8,498	\$ 26,170	\$ 195,796	\$ 66,911
Accounts Receivable, Deferred Expenses	\$ 2,479,343	\$ 2,092,604	\$ 2,025,550	\$ 1,413,620	\$ 1,470,127
Inventories	\$ 871,040	\$ 912,647	\$ 640,380	\$ 620,719	\$ 636,148
Total Assets	\$ 3,552,692	\$ 3,013,749	\$ 2,692,100	\$ 2,230,135	\$ 2,173,186
Accounts Payable, Accrued Liabilities, Advances, Performance Bonds	\$ 2,186,177	\$ 2,303,392	\$ 737,663	\$ 1,304,456	\$ 1,720,896
Total Liabilities	\$ 2,186,177	\$ 2,303,392	\$ 737,663	\$ 1,304,456	\$ 1,720,896
Reserved Governmental Fund Balance (for inventory)	\$ 871,040	\$ 912,647	\$ 640,380	\$ 620,719	\$ 636,148
Unreserved Governmental Fund Balance	\$ 495,475	\$ (202,290)	\$ 1,314,057	\$ 304,960	\$ (183,858)
Total Governmental Fund Balance	\$ 1,366,515	\$ 710,357	\$ 1,954,437	\$ 925,679	\$ 452,290
Revenue - Federal	\$ 1,616,749	\$ 32,910	\$ 1,784,465	\$ 987,745	\$ 2,336,143
Revenue - State	\$ 9,191,254	\$ 9,438,235	\$ 8,103,346	\$ 7,818,624	\$ 8,001,107
Revenue - Contributions from Local Units	\$ 422,945	\$ 587,326	\$ 95,474	\$ 297,919	\$ 513,457
Revenue - Charges for Service (primarily trunkline)	\$ 2,887,867	\$ 2,176,009	\$ 1,613,312	\$ 1,271,299	\$ 1,340,792
Revenue - Other (permits, refunds, etc.)	\$ 751,637	\$ 424,510	\$ 280,035	\$ 442,517	\$ 3,054,833
Revenue - Other Financing Sources	\$ 10,000	\$ 275,114	\$ 500	\$ 567,397	\$ 705,038
Total Operating Revenues	\$ 14,880,452	\$ 12,934,104	\$ 11,877,132	\$ 11,385,501	\$ 15,951,370
Expenditures - Construction, Structural Improvements	\$ 3,348,142	\$ 2,099,313	\$ 2,369,325	\$ 1,064,000	\$ 4,472,011
Expenditures - Maintenance	\$ 8,395,563	\$ 8,528,230	\$ 6,193,319	\$ 7,327,519	\$ 7,031,284
Expenditures - Trunkline	\$ 2,553,616	\$ 1,906,021	\$ 1,600,455	\$ 1,504,077	\$ 1,277,166
Expenditures - Administrative	\$ 1,068,077	\$ 979,043	\$ 975,350	\$ 1,135,115	\$ 1,106,245
Expenditures - Net Capital Outlay	\$ (202,438)	\$ 63,282	\$ (203,407)	\$ 769,923	\$ 661,502
Expenditures - Net Equipment (Prorated Gain/ Loss on Usage)	\$ (545,393)	\$ (660,951)	\$ (912,362)	\$ (284,307)	\$ 104,557
Expenditures - Debt Service	\$ 520,693	\$ 409,493	\$ 418,601	\$ 523,954	\$ 741,735
Expenditures - Other (Engineering, Parks, BPW, Drain Assessment, Etc)	\$ 1,122,843	\$ 265,918	\$ 191,770	\$ 373,977	\$ 1,030,250
Total Operating Expenditures	\$ 16,261,103	\$ 13,590,349	\$ 10,633,051	\$ 12,414,258	\$ 16,424,750
Excess of Revenues Over (Under) Expenditures	\$ (1,380,651)	\$ (656,245)	\$ 1,244,081	\$ (1,028,757)	\$ (473,380)

Calhoun County Road Commission Financial History - Past 5 Years

Data Sources: Act 51 Reports, Audited Financial Statements; compiled by K.Scott 5-31-12

	2007	2008	2009	2010	2011
Fringe Benefit Factor (% of Payroll)	83.0%	87.9%	87.4%	86.2%	89.0%
Overhead Factor (% of Operations)	5.9%	5.6%	5.4%	5.1%	3.9%
Capital Assets Net of Depreciation (Governmental)	\$ 43,754,181	\$ 44,212,681	\$ 44,664,899	\$ 44,830,187	not yet available
Long Term Debt - Bonds Payable	\$ 1,860,000	\$ 1,545,000	\$ 1,265,000	\$ 975,000	\$ 670,000
Long Term Debt - Installment / Lease Purchase/Contracts Payable	\$ 15,470	\$ 270,116	\$ 201,639	\$ 611,233	\$ 1,046,370
Long Term Debt - Compensated Absences (Accumulated vacation time)	\$ 86,377	\$ 113,119	\$ 117,623	\$ 108,106	not yet available
Annual Pension Cost	\$ 497,365	\$ 517,141	\$ 535,483	\$ 606,067	\$ 588,936
Required Pension Contribution Rate (MERS - DB)	16.4%	16.4%	16.4%	18.3%	18.0%
Unfunded Actuarial Liability - Pension	\$ 4,835,164	\$ 5,028,619	\$ 5,725,209	\$ 5,504,085	\$ 5,945,626
Annual OPEB (Retiree Health Insurance) Contributions	N/A	\$ 226,189	\$ 271,941	\$ 311,597	not yet available
Required OPEB (Retiree Health) Contribution Rate	N/A	12.4%	12.4%	12.8%	not yet available
Unfunded Actuarial Liability - Retiree Health	N/A	\$ 4,079,394	\$ 4,079,394	\$ 4,079,394	not yet available
Original Budget (Rev)	not requested	\$ 10,031,229	\$ 9,158,359	\$ 9,088,359	\$ 9,432,359
Amended Budget (Rev)	not requested	\$ 10,708,109	\$ 9,553,439	\$ 10,640,140	\$ 15,956,459
Original Budget (Exp)	not requested	\$ 10,031,229	\$ 9,131,602	\$ 9,087,469	\$ 9,432,359
Amended Budget (Exp)	not requested	\$ 10,790,174	\$ 9,299,110	\$ 10,649,420	\$ 16,465,614



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June 12, 2012

Board of Commissioners
In Care of Calhoun County Road Commission Task Force
County of Calhoun, Michigan
315 West Green Street
Marshall, Michigan 49068

RE: Road Commission Financial Analysis – Phase 1

Public Acts 14 & 15, enacted earlier this year, allows a county board of commissioners, to assume the powers, duties, and functions of the county road commission to the county board of commissioners. Among the tasks the county board of commissioners must accomplish is to perform a review of the road commission's operations. In accordance with your request, we have prepared a financial analysis of the Calhoun County Road Commission in connection with this project in order to facilitate the review of Road Commission operations.

In this first phase of this project, we have summarized our assessment of the previous 15 years of Calhoun County Road Commission's ("the Road Commission") operating results, looking at financial trends of the Road Commission itself, and then comparing this information to other selected Michigan county road commissions. The paragraphs that follow refer to metric information found on two Exhibits which are attached to this report.

After the historical analysis of the Road Commission as described above, we will conclude with our comments assessing the financial outlook for the future of the Road Commission.

A glossary of financial ratios and other financial terms is presented on the back page of this document to assist the reader in understanding the information presented.

Board of Commissioners
In Care of Calhoun County Road Commission Task Force
County of Calhoun, Michigan
June 12, 2012

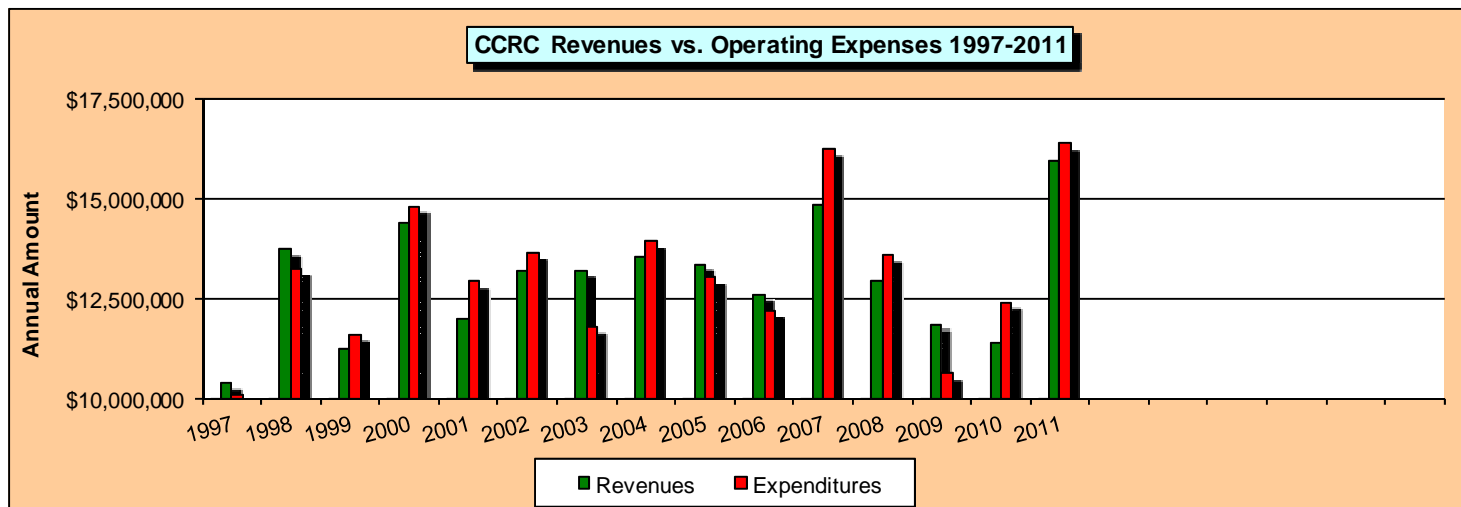
Overview of Financial Assessment

Exhibit #1: This Exhibit provides a Financial Trend Analysis for fiscal years 1997 through 2011, with 2011 being the most recent fiscal year that has been audited. This analysis includes various financial statement and other trends over this period of time in order to see how the Road Commission’s operations have changed, and provides key financial indicators over this timeframe.

Exhibit #2: This Exhibit reports the same information for the Road Commission for fiscal 2011, in comparison to the same metric data for seven other randomly selected road commissions. Though this comparison group does not reflect the results of all other road commissions in the state of Michigan, we believe that the seven selected provide a representative sampling for comparison to the Road Commission of Calhoun County.

Exhibit #1 Recap

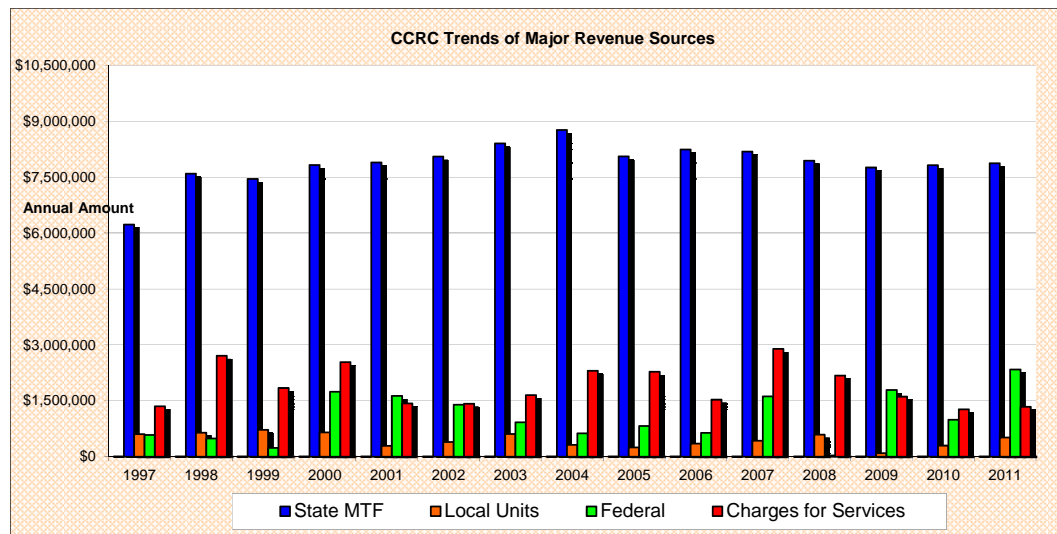
In Exhibit #1, it is evident that the annual Michigan Transportation Fund (MTF) distributions have been reduced relative to overall revenues starting in 2003, which is generally the case with all road commissions over this period of time. The 2011 MTF distribution was approximately the same dollar amount as it was in the year 2000. Over this period of time, costs have increased significantly, including wages, fringe benefits, fuels, and other costs including materials that use petroleum based product. The following chart presents revenue versus operating expenditures over the past 15 years.



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State MTF distributions fluctuate based on weight and gas taxes collected under formula, and are restricted for primary and local road expenditures. Local units revenue varies based on the amount of township projects undertaken under township cost sharing agreements. Federal source revenue includes force account projects as well as State-administered projects, and peaked in year 2009. The 2011 federal revenue includes \$678,000 for an EPA Waste Water Treatment project that was passed through to other municipalities, and is not a typical federal revenue source. Charges for services revenue is generated primarily from the state contract with MDOT for maintaining state highways in Calhoun County and the reimbursable revenue generated equates with incurred costs on an annual basis. Other revenues have stayed relatively steady except for a higher amount in years 2011, which included \$2,393,860 in contributions revenue from Enbridge for work provided by contractors for damage to Calhoun County roadways from oil spill cleanup road use. The related expenditure for \$2,393,860 is included in the 2011 expenditures under Preservation- structural improvements. The EPA federal revenue and Enbridge contribution, and related expenditures recorded are not normal, and inflate revenues and expenditures in 2011 by approximately \$3,072,000.

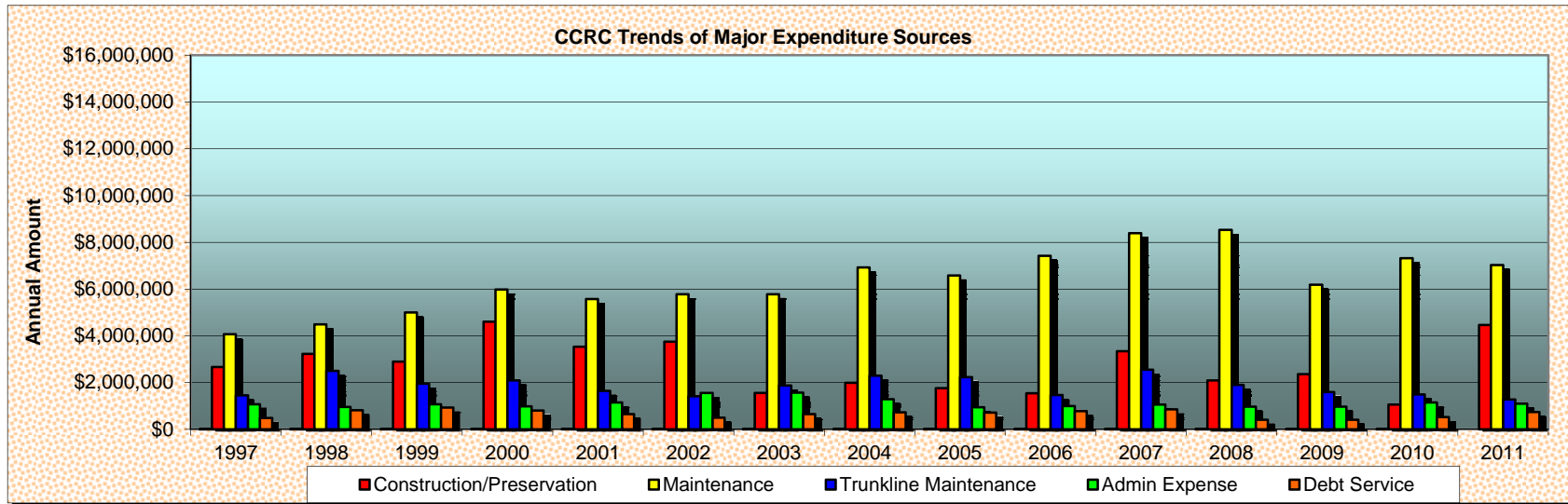
The following chart presents major revenue sources of the Road Commission from 1997 through 2011.



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In reviewing expenditures, construction and preservation – structural improvements, peaked in the years 2000 through 2002. In 2011, this category reported \$4,472,012, which included the Enbridge work noted on the previous page of \$2,393,860. Without this special contribution, this category would have approximated \$2,078,000, which would have put construction and preservation – structural improvements more in line with most years in this 15 year timeframe. Routine maintenance expenditures have remained consistent from 1997 through 2011. Trunk line maintenance costs have varied, and will have generally an equal amount of revenue included under “Charges for Services” each year. Administrative expense as a percent of total expenditures has generally been in the 6% to 9% for most of this 15 year timeframe. Debt service has ranged from 3% to 8% of annual operating expenditures from 1997 through 2011, and at December 31, stands at 4.5%.

The following chart depicts major expenditure sources from 1997 through 2011.

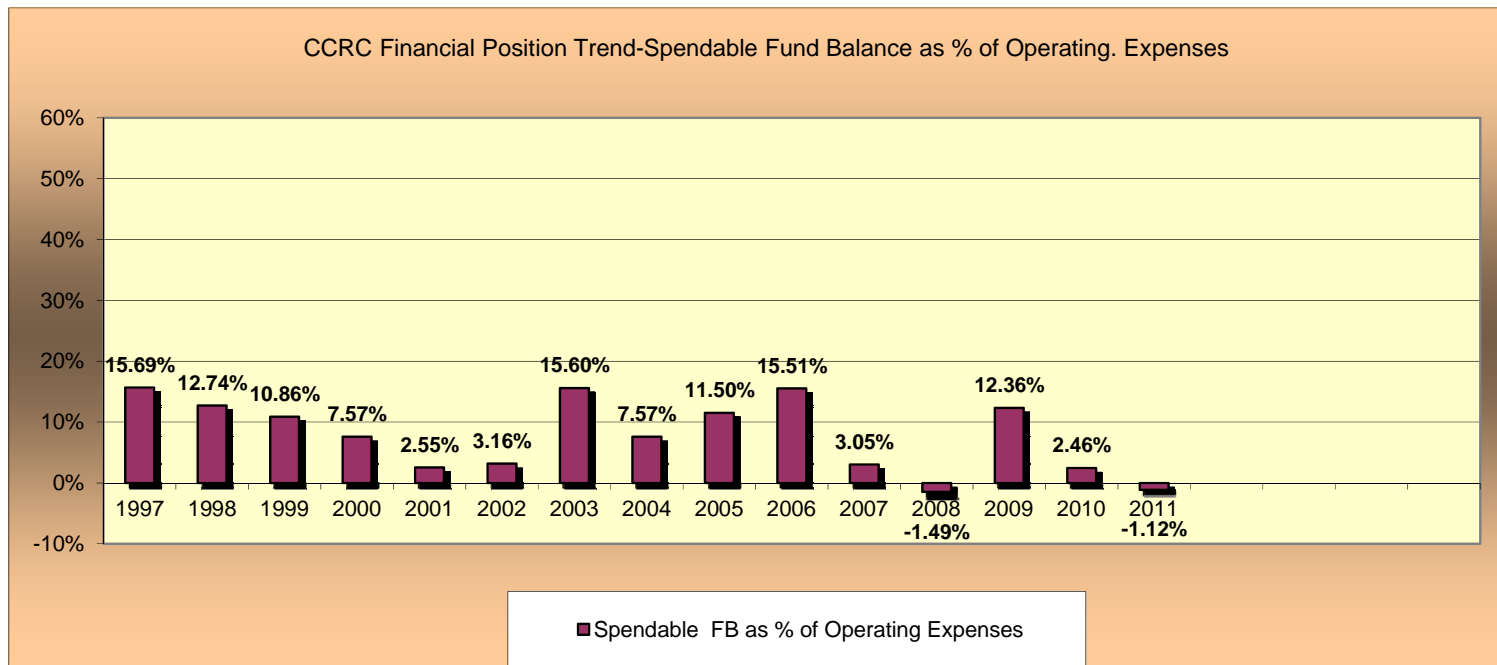


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 County of Calhoun, Michigan
 June 12, 2012

For long term installment indebtedness, which includes Transportation bonds as well as obligations under capital lease purchase agreements, the Road Commission is responsible for servicing the annual installments out of current operating funds, referred to as “Debt service”. At 12/31/11 total installment debt was \$1,696,175, and the annual debt service for 2011 was \$741,735 and represents 4.5% of total expenditures in fiscal 2011. Total installment debt has trended down for the Road Commission over the past 15 years.

Regarding financial position, a measure of an entity to maintain adequate reserves is determined by the relationship of spendable fund balance to total operating expenditures, and is expressed as a percentage. Spendable fund balance for this purpose is calculated as total fund balance, less the fund balance portion of the amount of inventories and prepaid assets included in the balance sheet. This percentage was 15.7% in 1997, and over this 15 year period of time has slipped to a negative (1.1%) of operating expenditures. This is similar to the trend of other road commissions over this 15 year time period as MTF distributions remained stagnant over this same timeframe. However, the level of fund balance of other road commissions has remained positive.

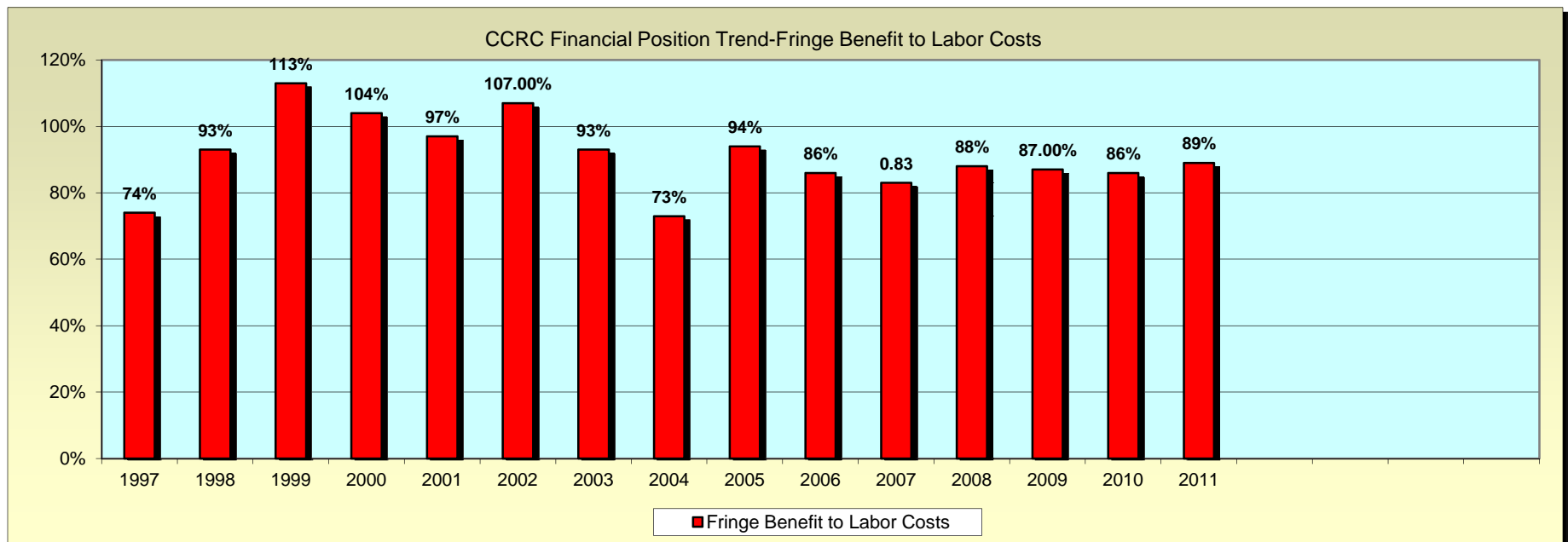
The following chart presents Spendable Fund Balance as a % of Operating Expenditures from 1997 through 2011.



Attachment G

Board of Commissioners
In Care of Calhoun County Road Commission Task Force
County of Calhoun, Michigan
June 12, 2012

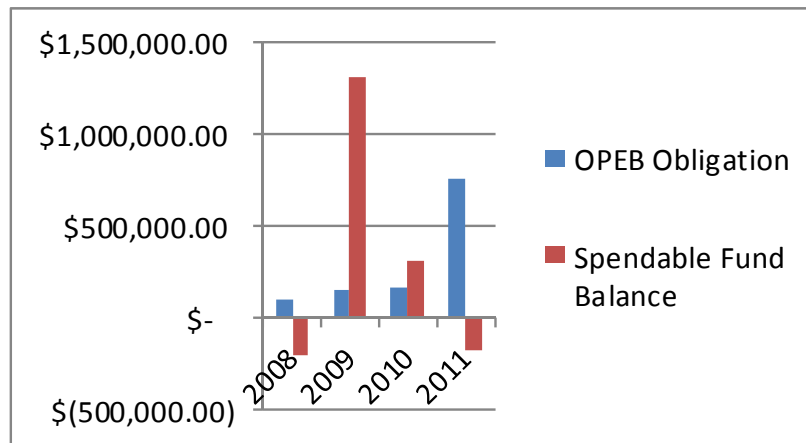
Fringe benefits to labor costs show how fringe benefits of project labor relate to labor applicable wages. This relationship is shown in the chart below. For each \$1 of wages in 2011 an additional \$.89 is expended on fringes. Fringes include holiday, vacation and sick time as well as health insurance, pension and other payroll related costs. These additional costs for fringe rates are expended to fund benefits for both active employees and servicing obligations for the retired employee workforce. A chart showing this relationship over the past 15 years is shown below.



Board of Commissioners
 In Care of Calhoun County Road Commission Task Force
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The postemployment benefit obligation (retiree health and life insurance obligations), commonly referred to as “OPEB” is being financed currently on a “pay as you go” basis through 2011. Accordingly, the Road Commission has an OPEB liability of approximately \$758,870 at 12/31/11. In accordance with GASB Statement #45, this amount is not included as a liability of the road operating fund at 12/31/11, but rather, only as a liability in the government wide financial statements, along with other long term indebtedness, as well as infrastructure and other assets. However, this liability is growing each year since inception of this accounting reporting standard, and like other entities that are accumulating this OPEB liability, will have to be serviced by future operational budgets. The Actuary report for this Plan for 12/31/11 reflects the impact of lowering the eligibility requirements and adding surviving spouses. The ARC (annual required contribution) as reflected in the most recent actuarial valuation increased accordingly. The impact on the ARC was even more pronounced because older participants (closer to retirement) that otherwise wouldn’t have been eligible (not enough years at retirement) now would be as they only need 6 years if age 60. This brings in a service cost for these employees in addition to the higher liability created. It should be noted that at 12/31/11 the funded ratio of this Plan is 0%, and the total actuarial accrued liability is \$10,807,728.

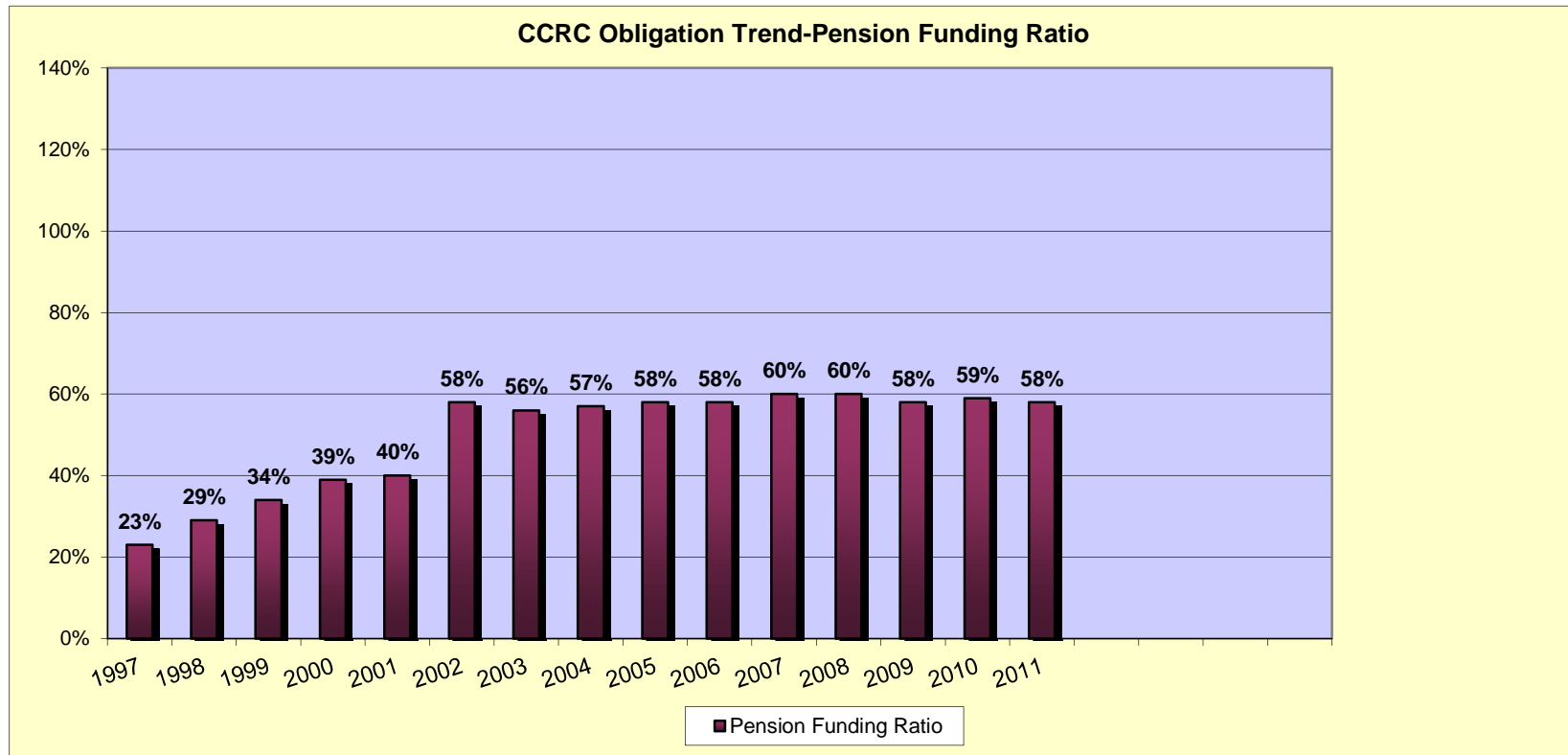
This liability was not required to be calculated and recorded by governmental entities until 2007 for larger governmental entities, and in the case of the Road Commission, not until 2008. In 2011, the OPEB obligation exceeded spendable fund balance by approximately \$943,000. A chart showing the OPEB obligation in relation to spendable fund balance is shown following. The OPEB obligation at December 31, 2011 at \$758,870 measures the excess of cumulative annual estimates of providing healthcare benefits (referred to as “annual required contributions”) over cumulative payments out (representing retiree healthcare costs paid currently.) Since 2008, these actuarial computed expenses have exceeded the payments by \$758,870, and for governmental entities that have this situation, the OPEB obligation at any point in time has to be looked at in conjunction with its reported spendable fund balance.



CCRC Financial Position Trend - OPEB

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The Road Commission has been making 100% of the annual pension cost as determined by the actuary for the last several years, and the funded ratio of the Road Commission defined benefit plan is 58%, which is 14 percentage points lower than the 72% funding level of the selected other road commissions. The funded ratio of the Pension Plan – Road Commission component is shown on the following chart.



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Exhibit #2 Recap

Overview

Exhibit #2 presents various financial information for the Road Commission at 12/31/11 in comparison with the same financial information for seven other randomly selected road commissions in Michigan for the most recent audit year. The Road Commission, as is the case with 4 of the 7 other road commissions in this comparative analysis, has contracted with MDOT for state maintenance, so the charges for services revenue and related trunk line maintenance expenditures for these four road commissions will be inherently higher because of this contract.

Construction/Preservation- Structural Improvement Expenses

These costs track how a road commission is spending its resources on long-term improvements, which generally will benefit future years that will require less in costs required to make structural repairs. For Calhoun County Road Commission, this percentage was 24% to 31% for years 1997 through 2002, but in the last 9 years has trended downward. In 2011, adjusting for the non-recurring one-time Enbridge revenue and expense for that road repair project of \$2,393,860 described previously, Calhoun County Road Commission would have an adjusted percentage of Construction/Preservation- Structural Improvement Expenses in relation to total operating expenses of 15%. The average of the other road commissions in this analysis shows 31% in 2011.

Administrative costs

Administrative costs for the Road Commission are at 7% of total expenditures, compared to an average of 5% of the selected other road commissions. The amount for administrative costs are net of credits to the administrative cost pool, which are primarily credits from State Trunkline Maintenance administrative allocations.

Spendable fund balance

Under the Current Financial Position Trend section, spendable fund balance of the Road Commission at a negative (1.1%) compares to 25% for the other road commissions in the this analysis. It should be noted that for all road commissions in Michigan, cash resources are inherently strained because the November and December distributions are not received in cash until January and February of the ensuing year, and are carried as an account receivable at year end. This receivable amount for the Road Commission at 12/31/11 was \$1,231,263. This receivable is noncash, and the amount is included in the spendable fund balance under present fund balance reporting standards. Even with this receivable, the Road Commission has a negative spendable fund balance.

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Cash and investments

Cash and investments as a percentage of operating expenditures of the Road Commission at .4% is significantly lower than the average of the selected other road commissions of 16%. Furthermore, the Road Commission has accounts payable to vendors of approximately \$1,245,000 at 12/31/11. This has posed severe cash flow problems for the Road Commission, which has generally existed over the last 15 years, but which has become significantly worse in recent years.

Debt service

The Road Commission has installment debt of \$1,696,175 at 12/31/11 consisting of amounts due for 4 series of Michigan Transportation Fund Bonds, and two capital leases for road equipment. Future installments for this debt service through the year 2015 will be serviced by the Road Commission general operating fund. The total amount of the debt over the past 15 years has trended down. However, in 2011, the annual debt service in relation to total operating expenditures of 4.5% is higher than the composite average of the other road commissions in this analysis.

Postemployment benefit obligation

The OPEB liability of the Road Commission as a percent of operating expenditures is 5% at 12/31/11, which is significantly higher than the average of 2% of the selected other road commissions. This liability is growing faster because of the change in Plan provisions (lowering eligibility requirements and adding surviving spouses), combined with not in a financial position of being able to prefund this sizeable obligation.

Pension plan

The funded ratio of the Road Commission component of the defined benefit plan is 58%, which compares to the average of 72% of the selected other road commissions. Future actuarial reports will inevitably require higher employer contributions to the pension plan in order to keep the funded ratio of the Plan in line.

Other Comments Regarding Financial Position

Included in assets of the Road Commission is inventory of approximately \$636,000 at 12/31/11, which includes road materials (gravel, stone, salt, culvert as well as equipment parts and supplies). This amount represents 3.9% of operating expenditures. By comparison, looking at two other counties, Washtenaw and Jackson County Road Commissions have 3.4% and 11.9%, respectively, of inventories in relation to total operating expenditures. The amount of inventory as an asset has an equal amount reserved, or considered nonspendable of the Road Commission's fund balance. The balance of inventories of the Road Commission is not excessive, and has remained steady over the past decade.

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Summary of Road Commission's Financial Position and Outlook for the Future

1. Administrative costs as a percentage of expenditures have decreased over the past decade. However, at 12/31/11 at 7% the Road Commission is at a level which is 2 percentage points higher than average of the other road commission's in this comparison analysis. Reasons for the higher relative costs of the Road Commission should be determined.
2. Cash flow has been deteriorating over the past 15 year period, but in the last 5 years the cash positing of the Road Commission has deteriorated significantly. Total cash at 12/31/11 is only \$66,911, and is .4% of operating expenditures and only 3% of total assets. This has caused a severe cash flow problem for the Road Commission, as accounts payable to vendors was approximately \$1,245,000 at 12/31/11. The Road Commission is unable to pay most of its bills on a timely basis.
3. Spendable fund balance of the Road Commission has been decreasing over the past decade, which is similar to the trend of other road commissions in Michigan. However, at December 31, 2011, the Road Commission's spendable fund balance percentage is a negative (1.1%), while the average of the other road commissions in this comparison is a positive 25%. Thus, the Road Commission has not been able to establish any positive fund balance. Financial analysts maintain that a governmental entity should strive maintain a minimum spendable fund balance of 10% to 15% of its annual operating expenditures.
4. Over the past decade, the Road Commission has made an admirable effort in reducing its long-term installment debt load level. However, at 12/31/11, the Road Commission's annual debt service as a percent of expenditures is 50% higher than the average for the other road commissions in this comparison. Debt service expenditures, of course, reduce the amount of resources that can be used for primary and local road projects.
5. The OPEB liability for retiree health and life insurance is considerably higher than the average of the other road commissions in this comparison. The OPEB obligation as a percentage of operating expenditures is 5%, which compares to a 2% average for the other road commissions in this comparison. The Road Commission must find ways to either advance fund this OPEB liability by contributions to the OPEB Trust fund, or by changing the requirements for this benefit which will reduce costs in the future. Increasing contributions to the OPEB Trust fund obviously will reduce the funds available to perform preservation and maintenance on primary and local road projects. If the Road Commission continues its "pay as you go" funding plan, this situation along with the recent eligibility changes (which added a significant "annual required contribution" calculated amount,) will cause this liability to rise at an even higher rate in future years.

Attachment G

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In summary, the financial condition of the Road Commission has deteriorated over the past 15 years. Certain key ratios, including spendable fund balance to annual operating expenditures, debt service expenditures to total expenditures, percentage of construction/structural improvement costs to total expenditures, and the increasing OPEB obligation to spendable fund balance have all reflected adverse trends over this period of time. The cash position of the Road Commission at December 31, 2011 is poor, and the funded percentage of the defined benefit pension plan has remained around 58% for the last decade. Facing the increased legacy requirements (primarily as a result of the OPEB obligation costs), and increased wages, fringes, fuels, and materials, coupled with stagnant MTF distributions, the ability of the Road Commission to preserve and maintain its primary and local road system will be challenged more than ever in future years. Additional State funding would mitigate this situation, but the possibility of increased MTF funding is unknown at this time.

Respectfully Submitted,

A handwritten signature in black ink that reads "Lehmann Johnson".

David M. Fisher, CPA
Principal

Attachments: Exhibits 1 and 2, and Glossary

DMF:tkb

Attachment G

Calhoun County Road Commission Financial Trend Analysis 1997 through 2011

Exhibit 1

	1997	1998	1999	2000	2001	2002
Operating trend						
Revenue Sources						
Licenses and permits	\$ 34,471	\$ -	\$ 119,347	\$ 156,535	\$ 160,488	\$ 132,814
Federal sources	583,984	489,182	234,488	1,740,935	1,628,829	1,391,032
State Sources	-	681,274	748,380	506,823	489,585	213,596
State MTF distributions	6,933,962	7,596,966	7,451,954	7,828,827	7,898,601	8,048,838
Contributions from local units	600,594	645,013	722,014	650,478	289,394	394,185
Charges for services	1,351,317	2,707,736	1,840,976	2,535,428	1,428,578	1,417,250
Interest and rents	50,329	52,029	52,816	57,287	31,935	9,850
Other	90,584	57,770	105,458	35,601	60,577	61,793
Other financing sources	762,948	1,506,680	-	895,234	-	1,541,872
Total revenues	10,408,189	13,736,650	11,275,433	14,407,148	11,987,987	13,211,230
Expenditures						
Construction/Capacity	-	-	-	-	-	-
Preservation - Structural Improvements	2,666,112	3,234,172	2,902,329	4,606,772	3,536,411	3,750,554
Maintenance	4,066,573	4,491,179	4,999,897	5,981,291	5,577,209	5,776,035
Trunkline maintenance and nonmaintenance	1,459,378	2,500,411	1,951,009	2,100,915	1,645,126	1,424,647
Administrative expense	1,083,373	965,395	1,082,170	989,704	1,148,449	1,558,805
Equipment expense	51,183	415,741	(252,694)	(524,143)	484,188	315,606
Capital outlay - net	(125,380)	452,154	(363,577)	670,655	(175,599)	(21,293)
Debt service	494,419	818,225	931,462	810,110	659,385	508,547
Other	423,072	383,384	370,319	200,595	72,887	357,110
Total operating expenses	10,118,730	13,260,661	11,620,915	14,835,899	12,948,056	13,670,011
Excess revenues over (under expenditures)	289,459	475,989	(345,482)	(428,751)	(960,069)	(458,781)
Total spendable fund balance	1,587,932	1,688,887	1,261,853	1,122,523	330,170	432,088
Total cash and investments	676,637	1,163,219	536,135	406,771	250,095	171,737
Excess of expenditures over (under) final amended budget	1,727,246	585,047	(286,375)	2,880,556	2,774,692	2,656,867
Fringe benefit to labor costs	0.74	0.93	1.13	1.04	0.97	1.07

Attachment G

Exhibit 1

	1997	1998	1999	2000	2001	2002
Current Financial Position trend						
Spendable Fund balance as % of operating expenditures	15.7%	12.7%	10.9%	7.6%	2.5%	3.2%
Cash and investments as % of operating expenditures	6.7%	8.8%	4.6%	2.7%	1.9%	1.3%
Administration costs as % of operating expenditures	10.7%	7.3%	9.3%	6.7%	8.9%	11.4%
Construction and Heavy Maint as % of operating expenditures	26.3%	24.4%	25.0%	31.1%	27.3%	27.4%
Debt and other obligation trend						
Total installments debt	2,649,793	3,579,071	2,517,676	2,755,552	2,216,723	3,384,257
Total RC installment debt as % of spendable fund balance	166.9%	211.9%	199.5%	245.5%	671.4%	783.2%
Primary debt service	494,419	818,225	931,462	810,110	659,385	508,547
Annual debt service as % of operating expenditures	4.9%	6.2%	8.0%	5.5%	5.1%	3.7%
OPEB obligation at end of year	N/A	N/A	N/A	N/A	N/A	N/A
OPEB obligation as of spendable fund balance	N/A	N/A	N/A	N/A	N/A	N/A
Funded ratio of defined benefit plan	23%	29%	34%	39%	40%	58%

Attachment G

Calhoun County Road Commission Financial Trend Analysis (Concluded) 1997 through 2011

Exhibit 1

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating trend									
Revenue Sources									
Licenses and permits	\$ 124,850	\$ 131,821	\$ 120,527	\$ 80,480	\$ 82,351	\$ 61,640	\$ 95,721	\$ 119,828	\$ 244,995
Federal sources	922,512	623,651	818,831	637,185	1,616,749	32,909	1,784,465	987,745	2,336,143
State Sources	390,802	717,026	494,553	958,665	1,005,144	1,492,323	342,876	-	127,842
State MTF distributions	8,406,911	8,769,175	8,059,698	8,242,227	8,186,110	7,945,912	7,760,469	7,818,624	7,873,265
Contributions from local units	610,066	316,200	246,231	348,434	422,945	587,326	95,474	297,919	513,457
Charges for services	1,653,055	2,305,705	2,277,239	1,526,892	2,887,867	2,176,010	1,613,311	1,271,299	1,340,792
Interest and rents	5,874	3,162	11,405	33,057	31,872	2,530	1,400	-	-
Other	239,800	674,657	704,244	793,768	647,414	360,427	183,415	322,689	2,809,838
Other financing sources	850,000	-	650,000	-	-	275,114	-	567,397	705,038
Total revenues	13,203,870	13,541,397	13,382,728	12,620,708	14,880,452	12,934,191	11,877,131	11,385,501	15,951,370
Expenditures									
Construction/Capacity	-	167,205	60,373	-	2,975	630,086	10,667	-	-
Preservation - Structural Improvements	1,566,811	1,829,077	1,711,010	1,549,716	3,345,168	1,469,227	2,358,658	1,064,000	4,472,012
Maintenance	5,783,630	6,926,336	6,584,915	7,424,025	8,395,563	8,528,230	6,193,317	7,327,519	7,031,284
Trunkline maintenance and nonmaintenance	1,874,637	2,303,864	2,236,357	1,474,694	2,553,616	1,906,023	1,600,455	1,504,077	1,277,165
Administrative expense	1,574,509	1,299,838	949,338	1,005,116	1,068,076	979,043	975,350	1,155,892	1,106,255
Equipment expense	478,934	367,399	88,316	(140,655)	(545,391)	(660,951)	(912,362)	(284,306)	104,558
Capital outlay - net	(398,155)	20,294	(104,512)	(245,977)	(202,438)	63,282	(203,407)	769,924	661,502
Debt service	655,191	734,367	721,515	785,334	855,020	409,492	418,601	523,954	741,735
Other	273,330	320,256	812,846	348,473	788,894	265,918	191,771	353,199	1,030,248
Total operating expenses	11,808,887	13,968,636	13,060,158	12,200,726	16,261,483	13,590,350	10,633,050	12,414,259	16,424,759
Excess revenues over (under expenditures)	1,394,983	(427,239)	322,570	419,982	(1,381,031)	(656,159)	1,244,081	(1,028,758)	(473,389)
Total spendable fund balance	1,842,199	1,057,364	1,501,984	1,892,277	495,475	(202,291)	1,314,057	304,960	(183,858)
Total cash and investments	506,782	519,670	736,056	726,026	202,309	8,498	26,170	195,796	66,911
Excess of expenditures over (under) final amended budget	931,590	5,779,384	(358,847)	(2,585,493)	4,566,253	815,547	1,310,337	1,764,839	336,823
Fringe benefit to labor costs	0.93	0.73	0.94	0.86	0.83	0.88	0.87	0.86	0.89

Attachment G

Exhibit 1

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Current Financial Position trend									
Spendable Fund balance as % of operating expenditures	15.6%	7.6%	11.5%	15.5%	3.0%	-1.5%	12.4%	2.5%	-1.1%
Cash and investments as % of operating expenditures	4.3%	3.7%	5.6%	6.0%	1.2%	0.1%	0.2%	1.6%	0.4%
Administration costs as % of operating expenditures	13.3%	9.3%	7.3%	8.2%	6.6%	7.2%	9.2%	9.3%	6.7%
Construction and Heavy Maint as % of operating expenditures	13.3%	14.3%	13.6%	12.7%	20.6%	15.4%	22.3%	8.6%	27.2%
Debt and other obligation trend									
Total installments debt	3,745,851	3,177,016	3,243,289	2,594,703	1,875,470	1,815,116	1,466,639	1,586,233	1,696,175
Total RC installment debt as % of spendable fund balance	203.3%	300.5%	215.9%	137.1%	378.5%	-897.3%	111.6%	520.1%	-922.5%
Primary debt service	655,191	734,367	721,515	785,334	855,020	409,492	418,601	523,954	741,735
Annual debt service as % of operating expenditures	5.5%	5.3%	5.5%	6.4%	5.3%	3.0%	3.9%	4.2%	4.5%
OPEB obligation at end of year	N/A	N/A	N/A	N/A	N/A	94,072	150,132	167,524	758,870
OPEB obligation as of spendable fund balance	N/A	N/A	N/A	N/A	N/A	-47%	11%	55%	-413%
Funded ratio of defined benefit plan	56%	57%	58%	58%	60%	60%	58%	59%	58%

Attachment G

**Calhoun County Road Commission
Financial Metric Comparisons *
2011**

Exhibit 2

	Calhoun	Selected							
	County Road Commission	Other RC Average	Ingham (2010)	Eaton 9/30 /11	Jackson (2010)	Hillsdale	Cass 9/30/11	Branch	Kent 9/30/11
Operating trend									
Revenue Sources									
Licenses and permits	\$ 244,995	\$ 69,963	\$ 131,639	\$ 62,100	\$ 63,152	\$ 36,545	\$ 20,709	\$ 19,505	\$ 156,088
Federal sources	2,336,143	2,208,369	4,185,660	1,800,508	1,572,978	843,889	1,053,681	484,142	5,517,726
State Sources	127,842	521,115	1,650,343	77,382	1,060,744	112,499	260,879	485,957	-
State MTF distributions	7,873,265	10,103,739	12,189,437	7,475,998	10,045,706	4,221,195	4,339,724	3,993,898	28,460,215
Contributions from local units	513,457	1,119,981	1,399,742	420,981	251,054	742,462	2,099,959	585,232	2,340,438
Charges for services	1,340,792	1,816,130	-	-	2,458,093	757,620	2,134	780,898	8,714,168
Interest and rents	-	57,338	5,844	334	44,662	7,936	14,428	3,131	325,029
Other	2,809,838	110,714	60,779	107,067	177,113	87,142	298,790	80,428	(36,320)
Other financing sources	705,038	136,806	-	-	-	-	-	957,642	-
Total revenues	\$ 15,951,370	\$ 16,144,155	\$ 19,623,444	\$ 9,944,370	\$ 15,673,502	\$ 6,809,288	\$ 8,090,304	\$ 7,390,833	\$ 45,477,344
Expenditures									
Construction/Capacity	-	347,143	-	1,169,844	-	-	242	-	1,259,917
Preservation - Structural Improvements	4,472,012	4,515,231	9,727,720	422,662	4,096,476	1,006,697	3,271,674	766,803	12,314,587
Maintenance	7,031,284	7,877,249	7,285,859	4,943,853	8,429,148	4,768,109	3,608,782	4,942,857	21,162,134
Trunkline maintenance and nonmaintenance	1,277,165	1,710,439	-	-	2,310,005	814,994	-	784,054	8,064,021
Administrative expense	1,106,255	730,095	1,226,332	919,143	727,163	493,463	564,759	293,070	886,733
Equipment expense	104,558	25,781	508,631	64,180	(364,374)	(4,324)	(97,782)	44,554	29,582
Capital outlay - net	661,502	(306,414)	(370,185)	(211,061)	(517,946)	(344,258)	(434,630)	222,443	(489,259)
Debt service	741,735	237,344	-	644,900	92,849	109,633	699,549	114,478	-
Other	1,030,248	478,068	656,466	537,517	-	64,371	743,315	8,156	1,336,649
Total operating expenses	16,424,759	15,614,936	19,034,823	8,491,038	14,773,321	6,908,685	8,355,909	7,176,415	44,564,364
Excess revenues over (under) expenditures	(473,389)	529,219	588,621	1,453,332	900,181	(99,397)	(265,605)	214,418	912,980
Total spendable fund balance	(183,858)	4,564,550	3,092,083	3,962,633	2,779,954	995,818	1,739,238	1,108,295	18,273,829

Attachment G

Calhoun County Road Commission Financial Metric Comparisons * 2011

Exhibit 2

	Calhoun County Road Commission	Selected Other RC Average	Ingham	Eaton 9/30 /11	Jackson	Hillsdale	Cass 9/30/11	Branch	Kent
Total cash and investments	\$ 66,911	\$ 3,192,347	\$ 1,509,500	\$ 2,029,002	\$ 1,974,449	\$ 486,556	\$ 1,389,597	\$ 623,735	\$ 14,333,590
Excess of expenditures over (under) final amended budget	336,823	(580,149)	(374,613)	166,854	(684,235)	(787,315)	(14,711)	231,591	(2,598,611)
Fringe benefit to labor costs	0.89	1.02	Unk	1.32	1.00	0.91	0.79	1.41	0.68
Administrative exp as % of total expenditures	7%	5%	6%	11%	5%	7%	7%	4%	4%
Current Financial Position trend									
Spendable Fund balance as % of operating expenditures	-1.1%	25%	16.2%	46.7%	18.8%	14.4%	20.8%	15.4%	41.0%
Cash and investments as % of operating expenditures	0.4%	16%	7.9%	23.9%	13.4%	7.0%	16.6%	8.7%	32.2%
Debt and other obligation trend									
Primary installment debt	1,696,175	1,647,471	-	3,520,000	410,507	107,172	6,642,388	852,233	-
Primary installment debt as % of operating expenditures	10.3%	20%	0.0%	41.5%	2.8%	1.6%	79.5%	11.9%	0.0%
Annual primary debt service	741,735	237,344	-	644,900	92,849	109,633	699,549	114,478	-
Annual debt service as % of operating expenditures	4.5%	3%	0.0%	7.6%	0.6%	1.6%	8.4%	1.6%	0.0%
OPEB obligation at end of year (asset)	758,870	414,561	1,485,845	(652,725)	1,677,657	-	301,085	78,535	11,531
OPEB obligation as % of operating expenditures	5%	2%	8%	-8%	11%	0%	4%	1%	0%
Funded ratio of defined benefit plan	58%	72%	73%	N/A	97%	72%	N/A	N/A	46%

N/A Not applicable

* For calendar 2011, or 9/30/11 for those on fiscal year as indicated, or calendar 2010 as indicated in cases 2011 reports not issued as final

1 Amount is net of State Trunkline overhead (where applicable) and other credits

**Calhoun County Road Commission
Financial Analysis – Phase 1
Glossary of Position and Ratio Terminology**

- Total cash and investments – though not all of the Road Commission’s assets, it is the most important, and the level is an indicator of an entity’s ability to pay its bills.
- Total spendable fund balance – at a point in time , this measure includes cash and investments, and other near term assets such as receivables like MTF fund distributions received in January and February (for the months of November and December), less any accounts and accrued expenses payable which are normally paid within 60 days after year end. The spendable portion of this fund balance does not include inventories, which are considered nonspendable fund balance.
- Fringe benefit to labor cost – this is a measure of the how fringe benefits of line staff relate to the applicable wages. The higher this ratio, then the higher are an entity’s fringe benefit costs, and the more costs that are spread to a project.
- Spendable fund balance as % of expenditures – the higher the percentage, then the greater the ability of the entity to absorb downturns in future revenues, unexpected expenditures, or both. Financial analysts generally recommend a minimum spendable fund balance of 10-15% of annual operating expenditures.
- Cash and investments as % of expenditures – the higher the percentage, then the greater the ability of the entity to have available cash to absorb downturns in future revenues, unexpected expenditures, or both.
- Administrative costs as % of expenditures – the higher the percentage, then the higher the entity’s cost of administrative costs to its total costs, and the less resources the entity has to provide direct project costs.
- Construction and Heavy Maintenance as % of operating expenditures - a measure to track the amount of annual expenditures devoted to new roadway and roadway reconstruction, which are project costs spent for the future, as opposed to routine maintenance and other costs which serve to maintain the existing roadways.

Attachment G

- Total installment debt – amount of obligations that must be paid for out of future road commission revenues.
- Road Commission installment debt as % of operating expenditures – the higher this percentage, the higher is its installment debt to its overall activity.
- Annual debt service as % of operating expenditures – the higher this percentage, the more of its annual revenues have to go to pay debt service.
- OPEB obligation at year end - This is a new Governmental Accounting Standards Board requirement starting in 2007, and measures the shortfall of an entity not paying currently for its annual health benefit to retirees (annual required contribution as computed by actuaries). The higher the balance, the more the entity will have to come up with from future revenue sources to pay this liability. This is not recorded as a liability at the fund level in the current financial statement model.
- OPEB obligation as % of fund balance - the higher this percentage, the higher is its shortfall for this retiree benefit to its existing ability to fund the liability.
- Funded ratio of defined benefit pension plan – the higher the percentage, the more the entity has been able to pay for this actuarial computed benefit and earn investment gains for pensions over time.

DRAFT

June 28, 2012

Board of Commissioners
In Care of Calhoun County Road Commission Task Force
County of Calhoun, Michigan
315 West Green Street
Marshall, Michigan 49068

RE: Road Commission Financial Analysis – Phase 2

Public Acts 14 & 15, enacted earlier this year, allows a county board of commissioners, to assume the powers, duties, and functions of the county road commission to the county board of commissioners. Among the tasks the county board of commissioners must accomplish is to perform a review of the road commission's operations. We have prepared a financial analysis of the Calhoun County Road Commission in connection with this project in order to facilitate the review of Road Commission operations as Phase 1 Analysis completed June 12, 2012.

This next analysis as Phase 2 provides a pro forma cost savings analysis, as well as developing pros and cons if the County were to take over the operations of the Road Commission. In this analysis, we have looked at various opportunities for savings as a consolidated unit, where some of these savings are quantified, and where others are characterized as potential savings.

Estimated cost savings from consolidation

In reviewing the Road Commission and County operations, there would be some synergies and cost savings, by certain departmental areas and cost centers as follows:

1. Maintenance/grounds - There is presently an hourly employee of the Road Commission that provides approximately 8 hours per week for roughly 26 weeks for mowing and grounds maintenance. County maintenance personnel could take on this function, and in a consolidation would free up approximately 208 hours of this employee's time for other Road Commission duties.
2. Human resources/payroll – presently, the Deputy Managing Director devotes approximately 60% of her time to human resources issues and matters. Another individual does the payroll, which for road commissions in Michigan is quite complex, as daily time cards are involved, which contain for each hour the project/township worked on, hours for equipment worked on which must be charged to the jobs at prescribed rates, and each of these entries must be posted into the Precision labor and equipment cost system. In a consolidation, the County could possibly continue to use one of these positions to continue this unique payroll process and handle the additional personnel

Attachment G

matter load. The current salary of the payroll clerk is \$43,145, and benefits are an estimated \$17,250.

Additionally, the Road Commission presently uses an outside organization to process benefits claims, which amounts to approximately \$16,000 per year. In a consolidation, there is potential for absorbing this claim processing function by other County Human Resources personnel.

3. Legal services - Within the legal services costs are expenses of outside attorneys that deal with Teamster and S.E.I.U labor issues and contracts. The total incurred for these costs was approximately \$25,000 in 2011. These issues could possibly be taken on by the County Attorney (Corporation Counsel).
4. Administrative support – Any cost savings would be minimal, as the function is essentially non-existent at the Road Commission, since the receptionist position was not filled after a retirement in February 2012. By Road Commission accounts, there are approximately 6000 service requests per year that have to be handled by one of the present Road Commission staff that rotate these duties amongst themselves. However, there may be synergies in a consolidation by having County support staff fill this void, which would free up the salaried Road Commission staff to perform other Road Commission matters. However, the logistics of this may prevent this from working, since the Road Commission staff would presumably be still working from its main facility at 13300 Fifteen Mile Road.
5. Accounting – The accounting and reporting requirements for road commissions in Michigan is very unique and specialized. There is a 319 page “Uniform Accounting and Procedures Manual” issued by the Michigan Department of Treasury, dealing with accounting for the various revenues and expenditures by project coding, equipment record cost, depreciation details and methods, federal and state aid project accounting, and infrastructure accounting and reporting with detail records of primary and local roadways and bridges by type in the County. Accordingly, it is believed that this function and position would be retained in a consolidation of operations.
6. Purchasing - There may be some synergies in using the County purchasing system and co-op buying in order to secure the best competitive prices, and this would free up some Road Commission staff to do other Road Commission functions, as the quotation and bid attainment could be done centrally. It is unknown what the cost savings would be under a consolidation.
7. Board member salaries - There would be a cost savings for the 5 Road Commissioner salaries in a consolidation. This equates to approximately \$37,200 on an annual basis, which includes F.I.C.A.

8. Information Technology - There is a position at the Road Commission for a Technical Assistant that provides support for servers, computer hardware and other devices. Also, for a two week period on an annual basis this employee does "road rating" tests. The County could explore whether these functions could be absorbed by the County IT staff in a consolidation. This position presently has a salary of \$45,656, and benefits estimated at \$18,200.
9. Insurance – The Road Commission presently is covered by the Michigan County Self-Insurance Pool (MCRCSIP). In the event of a consolidation, it is believed that comparable insurance coverage could be secured through the County risk carrier Michigan Municipal Risk Management Authority (MMRMA) without an increase in cost. In this situation, an analysis should be undertaken by estimating annual premium refunds under each carrier, as well as the initial annual premiums noted. The MCRCSIP has paid out significant refunds in the past few years based on favorable experience of its members, and it should be determined if refunds of similar magnitude would be likely to be received from the MMRMA.

It should be noted that historical refunds of the Road Commission from MCRCSIP have been generous, with annual refunds averaging approximately \$200,000. For example, the 2010 refund received totaled \$196,084, which represented the closeout of 1998 of \$114,039, and partial refunds of \$82,045. According to the Road Commission Manager, if the Road Commission were to become a fund of the County and lose its separate identity, then future refunds on "open" years would not be earned by the Calhoun County Road Commission, and its refund would be spread to other members in the pool. Thus, the Road Commission would not enjoy the benefits of the open years 1999 through 2011 where there could be significant refunds resulting based on historical results.

10. Engineering - The Road Commission has a full time engineer. In a consolidation, depending on the utilization of this Engineer at the Road Commission, there can be consideration for providing engineering services to the Water Resources Department. Over the past twelve months, there has been over \$400,000 paid by the Water Resources Department to 4 engineering firms, which included work on various drainage projects including surveying, environmental assessments, scientist activities, as well as engineering services. This engineering position could possibly take on a portion of these services that are presently contracted to the outside firms by the Water Resources Department.

Other considerations in a consolidation

Besides some administrative savings that would be generated as discussed in the foregoing section, there are other non-financial considerations as well, and are summarized as follows.

If there was a consolidation, the Road Commission would cease to exist as a legal entity, and the operations of this fund would be accounted for as a special revenue fund of the County. As a special revenue fund, this fund would have to adhere to the Uniform Accounting and Budgeting

Act, and a budget would be approved by the County Board, and amended during the budgetary year. The assets (including buildings, road equipment, other equipment, and infrastructure) would become County assets, and long-term installment debt and the OPEB obligation, which were \$1,696,175 and \$758,750 at 12/31/11, respectively, would become County debt. It should be noted that for the OPEB obligation, the total actuarial accrued liability of this obligation is \$10,807,728, all of which is unfunded at 12/31/11. Of course, the new Road Transportation Special Revenue Fund would continue to account for the capital assets, and service the debt out of that fund's annual budgets. Like any other special revenue fund, it would be contemplated that the fund would operate on its own funds, and not rely on a County appropriation.

Cons to consolidation

1. There could potentially be a shift in County Board focus from normal county affairs to this new public road administration function, and the Board could be spread too thin administering this new undertaking.
2. As an operation that has an inherent funding problem (since the level of MTF distributions for all Michigan county road commissions is essentially flat over the past 12 years), it is probable that the public outcry over road and bridge conditions will be borne by the County Board.
3. There is a risk to the County general fund that the new Road Transportation Special Revenue Fund would not be able to fund necessary primary and local road and bridge preservation and routine maintenance expenditures, and that to avoid a deficit, an appropriation from the general fund would have to be made. As an alternative to a general fund appropriation, in order to generate sufficient funds for a shortfall, the County could go to the voters for passage of a millage to support local roads in Calhoun County.
4. If revenues are not sufficient to cover necessary primary and local road and bridge preservation and routine maintenance expenditures and an appropriation from the general fund or other local County sources is not made, and the fund ends up in a deficit, a deficit elimination plan would have to be filed with the Michigan Department of Treasury. Continued deficits could bring down the County bond rating, and depending on the magnitude of the deficit, the Michigan Department of Treasury could review the operations of that fund in conjunction with other County funds and appoint a task force to determine if an Emergency Financial Manager should be put in place.

Pros to consolidation

1. Though not significant, there would be some administrative savings as discussed in the first part of this memo. In the areas of Human Resources/payroll, Legal costs, Board pay and other, there could be \$100,000 to \$200,000 in annual savings involving a consolidated entity. However, this savings is only .6 to 1.2 percent of the Road Commission's annual budget. However, as pointed out above in the Insurance section, these savings could be negated if the Road Commission were to become a fund of the County, and would relinquish its claim on any potential refunds from MCRCSIP membership.
2. Greater accountability through more oversight, which could lead to additional cost savings in the future.
3. May enhance opportunities for greater synergies with other County departments.

As you can see, there are many factors that go into this decision. All factors must be weighed in order to determine the best model for ensuring that the residents of Calhoun County are provided with suitably maintained roadways and bridges. Please call if you have questions or need any additional information.

Respectfully submitted,

David M. Fisher, CPA
Principal

DRAFT

**INGHAM COUNTY DEPARTMENT OF
TRANSPORTATION TRANSITION PLAN**
(As Approved by the County Services Committee on March 20, 2012)

CALENDAR OF EVENTS

Legislation - Public Acts 14 and 15 were signed by Governor Snyder on February 21, 2012. Attached are copies of those bills. (Attachment #1)

Public Hearings - Resolution #12-68 approved by the Ingham County Board of Commissioners on March 13, 2012 established public hearing dates on March 27, 2012 and April 10, 2012 regarding the transfer of powers, duties and functions of the Ingham County Road Commission (ICRC) to the Ingham County Board of Commissioners.

Final Board Approval - At the April 24, 2012 Board of Commissioners meeting, the Board will adopt resolutions necessary to implement the transfer and create the Department of Transportation. The resolutions will authorize the transfer, create new Ingham County Divisions within the Municipal Employees Retirement System for the transferred employees, approve a budget for the remainder of the 2012 fiscal year for the new department, and will address any other issues needed to effectuate the transfer.

Effective Date of Transfer - The transfer will become effective no sooner than June 1, 2012.

POWERS, DUTIES, AND FUNCTIONS

Finance/Payroll - The County will absorb these functions. Currently the ICRC employs 2 Finance Clerks and a Director of Finance. Effective on the date of transfer of powers, the 2 Clerks will become employees of the County's Financial Services Department. The Director of Finance is retiring soon. The County will need a part time accountant to handle these duties but not a Director level position.

The ICRC currently processes their own payroll and administers their own employee benefits programs. In addition, the ICRC utilizes their own financial reporting software. In order to maintain continuity and consistency, the new Department of Transportation may continue to utilize these same software systems, including processing their payroll and finance transactions until the end of the 2012 fiscal year.

Cash - The County Treasurer already manages the cash for the ICRC. The ICRC's cash is not pooled with the County and is accounted for separately.

Budget - The Board of Commissioners will need to pass a resolution establishing a budget for the Department of Transportation for the remainder of the 2012 fiscal year. In addition, the Budget Office will work with the ICRC to make sure that they are included in the budget development process for the 2013 fiscal year.

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Purchasing - These functions should be absorbed. Purchases that are currently approved by the ICRC would be authorized according to the County's purchasing policies. The ICRC employs a Purchasing Agent and a Buyer. Both positions would become part of the County's Purchasing Department on the effective date of the transfer.

Human Resources /Labor Relations - These functions would be absorbed into the County's Human Resources (HR) Department. Currently there are no HR positions at the ICRC. The County will establish a new full time employee to assist HR with the new Department of Transportation, the new 911 Center, labor relations, and other HR activities will be needed. The County Attorney also provides labor relations services for the ICRC so the legal transition should be seamless.

Liability Insurance - The County's insurance carrier is the Michigan Municipal Risk Management Authority (MMRMA). The ICRC's carrier is the Michigan Road Commission Self Insurance Pool. The Controller and Financial Services Director met with officials from the MMRMA. MMRMA was provided with ICRC's premium and claim information for the last ten years. They are preparing a quote to add the Department of Transportation to the County's existing policy effective June 1, 2012.

Worker's Compensation Insurance - The County is self insured. The ICRC's carrier is the County Road Association Self Insurance Fund. The County will absorb the Department of Transportation employees into the County's self insurance pool.

Collective Bargaining Agreements (CBAs) - The ICRC employees are covered by 3 different bargaining units, AFSCME (highway workers), OPEIU (Office & Professional), and OPEIU (Supervisors). All three units have signed CBAs through December 31, 2013. The resolution authorizing the transfer of functions will recognize the 3 CBAs through the end of the contract period (December 31, 2013).

Health Insurance - Physicians Health Plan is the insurance carrier for both the ICRC and the County. The recently ratified AFSCME and OPEIU (Office & Professional) contracts increase the employee's share of premiums from 2% to 10%. In addition, the employees must pay 50% of the increase in any premium costs. The ICRC has approved a 20% premium sharing for the employees covered by the OPEIU Supervisors unit. Attached is a summary that compares the premium costs and deductibles for the County plans and the ICRC plans. (Attachment #2)

It is unclear how the merging of these units into County government may impact the County's overall compliance with the recently enacted legislation (PA 152) that places caps on the public employer's share of employee health insurance premiums.

Retiree Health Insurance - Health insurance is provided for retirees and their spouse at the ICRC's cost. The retiree is only responsible for the cost of the prescription coverage. The only exception is retirees that retired before January, 1, 1991, and whose monthly pension amount from MERS is \$800 or less. For these retirees, the ICRC also pays the premium for the Prescription Drug Plan. In addition, retirees are provided life insurance

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in the amount of \$5,000 or \$10,000. The recently signed CBAs change the coverage for new hires in that they will only receive single coverage and will not receive life insurance.

MERS Benefits - The ICRC offers the MERS B-4 plan to all of their employees. Please see the attached spreadsheet (Attachment #3) which compares the County's MERS plans to the ICRC. The major difference between the County and the ICRC is that the ICRC employees' contribution is zero. The new CBAs also include a new pension plan for new hires with a multiplier of 1.5 as opposed to the 2.5 for current employees. As part of the transition, the Board of Commissioners will adopt a resolution that establishes Ingham County as the employer for the ICRC Divisions. As separate Divisions MERS will automatically track the funded ratios and employer contributions so that all costs may appropriately be charged against transportation funds.

Transportation Planning - The ICRC's federal funds are allocated based on the Transportation Improvement plan developed and authorized by the Tri-County Regional Planning Authority. The local projects are developed in cooperation with the townships and approved by the ICRC.

Currently the County has 5 representatives on the TCRPC Board. Two of the representatives are appointed by the Board of Commissioners (Commissioners Holman & McGrain), one is appointed by Meridian Township, one by E. Lansing, and one by the Road Commission. All 4 of these entities pay \$20,580 per seat on the TCRPC Board. After the transition, the Board could appoint a Department of Transportation representative, or a county commissioner, or a township official, or a delegate at large to the TCRPC Board, assuming the dues of \$20,580 is continued. The dues would of course continue to be paid out of road funds.

Advisory Board - Upon dissolution of the ICRC, the Board of Commissioners may wish to appoint an advisory board that handles strategic planning activities related to local roads. The advisory board would be made up of local township officials.

County Funding—The County currently provides no funding support to the ICRC. If the duties and responsibilities are absorbed into a County Department of Transportation, the Board would make it clear in the resolution that the County does not intend to provide any general fund support. The Board will also direct the Controller/Administrator to separately track all unfunded pension and post employment benefit obligations and develop a plan to ensure that the costs and obligations are paid for out of road funds and do not become an obligation of the county's general operating fund.

The resolution transferring power will indicate the Board of Commissioners intent to maximize funding for transportation priorities by reducing administrative and operational costs. The resolution will also state that the Board will comply with Article IX Section 9 of the Michigan Constitution. That section requires that transportation related fees and taxes must be spent on transportation purposes. The section requires that "All specific taxes, except general sales and use taxes and regulatory fees, Imposed directly or

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indirectly on fuels sold or used to propel motor vehicles upon highways and to propel aircraft and on registered motor vehicles and aircraft shall, after the payment of necessary collection expenses, be used exclusively for transportation purposes as set forth in this section...”

The County Board is committed to insuring that transportation dollars are spent on transportation purposes and will not be used for other County operations. The County, however, would be allowed to allocate documented direct and indirect service related charges.

Other Attachments - Also attached are copies of an organization chart (Attachment #4) and an updated ICRC Fact Sheet (Attachment #5).

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2012 PHYSICIANS HEALTH PLAN COVERAGE
COUNTY VS. ROAD COMMISSION

ATTACHMENT #2

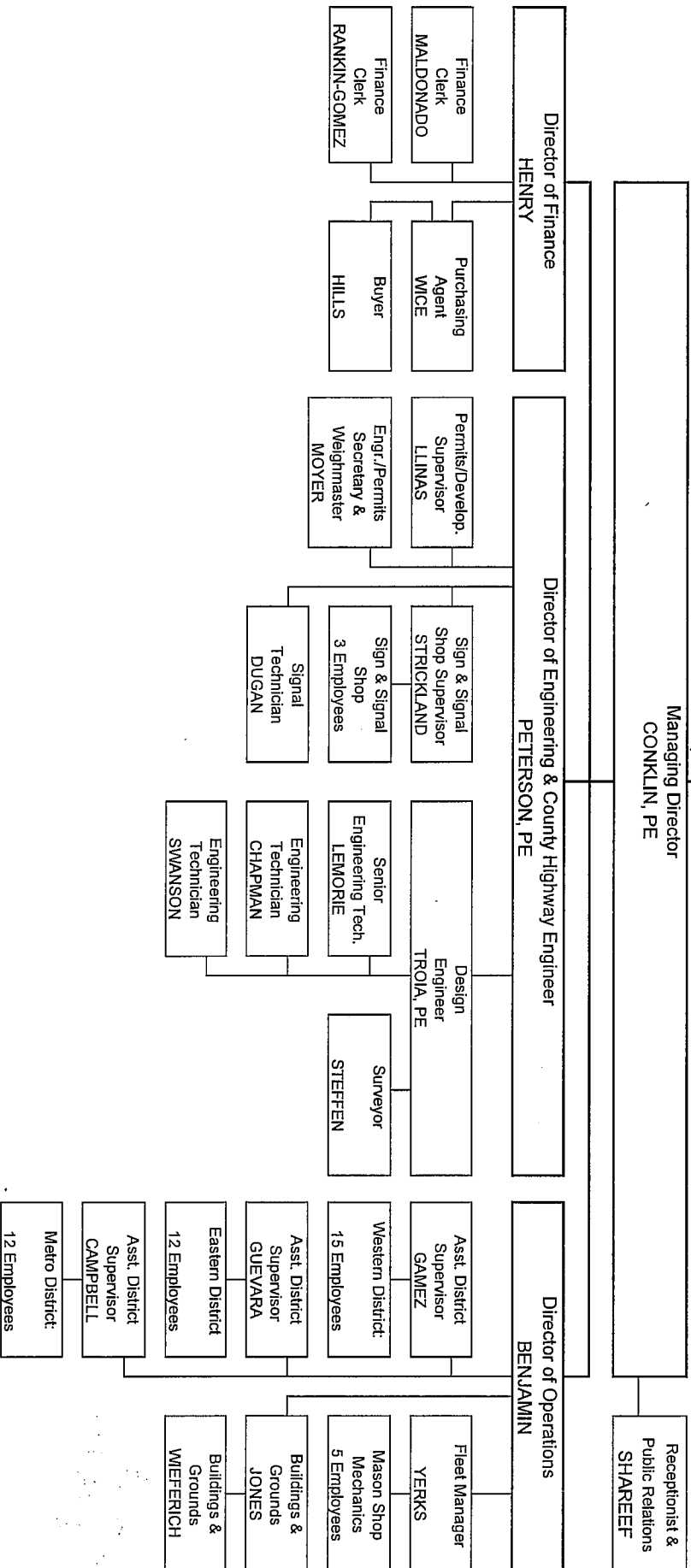
	County High	County Standard	County High Deductible	Road Commission Base	Road Commission High Deductible
Deductible	None	\$500 Single/\$1,000 Family	\$1250 Single/\$2500 Family	\$100 Single/\$200 Family	\$2500 Single/\$5000 Family
Out of Pocket Max	\$1,000 Single/\$2,000 Family	\$1,500 Single/\$3,000 Family	\$2500 Single/\$5000 Family	\$1,000 Single/\$2,000 Family	\$5000 Single/\$10,000 Family
Office Visits	\$20 Co-pay	\$20 Co-pay	20% after Deductible	\$10 Co-pay	20% after Deductible
Most Services	100%	80% after Deductible	80% after Deductible	90% after Deductible	80% after deductible
Employer monthly premium--Family	\$ 1,253	\$ 1,149	\$ 1,007	\$ 1,426	\$ 864
Employee monthly premium--Family	\$ 398	\$ 235	\$ -	\$ 195	\$ 135
Total monthly family premium	\$ 1,650	\$ 1,383	\$ 1,007	\$ 1,622	\$ 999
Annual family premium	\$ 19,803	\$ 16,600	\$ 12,087	\$ 19,464	\$ 11,988
Employee % of Total	24.09	16.96	-	12.05	13.51

MERS Benefits

COUNTY EMPLOYEES	Plan	Vesting	Service\Age	FAC	Employee Contribution
Confidentials	B-4	V-6	F55(15)	FAC-3	5.36
Sheriff Supervisors	3.20%	V-10	F55 (15) or 25 YOS	FAC-3	19.61
General Managers	B-4	V-6	F55(15)	FAC-3	6.39
ICEA Professionals	B-4	V-10	F55(15)	FAC-5	13.42 Cost of Living Factor
UAW	B-4	V-10	F55(15)	FAC-5	3.62
OPEIU	B-4	V-10	F55(15)	FAC-3	9.71
Animal Control	B-4	V-10	F55 (15) or 25 YOS	FAC-3	15.49 Cost of Living Factor
Nurses	B-3	V-6	F55(15)	FAC-3	11.87 Cost of Living Factor
ICEA Court Professionals	B-3	V-10	F55(15) or 20 YOS	FAC-5	9.84
Deputies	3.20%	V-10	F55 (15) or 25 YOS	FAC-5	10.96
APA	B-4	V-6	F55(15)	FAC-5	1.40
Parks Union	B-3	V-10	60	FAC-5	-
Parks Non-Union	B-4	V-10	F55(25)	FAC-3	-
Legal Research Groups	B-4	V-10	60	FAC-5	-
Zoo - MERS/Legal still working on	C-1	V-10	60	FAC-5	-
ROAD COMMISSION EMPLOYEES					
General Hourly	B-4	V-8	F55(20)	FAC-3	0
Administration	B-4	V-8	F55(20)	FAC-3	0
Administration Union	B-4	V-8	F55(20)	FAC-3	0
Department Heads	B-4	V-8	F55(20)	FAC-3	0

ORGANIZATION CHART INGHAM COUNTY ROAD COMMISSION

Board of Ingham County Road Commissioners
 SHIRLEY M. RODGERS, CHAIR
 JAMES DRAVENSTATT-MOCERI, VICE CHAIR
 NORMAN L. GEAR, MEMBER
 MILTON L. SCALES, MEMBER
 MARC THOMAS, MEMBER



Organizational chart as of April 4, 2011

ATTACHMENT #5

INGHAM COUNTY ROAD COMMISSION FACT SHEET

- FTEs - 70
- 2011 Adopted Budget - \$15,006,474
- Financial Statements as of December 31, 2010:
 - Actual Revenues \$19,623,444
 - Actual Expenditures 19,034,823
 - Fund Balance 4,338,949
 - Unreserved Fund Balance 3,092,083
- Collective Bargaining Agreements:
 - OPEIU - Office Personnel - Contract 1/01/2010-12/31/13
 - AFSCME - Highway Workers - Tentative Agreement 1/01/2011-12/31/2013
 - OPEIU - formerly SEIU - Supervisors - Draft Agreement 01/01/2010-through 12/31/2103
- Municipal Employees Retirement System (MERS):
 - Benefit plan B-4
 - 2.5% of final average compensation with maximum benefits of 80%
 - 2012 Contribution - \$964,728
 - 2012 Employer Contribution as a % of payroll - 19.14%
 - 2012 Employee Contribution as a % of payroll - 0%
- Long Term Unfunded Liabilities - Unfunded Accrued Actuarial Liability:
 - MERS Pension System - 70% funded ratio \$ 9,787,460
 - Other Post Employment Benefit - Retiree Health 13,679,964

**PROPOSED CALENDAR
TRANSITION ROAD COMMISSION FUNCTIONS**

<u>DATE</u>	<u>RESPONSIBILITY</u>	<u>DESCRIPTION</u>
March 6, 2012	County Services	Approve resolution establishing public hearing dates required by Public Act 14 of 2012. Discuss preliminary transition plan.
March 13, 2012	Board of Commissioners	Adopt resolution establishing public hearing dates required by Public Act 14 of 2012.
March 20, 2012	County Services	Finalize Transition Plan.
March 27, 2012	Board of Commissioners	Holds 1 st public hearing regarding the transfer of powers, duties and functions of the Board of County Road Commissioners to the County Board of Commissioners.
April 10, 2012	Board of Commissioners	Holds 2 nd public hearing regarding the transfer of powers, duties and functions of the Board of County Road Commissioners to the County Board of Commissioners.
April 17, 2012	County Services	Approves resolution transferring the powers, duties and functions of the County Road Commission to the Board of Commissioners, effective June 1, 2012. Approves resolution establishing the 4 Road Commission MERS divisions as Ingham County divisions. Approves resolution adopting a county budget for the Department of Transportation for the remainder of the 2012 fiscal year. Approves other resolutions as necessary to finalize the transfer.
April 18, 2012	Finance Committee	Approve the resolutions discussed above for the April 17 County Services meeting.

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<u>DATE</u>	<u>RESPONSIBILITY</u>	<u>DESCRIPTION</u>
April 24, 2012	Board of Commissioners	Adopt all resolutions necessary to transfer the powers, duties, and functions of the Ingham County Road Commission to the Ingham County Board of Commissioners.
June 1, 2012		Effective date of transfer.

Introduced by the County Services Committee of the:

INGHAM COUNTY BOARD OF COMMISSIONERS

**RESOLUTION OF INTENT TO DISSOLVE THE INGHAM COUNTY
BOARD OF ROAD COMMISSIONERS AND CREATE AN INGHAM COUNTY
DEPARTMENT OF TRANSPORTATION AND ROADS**

RESOLUTION #11-379

WHEREAS, the Legislature is considering HB 5125 and HB 5126 which would allow the powers, duties, and functions that are otherwise provided by law for a Board of County Road Commissioners to be transferred to the County Board of Commissioners by a majority vote of the County Board of Commissioners elected and serving; and

WHEREAS, HB 5125, and HB 5126 authorize the county board of commissioners to receive and expend funds as allowed under 1951 PA 51, MCL 247.651 to 247.675; and

WHEREAS, HB 5125 and HB 5126 allow for the Board of County Road Commissioners to be dissolved if the powers, duties, and functions are transferred to the County Board of Commissioners; and

WHEREAS, this option will provide Ingham County with at least \$51,740 due to the elimination in salaries and per diems for Road Commissioners, which will be used for road maintenance and improvements; and

WHEREAS, Ingham County has had a history with problems regarding the Board of Road Commissioners; and

WHEREAS, there is currently dysfunction at the road commission resulting in mistrust and anger by Road Commissioners, management, and employees of the road commission; and

WHEREAS, the Ingham County Board of Commissioners wish to mitigate the internal problems at the Road Commission and instead focus on the maintenance and improvement of the county roads.

THEREFORE BE IT RESOLVED, the Ingham County Board of Commissioners hereby expresses its intent to transfer the powers, duties, and functions provided by law for the Ingham County Board of Road Commissioners to the Ingham County Board of Commissioners.

BE IT FURTHER RESOLVED, the Ingham County Board of Commissioners hereby expresses its intent to dissolve the Ingham County Board of Road Commissioners.

BE IT FURTHER RESOLVED, that the Ingham County Board of Commissioners hereby expresses its intent to create an Ingham County Department of Transportation and Roads which will utilize the dollars available to Ingham County under 1951 PA 51, MCL 247.651 to 247.675 or any successor Act for the purposes allowed under 1951 PA 51, MCL 247.651 to 247.675 or any successor Act.

RESOLUTION #11-379

BE IT FURTHER RESOLVED, the Ingham County Board of Commissioners hereby expresses its intent to have the Road Commission management and employee structure be maintained as it was under the Board of Road Commissioners, except managers will report to the managing director and the managing director will report to the County Controller/Administrator.

BE IT FURTHER RESOLVED, that it is the intent of the Board of Commissioners once HB 5125 and HB 5126 are signed into law by the Governor, the Board of Commissioners will adopt the necessary resolutions and implement a plan presented by the County Controller/Administrator.

COUNTY SERVICES: Yeas: De Leon, Copedge, Celentino, Schor, Vickers, Dragonetti

Nays: None **Absent:** None **Approved 11/29/11**

ADOPTED - MARCH 13, 2012
Agenda Item No. 14

Introduced by the County Services Committee of the:

INGHAM COUNTY BOARD OF COMMISSIONERS

**RESOLUTION SETTING PUBLIC HEARINGS ON THE TRANSFER OF
POWERS, DUTIES AND FUNCTIONS OF THE INGHAM COUNTY ROAD
COMMISSION TO THE INGHAM COUNTY BOARD OF COMMISSIONERS**

RESOLUTION #12-68

WHEREAS, House Bills 5125 and 5126 allow county boards of commissioners to dissolve appointed road commissions by a majority vote of the county boards of commissioners, transferring duties of the road commissions to the county boards of commissioners; and

WHEREAS, HB 5125 and HB 5126 authorize the county board of commissioners to receive and expend funds as allowed under 1951 PA 51, MCL 247.651 to 247.675; and

WHEREAS, the Ingham County Board of Commissioners adopted a Resolution of Intent to Dissolve the Ingham County Board of Road Commissioners and Create an Ingham County Department of Transportation and Roads (Resolution 11-379); and

WHEREAS, pursuant to HB 5125, the county board of commissioners shall conduct, at a minimum, 2 public hearings on whether to transfer the powers, duties, and functions of the board of county road commissioners to the county board of commissioners.

THEREFORE BE IT RESOLVED, that the Ingham County Board of Commissioners hereby sets public hearings for March 27 and April 10, 2012, before the Board of Commissioners at 6:30 p.m. in the Board of Commissioners' Room, Ingham County Courthouse, Mason, Michigan to hear any interested persons on the transfer of powers, duties, and functions of the board of county road commissioners to the county board of commissioners.

BE IT FURTHER RESOLVED, that notice of the public hearings will be published pursuant to state law by the County Clerk prior to the hearings.

COUNTY SERVICES: Yeas: Holman, Schor, Grebner, De Leon, Vickers

Nays: None **Absent:** Celentino **Approved 3/6/12**

Introduced by the County Services and Finance Committees of the:

INGHAM COUNTY BOARD OF COMMISSIONERS

RESOLUTION DISSOLVING THE BOARD OF ROAD COMMISSIONERS AND TRANSFERRING ALL OF ITS POWERS, DUTIES AND FUNCTIONS TO THE INGHAM COUNTY BOARD OF COMMISSIONERS; CREATING A DEPARTMENT OF TRANSPORTATION AND ROADS, AND ADOPTING A 2012 BUDGET FOR THE DEPARTMENT

RESOLUTION #12-123

WHEREAS, on December 13, 2011, the Ingham County Board of Commissioners passed Resolution #11-379 expressing their intent to dissolve the Board of Road Commissioners and create an Ingham County Department of Transportation and Roads; and

WHEREAS, on February 21, 2012, Governor Snyder signed Acts Number 14 and 15 of the Public Acts of 2012; and

WHEREAS Public Acts 14 and 15 authorize a county board of commissioners, with an appointed board of county road commissioners, to transfer the powers duties and functions by majority vote of those elected and serving to the county board of commissioners; and

WHEREAS, Section 8 of Public Act 14 requires that a county board of commissioners conduct at least 2 public hearings on whether to transfer the powers, duties, and functions of the board of county road commissioners before adopting such a resolution; and

WHEREAS, the public hearings were held on March 27, 2012 and April 10, 2012; and

WHEREAS, the Ingham County road system has been under the jurisdiction of the Ingham County Board of Road Commissioners for many years. The modern county road system we enjoy today is a result of decades of effort of the Ingham County Road Commission. However, in recent years, there have been signs that it is time for updating the institution that provides for the roads in the county;

WHEREAS, with the authority now established by Public Acts No. 14 and 15 of the Public Acts of 2012, Ingham County has the opportunity to bring the entire road commission organization under the umbrella of Ingham County government to stabilize the road agency and bring about consistency of operation and policies throughout Ingham County government.

THEREFORE BE IT RESOLVED, pursuant to the authority established in Public Acts No. 14 and 15 of the Public Acts of 2012, the Ingham County Board of Commissioners hereby transfer the powers, duties, and functions provided by law for the Ingham County Board of Road Commissioners to the Ingham County Board of Commissioners effective June 1, 2012.

BE IT FURTHER RESOLVED, that effective June 1, 2012 the Ingham County Board of Road Commissioners is dissolved pursuant to the provisions in Public acts 14 and 15 of the Public Acts of 2012.

BE IF FURTHER RESOLVED, that the Ingham County Board of Commissioners hereby absorbs the functions of the Ingham County Road Commission (ICRC) into County government operations by establishing the Ingham County Department of Transportation and Roads effective June 1, 2012.

RESOLUTION #12-123

BE IT FURTHER RESOLVED, that the Ingham County Department of Transportation and Roads will utilize the dollars available to Ingham County under 1951 PA 51, MCL 247.651 to 247.675 or any successor Act for the purposes allowed under 1951 PA 51, MCL 247.651 to 247.675, or any successor Act.

BE IT FURTHER RESOLVED, that the Ingham County Board of Commissioners hereby establishes the Transportation and Road Special Revenue Fund to account for the activity of the Department of Transportation and Roads.

BE IT FURTHER RESOLVED, that the Ingham County Board of Commissioners hereby adopts the attached \$20.69 million line-item budget for the Transportation and Roads Fund for the January 1, 2012 through December 31, 2012 fiscal year, and that County General Fund dollars will not be used to supplement the Transportation and Roads Fund.

BE IT FURTHER RESOLVED, that the Board of Commissioners hereby establishes the attached list of positions with salary ranges and grades levels for the Ingham Department of Transportation and Roads.

BE IT FURTHER RESOLVED, that the County's Position Allocation list is hereby amended to include the attached list of positions.

BE IT FURTHER RESOLVED, that effective June 1, 2012 the Ingham County Board of Commissioners authorizes the transfer of all existing Road Commission employees into these newly established Ingham County positions at the exact same pay and benefit levels that existed prior to the transfer.

BE IT FURTHER RESOLVED, that effective June 1, 2012, the Managing Director of the ICRC will transfer to the new Department of Transportation and Roads and will report to the County Controller.

BE IT FURTHER RESOLVED, that the Director level positions within the new Department of Transportation and Roads will report to the Managing Director and all other reporting relationships will be maintained.

BE IT FURTHER RESOLVED, that the Ingham County Board of Commissioners hereby agrees and confirms that it will recognize through the end of the December 31, 2013 contract term, the three (3) existing collective bargaining agreements, being the agreement with Local #1499 of the American Federation of State, County and Municipal Employees AFL-CIO, Council 25 (Garage and Road Employees Unit), the agreement with Local #512 of the Office and Professional Employees International Union (Office and Professional Employees Unit), and the agreement with Local #512 of the Office and Professional Employees International Union (Supervisory Unit), and recognizes each of these respective unions as the collective bargaining representative for the bargaining units covered by these collective bargaining agreements.

BE IT FURTHER RESOLVED, that the Board of Commissioners authorizes the County Controller to add the Department of Transportation and Roads to our existing liability insurance policy with the Michigan Municipal Risk Management Authority effective June 1, 2012, and to take whatever steps are prudent and necessary to withdraw from the existing ICRC insurance carrier, the Michigan Road Commission Self Insurance Fund.

BE IT FURTHER RESOLVED, that the Board of Commissioners authorizes the increase of the worker compensation insurance specific retention amount from \$400,000 to \$500,000 effective June 1, 2012.

RESOLUTION #12-123

BE IT FURTHER RESOLVED, that Board of Commissioners authorizes the County Controller to add the Department of Transportation and Road employees to the County's existing workers compensation self insurance pool effective June 1, 2012, and to take whatever steps are prudent and necessary to withdraw from the ICRC's existing carrier the County Road Association Self Insurance Fund.

BE IT FURTHER RESOLVED, that the Ingham County Board of Commissioners hereby establishes that it will recognize all other existing contractual agreements entered into by the Ingham County Board of Road Commissioners through the end of the individual contract period.

BE IT FURTHER RESOLVED, that the Department of Transportation and Roads is subject to all county policies including but not limited to purchasing, budgeting, human resources, hiring freeze and delay, travel, etc.

BE IT FURTHER RESOLVED, that the transfer of all the powers, duties and functions includes but is not limited to the following assets: property, equipment, furniture, cash and investments.

BE IT FURTHER RESOLVED, that it is the intent of the Ingham Board of Commissioners to maximize funding for transportation priorities by reducing administrative and operational costs, and to insure that transportation dollars are spent on transportation purposes and will not be used for other County operations.

BE IT FURTHER RESOLVED, that the Ingham County Board of Commissioners will comply with Article IX Section 9 of the Michigan Constitution.

COUNTY SERVICES: Yeas: Holman, Schor, Grebner, Vickers
Nays: Celentino, De Leon **Absent:** None **Approved 4/17/12**

FINANCE: Yeas: Grebner, McGrain, Nolan, Bahar-Cook, Dougan
Nays: Tennis **Absent:** None **Approved 4/18/12**

Attachment H

2012 PROPOSED BUDGET - INGHAM COUNTY DEPARTMENT OF TRANSPORTATION AND ROADS

<u>DESCRIPTION</u>	<u>AMOUNT</u>
FEDERAL AID URBAN STP	3,440,000
MVH FUNDS - ENGINEERING	10,000
MVH FUNDS - PRIMARY ROADS	8,008,399
MVH FUNDS - LOCAL ROADS	2,477,237
MVH FUNDS - URBAN PRIMARY ROADS	1,247,967
MVH FUNDS - URBAN LOCAL ROADS	445,833
OTHER CONTRIBUTIONS	50,000
TOWNSHIP CONTRIBUTIONS	860,000
PERMITS REV - HOLDING ACCOUNT	120,000
OVERHEAD CHARGES	300
SALVAGE SALES	5,000
INTEREST EARNED	6,000
EQUIPMENT RENTAL	2,228,700
CARRY OVER SURPLUS USED	1,189,744
DEPRECIATION CREDITS	568,000
PURCHASE DISCOUNTS	300
TOTAL REVENUE	<u>20,657,480</u>
SOCIAL SECURITY	316,891
MEDICAL INSURANCE	1,600,000
LIFE INSURANCE	25,000
RETIREMENT	947,305
WORKERS COMPENSATION	90,000
UNEMPLOYMENT	20,000
OTHER BENEFITS	3,000
FRINGES RECOVERED	(5,000)
SALARIES	3,917,359
PERSONNEL SERVICES	<u>6,914,555</u>
SNOW & ICE CONTROL	871,000
PAVEMENT MARKING	450,000
MEDICAL - INITIAL DRUG TESTS	2,000
MEDICAL - FOLLOW UP DRUG TESTS	500
MARKERS & SIGNS	20,500
CLOTHING	8,100
CONTRACT MEAL REIMBURSEMENT	25
MEETINGS & SCHOOL	1,000
MECHANIC TOOL REIMBURSEMENT	6,000
HAZARD WASTE	4,200
POSTAGE	4,000
OFFICE SUPPLIES	20,300
SUPPLIES - BOARD ITEMS	5,000
ENGINEERS EXPENSE	6,500
PERMIT DEPT SUPPLIES & EXPENSE	1,000
DUES & SUBSCRIPTIONS	40,000
JANITOR SUPPLIES & SERVICES	49,300
SAFETY SUPPLIES	8,800
MISCELLANEOUS SUPPLIES	8,400
EQUIPMENT SUPPLIES	25,200
EQUIPMENT PARTS	250,100
DIESEL FUEL	260,000

Attachment H

<u>DESCRIPTION</u>	<u>AMOUNT</u>
UNLEADED FUEL	120,000
ANTIFREEZE	10,000
OIL & GREASE	17,200
TIRES & TUBES	23,000
BLADES	30,000
HARDWARE	20,400
ASPHALT & TACK	400,000
SMALL ROAD TOOLS	10,800
INVENTORY ADJUSTMENTS - OFFSET	7,500
INVENTORY ADJUSTMENTS - OTHER	100
INV ADJUSTMENTS - EQUIP PARTS	4,000
INV ADJUSTMENTS - ROAD MAINT	2,500
CORE CHARGES	100
FEES/CONTRACTUAL	7,000
CONSULTANT FEES	45,000
CONTRACTUAL SERVICES - ENGINEER	4,402,000
CONTRACTUAL SERVICES - STATE	1,220,000
ATTORNEY FEES	45,000
AUDIT	9,000
TELEPHONE	48,000
TRAVEL RELATED EXPENSES	16,000
TRAINING RELATED EXPENSES	14,000
FREIGHT CHARGE	200
ADVERTISING	6,000
BUILDING EXPENSE	42,000
OFFICE EQUIPMENT	7,000
EQUIPMENT RENTAL - ROAD	378,700
COMPUTER EXPENSES	10,000
DRAIN ASSESSMENT	450,000
VARIOUS MATERIALS - TO BE DISTRIB.	400,000
SIGNS & SIGNALS	310,000
EQUIPMENT RENTAL	1,850,000
CONTROLLABLE EXPENSES	<u>11,947,425</u>
BONDS	1,500
LIABILITY INSURANCE	219,000
MINI CLAIMS	250
LIGHTS	71,250
HEAT	60,000
WATER	14,000
NON-CONTROLLABLE EXPENSES	<u>366,000</u>
DEPRECIATION - OFFICE BUILDING	171,000
DEPRECIATION - ROAD EQUIPMENT	350,000
DEPRECIATION - SHOP EQUIPMENT	6,000
DEPRECIATION - ENGINEER EQUIP	8,000
DEPRECIATION - YARD & STORAGE	18,000
DEPRECIATION - OFFICE EQUIPMENT	15,000
CAPITAL OUTLAY - ROAD EQUIPMENT	830,000
CAPITAL OUTLAY - ENGINEER EQUIP	31,500
CAPITAL OUTLAY	<u>1,429,500</u>
TOTAL EXPENSES	<u>20,657,480</u>

Attachment H

**Ingham County Department of Transportation and Roads
2012 Approved Positions**

Job Classification	Department	Division	Unit	Grade	2012 Pay Range
Highway Worker 4	DTR	Western Garage	AFSCME	4	\$17.82 - \$20.48
Highway Worker 4	DTR	Western Garage	AFSCME	4	\$17.82 - \$20.48
Highway Worker 4	DTR	Western Garage	AFSCME	4	\$17.82 - \$20.48
Highway Worker 4	DTR	Western Garage	AFSCME	4	\$17.82 - \$20.48
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Highway Worker 4	DTR	Western Garage	AFSCME	4	\$17.82 - \$20.48
Highway Worker 4	DTR	Western Garage	AFSCME	4	\$17.82 - \$20.48
Highway Worker 3	DTR	Metro Garage	AFSCME	3	\$17.69 - \$20.35
Highway Worker 3	DTR	Metro Garage	AFSCME	3	\$17.69 - \$20.35
Highway Worker 3	DTR	Metro Garage	AFSCME	3	\$17.69 - \$20.35
Highway Worker 3	DTR	Metro Garage	AFSCME	3	\$17.69 - \$20.35
Highway Worker 3	DTR	Metro Garage	AFSCME	3	\$17.69 - \$20.35
Highway Worker 3	DTR	Western Garage	AFSCME	3	\$17.69 - \$20.35
Highway Worker 3	DTR	Western Garage	AFSCME	3	\$17.69 - \$20.35
Highway Worker 3	DTR	Western Garage	AFSCME	3	\$17.69 - \$20.35
Highway Worker 3	DTR	Western Garage	AFSCME	3	\$17.69 - \$20.35
Temporary Seasonal - Thru 9/30/12	Engineering				\$15.00/Hour
Temporary Seasonal - Thru 9/30/12	Engineering				\$15.00/Hour

Report to Jackson County Board of Commissioners

Feasibility Study for County Operation of Jackson County Road Commission

August 10, 2012



Michael R. Overton
County Administrator/Controller

Adam J. Brown
Deputy County Administrator

Jackson County Board of Commissioners

James E. Shotwell, Jr., Chairman

Michael J. Way, Vice-Chairman

Julie Alexander

Philip S. Duckham III

David K. Elwell

Clifford E. Herl

David F. Lutchka

Gail W. Mahoney

Carl Rice, Jr.

Patricia A. Smith

James C. Videto

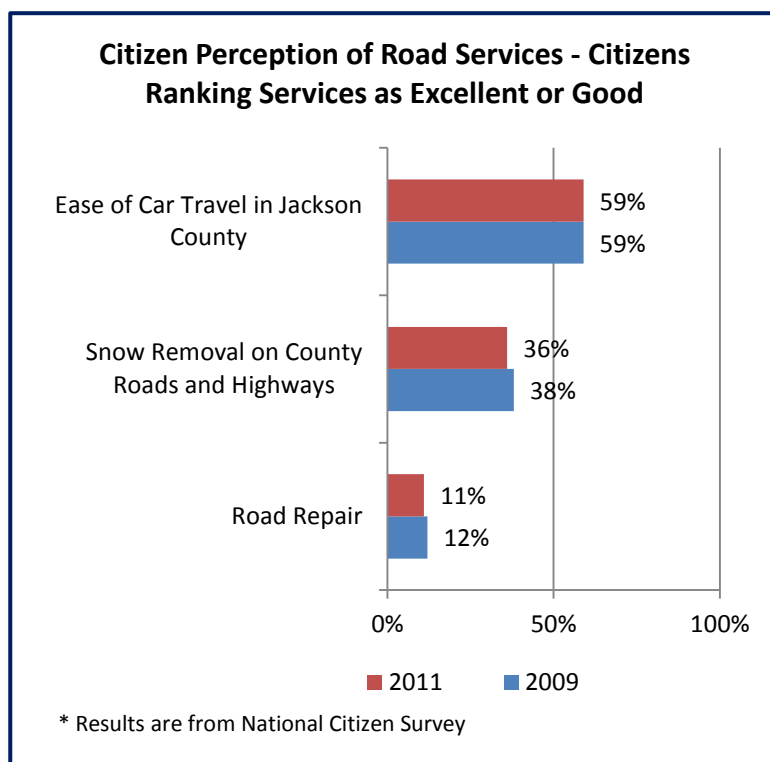
Jonathan T. Williams

Executive Summary

Earlier this year (2012) the State legislature approved amendments to Public Act 283 of 1909 which allows the Jackson County Board of Commissioners to transfer powers from the Jackson County Road Commissioners to the County Board of Commissioners. Ingham County has already moved to transfer powers and Calhoun County recently received a recommendation from an ad hoc committee for the County to assume the powers of the Road Commission. Other counties have reviewed the issue and have decided to take no action.

Many citizens do not understand that road maintenance and construction are administered by a separate appointed body and that the Board of Commissioners and the Jackson County Administrator/Controller's office do not have any direct control or oversight for this public service.

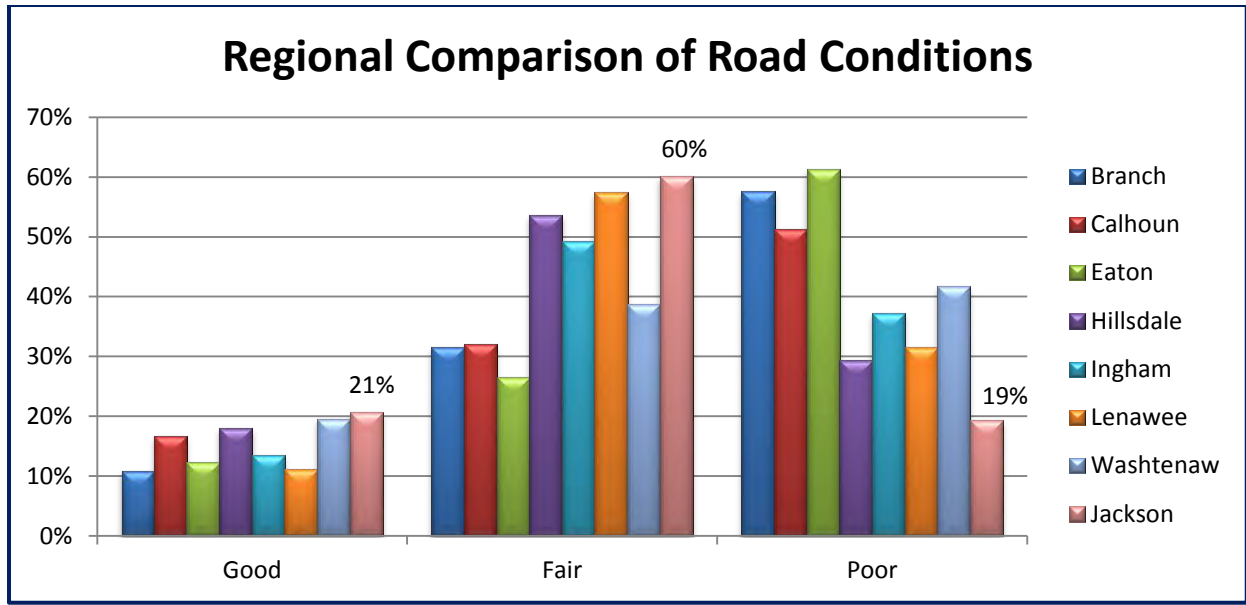
While the Board of Commissioners may not have any formal oversight responsibilities, citizen perception is otherwise. Thus, County Commissioners frequently find themselves involved in Road Commission matters without the power to effectuate change. Citizen's perceptions are measured multiple ways. Jackson County participates in the National Citizen Survey every other year. Results from the most recent two surveys are shown to the left.



The County uses benchmark data to compare our services with other communities nationally and regionally. When compared to these other communities, Jackson County Roads

measure either similar-to or below their regional and the national benchmarks. With respect to the ease of car travel in the County, we are similar to the national comparison, but below the north central region comparison. The north central region includes Wisconsin, Iowa, Illinois, Indiana, Ohio, and Michigan. With road repair and snow removal we rank 'much below' the national and north central region comparison.

It's important to note when making interstate comparisons that each State manages their road programs differently and have varying governance models. Thus, some of the best comparisons come from within Michigan, given the same governance constraints. The Jackson County Road Commission competes well when compared with other counties in Michigan. The chart on the following page shows a comparison of road conditions from each county surrounding Jackson.



The chart above suggests that the Jackson County Road Commission is doing better than our surrounding counties within the constraints in which they operate. Of all eight (8) comparison counties, Jackson had the lowest number of roads rated poor. While everyone wants good roads to drive on, the biggest inhibitor is a structural revenue problem. The revenue stream does not meet the level of service desired by citizens, nor is there the political will to change it.

With the lack of understanding by citizens about how road maintenance and construction is administered, the de facto responsibility by the Board of Commissioners, and the perception by citizens of the services provided, it is appropriate for the County to conduct a feasibility study of the potential to transfer powers from the Jackson County Road Commission to the County Board of Commissioners.

At the Board's request we have analyzed the issues surrounding the transfer of power from the Jackson County Road Commission to the Jackson Board of Commissioners. The following study outlines the different issues surrounding this decision.

While this may not represent the views of the Road Commission staff, we acknowledge that they have been very accommodating in providing us the necessary information to complete the study and providing feedback. We met with the executive staff and Road Commissioners at the outset of this study and the executive staff at the conclusion. We appreciate their contribution and openness.

Basic Description of Organization

Jackson County has 544 miles of primary roads, 1,039 miles of local roads, and 280.5 miles of state trunk line, all of which are under the direct or contractual responsibility of the Jackson County Road Commission. The Road Commission's 2011 expenses totaled \$15,943,645. Revenues were slightly less at \$15,377,800.

The Road Commission is governed by a five member Board of Road Commissioners appointed by the Jackson County Board of Commissioners. Road Commissioners are appointed for six-year staggered terms.

The Road Commission has 76 employees and is composed of basically five work functions under the Managing Director as shown below. The Managing Director reports to the five appointed Road Commissioners.



Personnel

The obvious savings would be the elimination of compensation for Road Commissioners. That is approximately \$28,200 per year.

Regardless of which Board, appointed or elected, has oversight for road services, a Director level position would be needed to manage this as a County department. There is a possibility that the salary may be less as a Department Head than as a Managing Director, however, it will really depend on the job market for that type of position. Intuitively, even as a Department Head, the responsibility level will not change substantially. The Department Head would have less responsibility for the financial and administrative functions of the organization, but the candidate pool would be roughly the same as if you were hiring a Managing Director, with the compensation expectations the same or slightly less.

The Road Commission Administration is lean. While there will be some salary and benefit savings, it is not expected to be significant. The County Finance Director would serve as the financial officer for the Road Commission, but the County would definitely need an additional accountant knowledgeable about Act 51. Thus, there would likely be some additional savings by reducing another Director level position to that of a staff accountant.

It may be possible to reorganize the Road Commission given the additional economy of scale provided by the larger County organization creating greater efficiency and effectiveness. The organizational chart

suggests there are three director level positions with two subordinates, one director level with no subordinates, and one director level position with 60 subordinates.

Personnel Implications:

- The Road Commission Administration is lean, yet there is some savings to be gained.
- Economies of scale are available and would also add strength and depth to the County's organization too.

Financial

The JCRC finances are in acceptable condition. Total expenses in 2011 were \$15,943,645, while revenues were \$15,971,379. They added \$27,657 to fund balance in 2011, which leaves them an undesignated unreserved fund balance of \$2,686,171.

Other Post-Employment Benefits (OPEB) – The Road Commission has a large OPEB when you look at percentage of retirement payroll similar to the County general. They have not been making the annual required contributions (ARC) and have accrued a liability on their balance sheet of \$1,758,487. They have a total OPEB unfunded liability of \$11,579,460. Even with this, they were able to reduce the ARC from \$1.27 million in 2010 to \$652,908 in 2011 by eliminating an escalator clause for retiree health insurance.

Pension System – The Road Commission has 98 Retirees, four inactive vested members, and 77 active plan participants, for a total of 179 members in the Jackson County Pension System. Whereas the County has closed off any new participation in the pension system, the Road Commission is still open. They are funded at a rate of 83.1%, which is much better than the General County pension system.

A transfer of authority would allow the Board of Commissioners to potentially close new JCRC participation in the pension system. As we have seen in the General County pension system this would cause a short to mid-term increase in obligations for the JCRC.

The other factor to consider is that the Road Commission employees split the cost for the pension system, which is much larger contribution than what is required from County General employees. Changing that arrangement would leave that provision open for negotiation, because of the potential increased contribution requirements for a closed system.

Long Term Debt – The Road Commission has very little in terms of long-term debt, other than accrued paid time off (PTO). They use a pay as you go strategy (cash) for road improvements and construction.

Segregating Finances - The elimination of the County Road Commissioners and the operation of JCRC by the County Administrator/Controller do not bring any additional funds to the program. The Road Department would still operate as a component unit under the County's authority and the operation

should be treated as a discrete business line, where revenues must equal expenses without County general fund support.

Facilities & Fleet – The Road Commission has downsized considerably, in 2008 they had 101 employees, and in 2012 they have 76 employees. Many of those employee reductions had need of office space and thus the JCRC currently has some excess office space. Therefore, it may be possible to lease or collaborate or co-locate thereby more fully utilizing the available space. It may be possible to reduce the number of facilities altogether.

The County has not explored combining fleet services or maintenance, but this could be explored regardless of whether the Board takes over the Road Commission. The Road Commission garage is primarily set up to work on large diesel vehicles, but there is likely some economy of scale to be achieved regardless. Road Commission currently contracts out regular minor maintenance such as oil changes. The County contracts out all vehicle maintenance with the exception of the Sheriff's Department. Thus, we have three groups performing fleet maintenance differently...clearly there is an opportunity to work together to reduce overall costs.

Financial Implications:

- Elimination of Road Commission Board savings.
- Administration, where there is most likely to be savings, is already lean.
- There are potential savings in salaries, but most likely not a material change.
- Incongruent retirement systems, Board would be in the DB pension business again.
- The County is considering movement to a new financial system; the potential exists to find one financial system that serves both entities.
- Opportunities exist, regardless of the outcome of this study, to collaborate with fleet and facilities repair and maintenance.

Technology

The County has already worked out contractual arrangements to provide information technology services to the Road Commission. The financial benefits have already been obtained.

Information Systems – The County is considering purchase of a new financial system. Should the Board of Commissioners be inclined to make this change, we would include this in our review of vendors, such that we could share a financial system, which would alleviate some redundancies in payroll, accounting, and auditing. Nearly all County Road Commissions use one of two off-the-shelf systems or have a customized in-house system. The in-house systems come from the larger Michigan Counties like Washtenaw and Oakland. The County would explore how Cities track their road expenses, as a large number of them use the BS&A enterprise system.

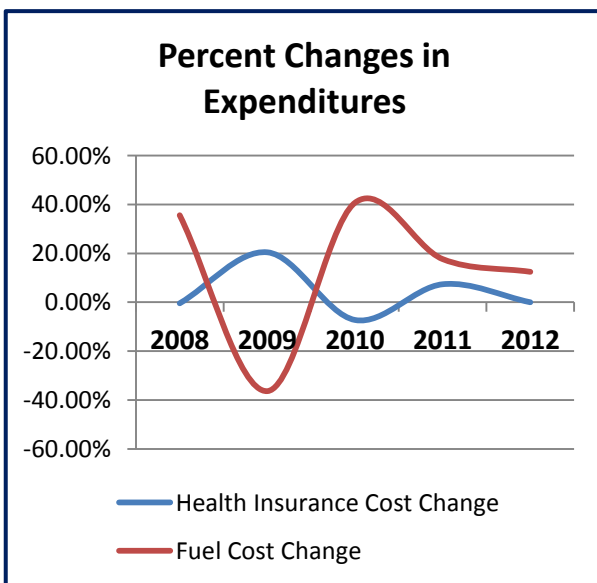
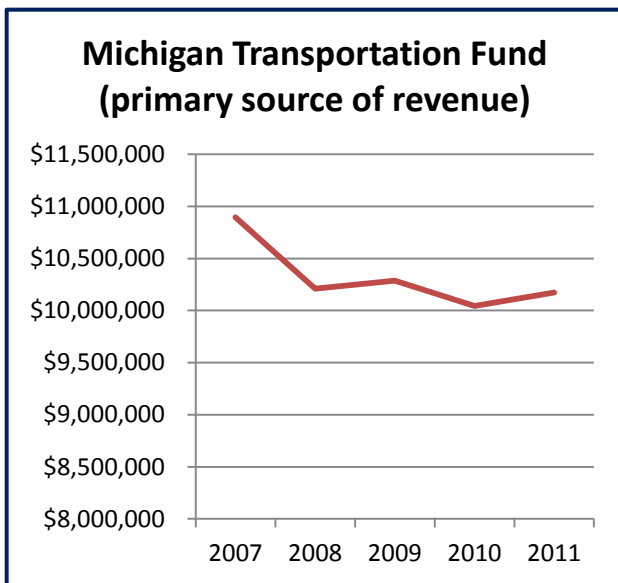
Technology Implications:

- The County already provides IT support for the Road Commission. The savings have been realized.
- The County is considering movement to a new financial system; the potential exists to find one financial system that serves both entities.

Political

The current system provides a buffer between citizens and the Board of Commissioners. Beyond appointments to the Road Commission, the Jackson County Board of Commissioners holds no direct oversight of the agency. Appointees versus elected district based leadership. The change in oversight for the Road function undoubtedly changes the atmosphere in which decisions are made.

Managing Expectations – Expectations may, at least for the short term, be high. There will be an expectation that if the Board of Commissioners assumes powers of the Road Commission that the Board of Commissioners has the ability to improve the service level. There is no additional capacity within the County’s general fund to subsidize road programs. Without any revenue changes, the County would still be limited to the same constraints that hinder the Road Commission. The chart below on the left shows the change in the Michigan Transportation Fund, the Road Commission’s primary source of income. That income has been reduced by 7% since 2008. During this same period of time, they have dealt with oscillating expenses such as health care and fuel costs. Expectations will be difficult to meet without revenue enhancements.



District Based Representation versus County Wide Appointments – The authorization of the Board of Commissioners to have direct oversight of the Road Commission may increase pressure on Commissioners to vote for what’s in their district’s short-term best interest versus what’s in the overall long-term County’s best interest.

Centralized Decision Making – One of the proponent values to assuming powers of the Road Commission is centralized decision making. There is value in one group enabled to deliberate and balance competing priorities as opposed to having segmented advocacy boards without the need to balance between priorities. Citizens can petition one body as opposed to a fragmented system. Frankly, it’s easier for Citizens to know who to call when the need arises!

Political Implications:

- Expectations will be high, should the County assume powers from the Road Commissioners.
- No additional revenues will be received, but an expectation of improved service and visible results will be expected.
- Project selection has the potential to be adversarial amongst Commissioners who may think it is their responsibility to fight for “district” dollars.

Cultural

Cultural assimilation of two groups is perhaps the most difficult form of change. Most likely due to recent painful union negotiations, County staff and Commissioners have experienced a high volume of contacts from Road Commission personnel expressing dissatisfaction. The union initiated negotiations late and then pushed for de-certification which halted negotiations. After the de-certification attempt failed, negotiations resumed in late December of 2011. An agreement was reached and then voted down. A second tentative agreement was passed in late March of 2012. We received a letter from the Chief Steward of the local AFSCME unit assuring us that the recent outreach to the County staff was due to negotiations. In his opinion, now that the contracts are settled, membership will feel more comfortable about their work environment.

Differences in contracts, work conditions, and history may create an initial conflict between employees of the two organizations. The two entities will need to agree upon organizational values to resolve these issues. The compensation and benefit structures of the two entities will need to move toward greater alignment.

Cultural Implications:

- Cultural adjustments will take time.
- There may be an initial conflict between employees of the two entities due to differences in contracts, work conditions, and history.

Management

From a management perspective, the Administrator/Controller's office is a coordinating office for the Board of Commissioners for many diverse business lines. As with other departments, the Administrator/Controller need rely on trained professionals to lead their departments. The Road Department would simply be another business line to coordinate with the Board of Commissioners.

Learning Curve – Road Commission appointees are not expected to have any immediate experience or qualifications with road construction and maintenance or the scores of legislative boundaries within which they operate; however there is a significant learning curve. The learning curve is surmounted with time and training/coaching from professional Road Commission staff. Commissioners would also have to go through the educational process to fully appreciate the Road Commission complexities. Road Commissioners are appointed for six years versus every two years for County Commissioners. Thus, training and learning will be an ongoing and continuous process.

Single Point of Services – One of the benefits of the Road Commission coming under the Board of Commissioners is the concept of single point of service. As noted, most citizens do not know that the Board of Commissioners has no direct oversight over the Road Commission other than the appointment of the Road Commissioners.

The Jackson Way – Commissioners and County staff have seen much conflict within the Road Commission over the last few years. This is typical of any organization faced with the downsizing the Road Commission has endured. Difficult decisions have been made by the County Road Commissioners, and they have remained financially solvent. We believe the Road Commission could benefit from our leadership philosophy of high performance organizations, the Jackson Way, which takes an employee engagement and long-term planning approach to the business of the County.

Communication - From our perspective the communication has improved over the past few years. Our office, however, continues to receive calls, emails, and other communication from citizens frustrated with their inability to talk with someone at the Jackson County Road Commission. This would improve with economy of scale.

In this day of open government, there is surprisingly very little information available on the Road Commission website with respect to their finances and budget. Neither the budget nor the annual audit is available on the website. Meeting minutes, as well, are not posted online for the public to view. We were provided a copy of the 2011 Road Commission budget, approximately \$16 million, which consists

of a two page spreadsheet. We believe the County Road Commission would benefit from our budget approach, which includes descriptions of the programs, what funds are expended, and performance measures to show accountability.

Management Implications:

- The Road Commission would exist as another department, amidst a broad range of services under the direction of the Administrator/Controller and the Board of Commissioners.
- Road Commission business learning curve for County Commissioners.
- The acquisition of the Road Commission promotes the concept of a single point of service. Citizens become frustrated with poor access to government because of the split services.
- The County would improve the amount of information available about the Road Commission budget.
- Opportunities exist to improve communication with citizens.

Timing

Change has become the unofficial theme of local government for the last few years. The Board of Commissioners has made difficult decisions to scale back County government to live within our means. More changes will be required in the coming year to conform to unexpected challenges. Not only has County staff been reduced but the Board of Commissioners will be operating with three fewer Commissioners in 2013 as a result of the Reapportionment Commission. Assuming control of the Road Commission as a County department will require additional time from elected officials, this may be time they do not have.

The managing director is expected to retire in June of 2013. This is a key leadership position in the organization. Were the Board to assume this as a County Department, the Administrator/ Controller's Office would need to look at continuity of leadership early in the transition of authority. The selection process for a new Department Head would begin in early 2013. This would ensure not only a timely selection, but the best fit to manage the change and work with the existing County leadership.

The change may occur at any date specified in a resolution before January 1, 2015. If the Board is inclined to take on this challenge we believe it would be cleanest to do it at the beginning of the fiscal year, January 1, 2013.

Implications:

- The current changes amongst the Board and the organization will make assuming this responsibility challenging.
- Cleanest time to make the change would be at the beginning of the fiscal year.

Other Collaboration

Opportunities exist for the Road Commission to do preventative and regular maintenance to County vehicles as stated earlier. This collaboration should be doable with or without consolidation. The Road Commission has expressed an interest in providing this service for the County. The County is interested in examining this as well.

The idea of collaborating with other County's for road services has been suggested. Should the Board of Commissioners choose to assume power of the Road Commission, they would be in a position to explore those efficiencies and contracts. The Road Commission has already been used, contractually, by the neighboring counties of Washtenaw, Ingham, and even Kalamazoo which has resulted in savings for the Jackson County Road Commission. Without direct supervision of the Road Commission, the Board of Commissioners cannot compel the Road Commission to seek these opportunities.

Implications:

- Opportunities exist for regular and preventative maintenance on County vehicles with or without consolidation.
- Were the Board of County Commissioners to assume power from the Road Commissioners, collaboration with other counties could be explored as directed to the Board of Commissioners.

Procedural

The County must conduct, at minimum, two public hearings before acting by resolution to transfer powers, duties, and functions of the Board of County Road Commissioners to the County Board of Commissioners. As noted in MCL 224.6 (7) the Board of County Commissioners has until January 1, 2015 to transfer powers from the appointed Board of County Road Commissioners to the Jackson County Board of Commissioners.

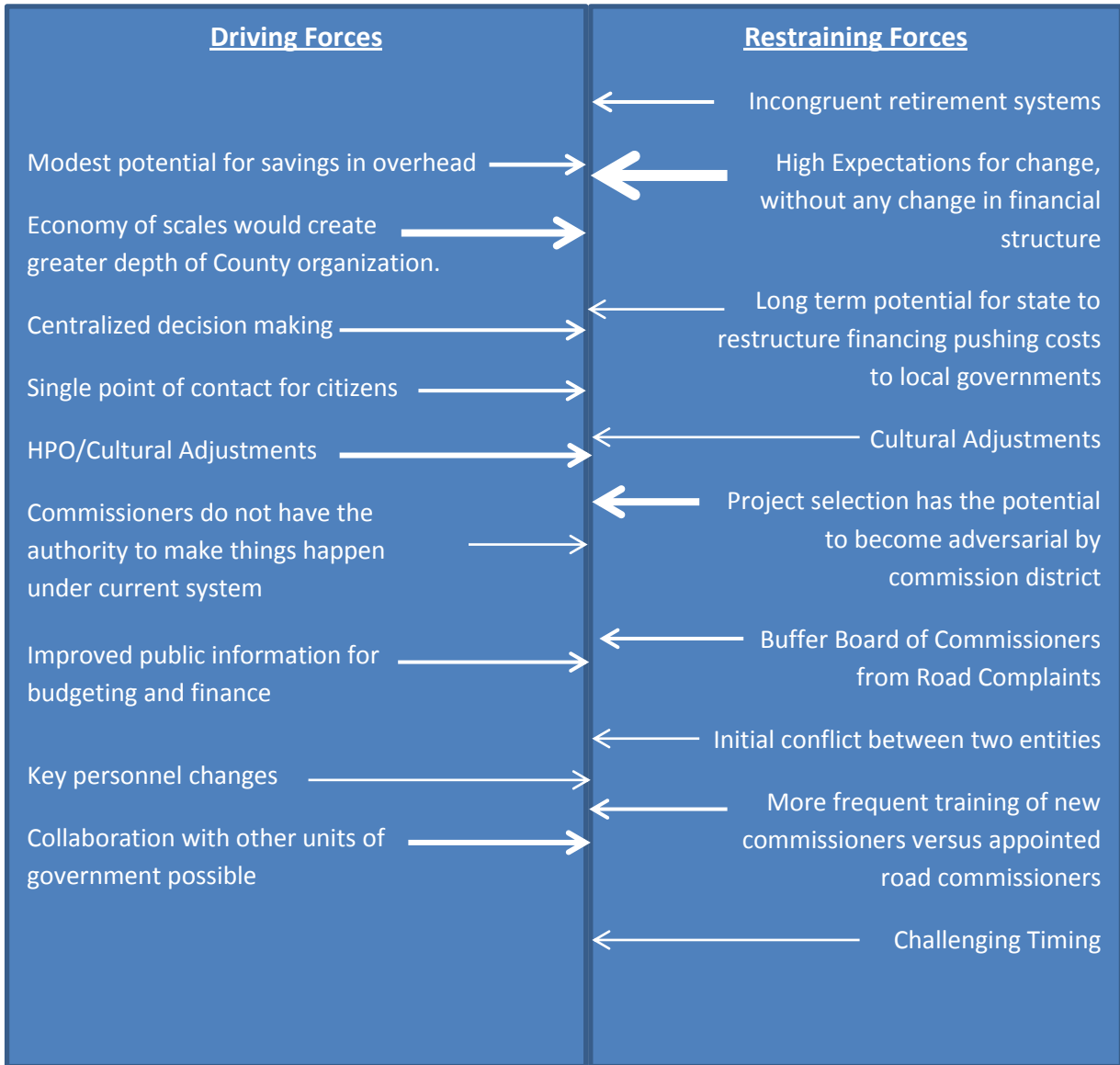
We support the recommendation to convene a special Road Commission Ad Hoc Committee, following the acceptance of this report, to work through the issues and provide a recommendation to the Board of Commissioners.

Conclusion

After reviewing the implications of the Board of Commissioners assuming powers of the appointed Road Commissioners, we find no compelling analytic reason to make a change, nor do we find a compelling reason not to change the current system. There's no reason to believe that service will decline if taken over by the Board of Commissioners. There would be some monetary savings, and we believe citizen access and communication would improve through a single point of service and centralized decision making. Is this enough to warrant change? There are restraining forces and driving forces for this question. The Board should carefully consider the implications and weigh the benefits with the opposing forces.

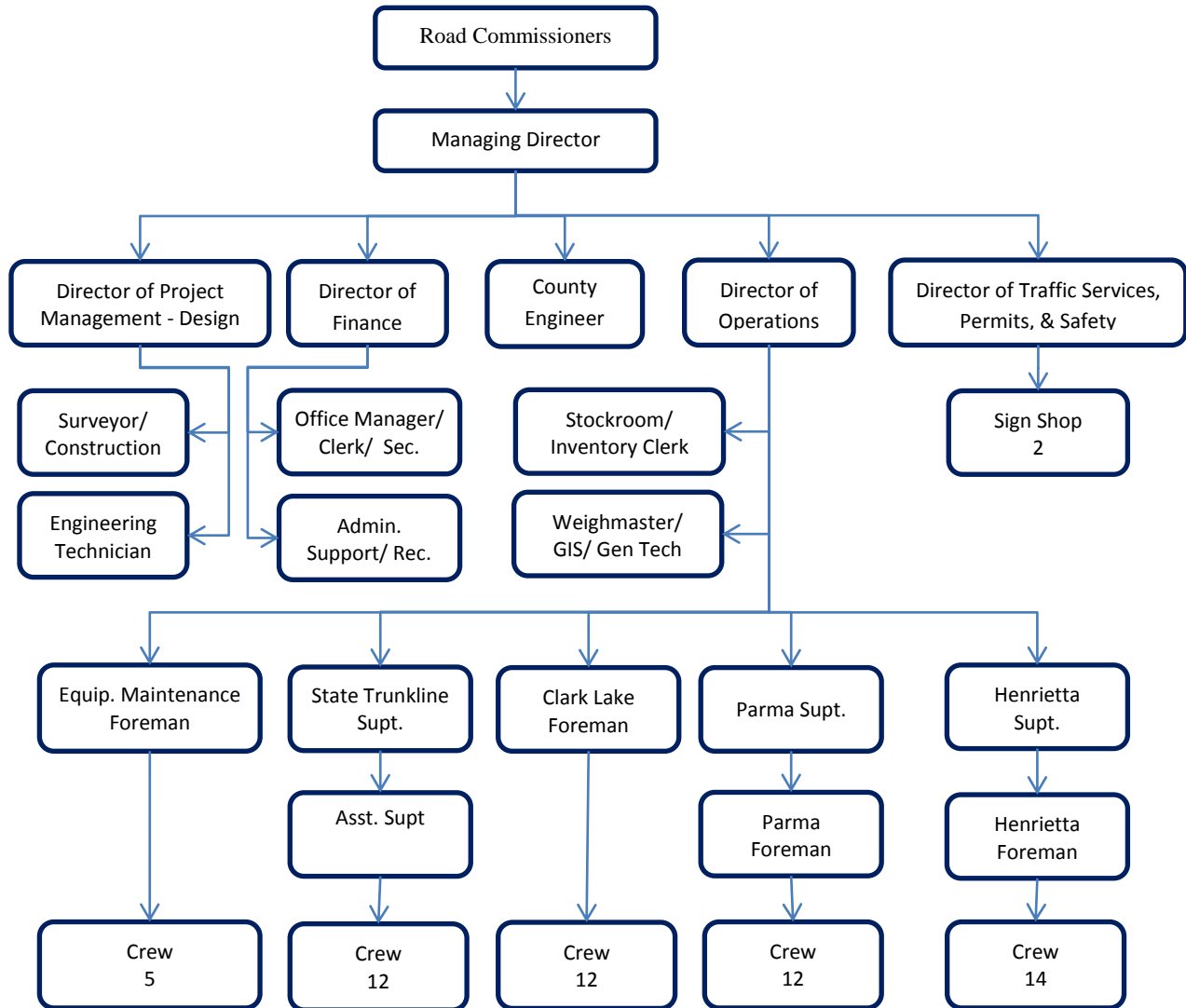
We recommend the Jackson County Board of Commissioners create a committee to further study the issue and make a recommendation to the full Board of Commissioners.

Force Field Analysis



Appendix A

Organizational Chart



Attachment J

Road Commission Task Force Members

County Board: Don Disselkoen
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Attachment K1

Financial Impact of Consolidating Road Commission with Ottawa County

	Ottawa County						Jackson County Annual Savings	Calhoun County Annual Savings	Ingham County Annual Savings	Comments
	Road Commission is Independent	Annual Revenue (2012)	Road Commission is Part of County	Annual Revenue (2012)	Potential Savings/ Added Cost	Annual Revenue Gained (2012)				
REVENUES										
<i>Michigan Transportation Fund (MTF)</i>										
MTF Primary Road		\$11,229,737		\$11,229,737		\$0				
MTF Local Fund		\$5,154,165		\$5,154,165		\$0				
Federal and State Sources		\$6,448,814		\$6,448,814		\$0				
State Trunkline Maintenance		\$3,280,114		\$3,280,114		\$0				
Townships		\$6,397,379		\$6,397,379		\$0				
Salvage Sales		\$35,781		\$35,781		\$0				
Interest Earned		\$38,035		\$38,035		\$0				
Other Revenues		\$267,115		\$267,115		\$0				
Public Utilities Department Overhead		\$69,334		\$0		(\$69,334)			The Road Commission charges 10% overhead to the Public Utilities Department. If they are part of the County, the Road Commission would no longer receive this revenue	
Total Revenues		\$32,920,474		\$32,851,140		(\$69,334)				
EXPENSES	FTE	Annual Cost (2012)	FTE	Annual Cost (2012)	FTE	Annual Cost Savings (2012)				
Salaries										
Board of Road Commissioners	5.0	\$45,500	5.0	\$7,540	0.0	\$37,960	\$28,200 ¹	\$37,200 ¹	\$51,740 ¹	"Road Commission is Independent" cost is the FY 2013 budgeted amount. "Road Commission is Part of County" cost is based on the creation of a 5-member Board, 26 meetings per year, a per diem of \$40 per Board member per meeting, and average mileage of \$18 per Board member per meeting. If the County Board of Commissioners decided to assume the duties of the Road Commission Board instead of creating a new Board, there would be an annual cost savings of \$45,500
Administration										
Managing Director	1.0	\$97,576	1.0	\$97,576	0.0	\$0	\$5,000-\$10,000 ²			
Environmental Coordinator	1.0	\$56,888	1.0	\$56,888	0.0	\$0				
Human Resources Administrator	1.0	\$49,666	1.0	\$49,666	0.0	\$0			Implements and monitors all safety programs, with 50% of time spent on payroll	
Finance										
Finance Director	1.0	\$87,228	1.0	\$73,069	0.0	\$14,159	\$10,000-\$15,000 ³			
Secretary/Receptionist	1.0	\$40,431	1.0	\$37,585	0.0	\$2,846			The County's pay grade is lower	
Accounting Staff	2.0	\$117,425	1.5	\$82,698	0.5	\$34,727			The Accounting Administrator position will be reclassified to a 0.5 FTE. The County's pay grade for an Accountant is lower than the Road Commission	
Inventory/Purchasing	1.0	\$49,142	1.0	\$49,142	0.0	\$0				
Payroll								\$43,145 ⁶	Payroll is completed by the Human Resources Administrator	
Engineering										
Engineering Director	0.0	\$0	0.0	\$0	0.0	\$0			Vacant - Managing Director currently performs duties	
Road Engineering Staff	8.0	\$479,227	8.0	\$479,227	0.0	\$0				
Special Services Staff	4.3	\$239,218	4.3	\$239,218	0.0	\$0				
ROW Planning	0.0	\$0	0.0	\$0	0.0	\$0			Vacant - Managing Director currently performs duties	
Traffic and Signs Staff	5.0	\$266,538	5.0	\$266,538	0.0	\$0				
Operations										
Operations Director	0.0	\$0	0.0	\$0	0.0	\$0			Vacant - duties currently performed by Managing Director, Finance Director, and Operations Superintendent	
Operations Superintendent	1.0	\$76,033	1.0	\$76,033	0.0	\$0				
Road Operations Staff	62.0	\$2,820,249	62.0	\$2,820,249	0.0	\$0			An additional 25 positions are declared no-vacancy	
Equipment/Property Staff	18.0	\$846,468	18.0	\$846,468	0.0	\$0			An additional 4 positions are declared no-vacancy	
Overtime		\$301,595		\$291,300		\$10,295			Cost savings is the result of reclassifying two Road Commission positions into Unclassified County positions	
Sub-Total (Salaries)	111.3	\$5,573,184	110.8	\$5,473,197	0.5	\$99,987				
Fringe Benefits										
Health		\$1,080,642		\$1,024,302		\$56,340			"Road Commission is Independent" cost includes optical cost for Bargaining Unit employees. FY 2013 cost was utilized because the County's rates changed	
Dental		\$105,507		\$61,655		\$43,852			FY 2013 cost was utilized because the County's rates changed	
Optical		\$5,777		\$8,498		(\$2,721)			"Road Commission is Independent" cost excludes optical cost for Bargaining Unit employees. FY 2013 cost was utilized because the County's rates changed	
Opt-Out of Coverage		\$22,941		\$21,600		\$1,341			Employees who opt-out of Road Commission insurance coverage receive 40% of the Employer Paid premium; County employees receive \$2,400	
Sub-Total (Fringe Benefits)		\$1,214,867		\$1,116,055		\$98,812			Cost savings will occur after all existing contracts are renegotiated, and current staff positions are vacated through attrition	
Other Benefits										
FICA/Medicaid		\$426,349		\$418,123		\$8,226				
Life Insurance		\$16,200		\$16,397		(\$197)				
Workers Compensation Insurance		\$130,576		\$103,517		\$27,059			Based on average claims for the past 8 years and third party administration cost	
Unemployment		\$3,009		\$30,061		(\$27,052)				
Long-Term Disability		\$0		\$15,031		(\$15,031)				
Retirement/MERS		\$1,226,957		\$1,226,957		\$0			If the Road Commission were to move under the County, their employees would eventually move to a Defined Contribution plan. The reduction in cost cannot be calculated at this time	
457 Plan Match		\$0		\$35,435		(\$35,435)				
Sub-Total (Other Benefits)		\$1,803,091		\$1,845,521		(\$42,430)			Cost savings will occur after all existing contracts are renegotiated, and current staff positions are vacated through attrition	

Attachment K1

Financial Impact of Consolidating Road Commission with Ottawa County

	Ottawa County			Jackson County Annual Savings	Calhoun County Annual Savings	Ingham County Annual Savings	Comments
	Road Commission is Independent	Road Commission is Part of County	Potential Savings/ Added Cost				
	Annual Cost (2012)	Annual Cost (2012)	Annual Cost Savings (2012)				
EXPENSES							
Contractual Services							
Benefits claims					\$16,000 ⁶		
Legal	\$13,566	\$6,783	\$6,783		\$25,000 ⁶		About half of the legal services used by the Road Commission are for right-of-way acquisitions; these legal services will continue to be provided by an outside attorney. The other legal services will be provided by the County's Corporate Counsel
GIS	\$10,000	\$0	\$10,000				The County charges the Road Commission a GIS fee. If the Road Commission is part of the County, they will no longer be charged this GIS fee
Information Technology (IT)	\$50,402	\$235,785	(\$185,383)	\$0 ⁴	\$63,856 ⁶		"Road Commission is Independent" cost does not reflect all IT functions. Some employees perform their own IT work that they would not have to perform if they are part of the County. The cost also includes an estimate for replacement of IT equipment and software, amortized over 5 years to account for significant purchases that are anticipated in the next 3 years. "Road Commission is Part of County" cost is the fee they will be charged for IT services. The County will not add IT staff
Administrative Services	\$0	\$63,754	(\$63,754)				The County will charge the Road Commission for Corporate Counsel and Administrator Office services. They will not be charged for the Human Resources and Fiscal Services staff who will continue to be located at the Road Commission offices. However, they will be charged a small fee for the Fiscal Services work that will be absorbed by existing County staff. The cost may increase after the Treasurer's Office expenditures are factored into the calculations. Their cost cannot be allocated at this time because they are based on number of transactions and the manner in which the Road Commission and the County define a transaction is not comparable
Engineering	\$35,549	\$35,549	\$0				
Winter Maintenance	\$84,703	\$84,703	\$0				Snow plowing streets
Property	\$0	\$0	\$0				If the Road Commission is part of the County, they would continue to pay their own buildings and property maintenance expenses. The County would not charge for building rent. If the County were to issue bonds for new Road Commission buildings, the Road Commission would be assessed a charge to reflect the cost incurred by the County
HVAC	\$12,026	\$12,026	\$0				The County's Facilities Maintenance Department cannot absorb the HVAC services that are contracted out by the Road Commission
Grounds Maintenance	\$3,189	\$3,189	\$0				The County's Facilities Maintenance Department cannot absorb the Grounds Maintenance services that are contracted out by the Road Commission
Janitorial	\$26,652	\$26,652	\$0				
Accounting Software	\$20,674	\$20,674	\$0				If the Road Commission was able to utilize the County's software, there would be an annual savings of \$20,674. But they are required by MTF to utilize road-specific software
Seasonal Employees	\$76,882	\$76,882	\$0				The average hourly rate paid to seasonal employees by the Road Commission is reasonable per Ottawa County Human Resources
Risk Management (Pooled Insurance)	\$271,022	\$240,000	\$31,022	\$130,000 ⁵			"Road Commission is Independent" is a net cost that includes the average annual premium paid (\$414,790) and the average annual reimbursement received (\$143,768) during the last 5 years. "Road Commission is Part of County" cost is a rough estimate that includes the cost within the Insurance Authority Retention and the cost of excess coverage to the Authority
Sub-Total (Contractual Services)	\$604,665	\$805,997	(\$201,332)				
Operations							
Primary Road							
Construction and Heavy Maintenance	\$10,966,391	\$10,966,391	\$0				Excludes labor expenses
Maintenance	\$2,349,662	\$2,349,662	\$0				Excludes labor expenses
Local Road							
Construction and Heavy Maintenance	\$5,310,522	\$5,310,522	\$0				Excludes labor expenses
Maintenance	\$3,667,779	\$3,667,779	\$0				Excludes labor expenses
Local Bridge	\$292	\$292	\$0				Excludes labor expenses
Local Paving	\$334,727	\$334,727	\$0				Excludes labor expenses
Local Gravel	\$0	\$0	\$0				
Local Culverts	\$54,152	\$54,152	\$0				Excludes labor expenses
Local Chip Seal	\$854,593	\$854,593	\$0				Excludes labor expenses
State Trunkline Maintenance	\$2,724,148	\$2,724,148	\$0				Excludes labor expenses
Sub-Total (Operations)	\$26,262,266	\$26,262,266	\$0				
Other							
Net Equipment Expense	(\$3,506,183)	(\$3,506,183)	\$0				Excludes labor expenses
Capital Outlay	\$171,113	\$171,113	\$0				Excludes labor expenses
Depreciation Expense	\$0	\$0	\$0				
Administration	\$200,025	\$180,025	\$20,000				Excludes labor expenses, County charges for GIS, and IT expenditures. "Road Commission is Part of County" cost is lower because the Road Commission would not pay for Public Utilities Department expenses that they estimate at \$20,000
Debt Service/Long-Term Debt	\$20,311	\$20,311	\$0				Excludes labor expenses
Distributive Expenses	\$1,505,688	\$1,505,688	\$0				Excludes labor expenses
Drain Assessments	\$319,772	\$319,772	\$0				Excludes labor expenses
Pit Maintenance	\$67,429	\$67,429	\$0				Excludes labor expenses
Sub-Total (Other)	(\$1,221,845)	(\$1,241,845)	\$20,000				
Total Expenses	\$34,236,228	\$34,261,191					Expenses and Revenues do not balance. This is because the Road Commission utilized approximately \$1.3 million from their fund balance in 2012
Net Financial Impact to the Road Commission (with staff reclassifications)			(\$94,297)	\$173,200-\$183,200	\$185,201	\$51,740	
Net Financial Impact to the Road Commission (no staff reclassifications)			(\$167,473)	\$173,200-\$183,200	\$185,201	\$51,740	

1 The Board of Road Commissioners would no longer be needed

2 Potential savings through attrition (reclassify Road Commission Managing Director to Department Head)

3 Potential savings through attrition (reclassify Road Commission Finance Director to County staff accountant)

4 Jackson County already provided IT services to their Road Commission

5 County's quote from the Michigan Municipal Risk Management Association was \$130,000 less than the Road Commission pays. Since the County general fund also receives an annual rebate, Jackson County assumed that it would receive a refund of between \$80,000 and \$160,000 that would negate the loss of the refund that the Road Commission currently receives (\$160,000)

6 Calhoun County's report presents the current cost of services and indicates that some of the cost may be saved if the Road Commission moves under the County

Attachment K2

**FY 2012 Annual Salaries by Staff Position
Road Commission is Independent**

Position	Bargaining Unit	Annual Salary (FY 2012)	Comments
Administration			
Managing Director	Non-Bargaining Unit	\$97,576	
Environmental Coordinator	Non-Bargaining Unit	\$56,888	
Human Resources Admin.	Non-Bargaining Unit	\$49,666	Implements and monitors all safety programs, with 50% of time to payroll
Finance			
Finance Director	Non-Bargaining Unit	\$87,228	
Secretary/Receptionist	Non-Bargaining Unit	\$40,431	
Accountant	Non-Bargaining Unit	\$63,247	500 hours annually to IT functions
Account Admin.	Non-Bargaining Unit	\$54,178	
Account/Clerk	Non-Bargaining Unit	\$0	Vacant
Account/Clerk	Non-Bargaining Unit	\$0	Vacant
Inventory Purchasing	Non-Bargaining Unit	\$49,142	
Engineering			
Engineering Director	Non-Bargaining Unit	\$0	Vacant - Managing Director currently performs duties
Road Engineer	Non-Bargaining Unit	\$82,909	
Civil Engineer	Non-Bargaining Unit	\$63,247	
Civil Engineer	Non-Bargaining Unit	\$69,146	
Civil Engineer	Non-Bargaining Unit	\$53,641	
Civil Engineer	Non-Bargaining Unit	\$63,247	
Civil Engineer	Non-Bargaining Unit	\$0	Vacant
Engineer Aides	Non-Bargaining Unit	\$54,178	
Engineer Aides	Non-Bargaining Unit	\$46,802	
Engineer Aides	Non-Bargaining Unit	\$46,057	
Engineer Aides	Non-Bargaining Unit	\$0	Vacant
Special Services Engineer	Non-Bargaining Unit	\$72,418	
Special Services Aides	Non-Bargaining Unit	\$51,600	
Special Services Aides	Non-Bargaining Unit	\$51,600	
Special Services Aides	Non-Bargaining Unit	\$51,600	
Special Services Aides	Non-Bargaining Unit	\$0	Vacant
S.S. Clerk/Secretary	Non-Bargaining Unit	\$12,000	Part time employee - approximately 12 hrs./week
ROW/Planning	Non-Bargaining Unit	\$0	Vacant - Managing Director currently performs duties
Traffic Engineer	Non-Bargaining Unit	\$77,488	
Sign Shop Supv.	Non-Bargaining Unit	\$59,112	
SL I (1 position)	Bargaining Unit	\$43,784	
SL II (2 positions)	Bargaining Unit	\$86,154	Average of \$43,077 per employee

Attachment K2

**FY 2012 Annual Salaries by Staff Position
Road Commission is Independent**

Position	Bargaining Unit	Annual Salary (FY 2012)	Comments
Operations			
Operations Director	Non-Bargaining Unit	\$0	Vacant - duties currently performed by Managing Dir., Finance Dir., and Operations Sup.
Operations Superintendent	Non-Bargaining Unit	\$76,033	
District Supervisor	Non-Bargaining Unit	\$72,056	Includes premium pay
District Supervisor	Non-Bargaining Unit	\$63,960	Includes premium pay
District Supervisor	Non-Bargaining Unit	\$69,053	Includes premium pay
District Supervisor	Non-Bargaining Unit	\$72,056	Includes premium pay
Asst. Dist. Supervisor	Non-Bargaining Unit	\$51,730	Includes premium pay
Asst. Dist. Supervisor	Non-Bargaining Unit	\$54,092	Includes premium pay
HEO I (6 positions)	Bargaining Unit	\$271,814	Average of \$45,302 per employee
HEO II (8 positions)	Bargaining Unit	\$356,262	Average of \$44,533 per employee
LEO (40 positions)	Bargaining Unit	\$1,723,072	Average of \$43,077 per employee
Roads CL (2 positions)	Bargaining Unit	\$86,154	Average of \$43,077 per employee
Other Road Positions (25 positions)	Bargaining Unit	\$0	Declared no-vacancy
Equipment Supervisor	Non-Bargaining Unit	\$72,056	Includes premium pay
Asst. Equip. Supervisor	Non-Bargaining Unit	\$64,592	Includes premium pay
M I (9 positions)	Bargaining Unit	\$407,722	Average of \$45,302 per employee
M II (1 position)	Bargaining Unit	\$43,638	
M III (3 positions)	Bargaining Unit	\$129,230	Average of \$43,077 per employee
Equipment CL (3 positions)	Bargaining Unit	\$129,230	Average of \$43,077 per employee
Other Equipment Positions (4 positions)	Bargaining Unit	\$0	Declared no-vacancy

Source: Ottawa County Road Commission

\$5,226,089

Positions in Red Font are vacant positions

Attachment K3

**FY 2012 Annual Overtime Pay by Staff Position
Road Commission is Independent**

Position	Bargaining Unit	Overtime Pay (FY 2012)	Comments
Administration			
Managing Director	Non-Bargaining Unit	n/a	
Environmental Coordinator	Non-Bargaining Unit	\$0	
Human Resources Admin.	Non-Bargaining Unit	\$1,017	Implements and monitors all safety programs, with 50% of time to payroll
Finance			
Finance Director	Non-Bargaining Unit	n/a	
Secretary/Receptionist	Non-Bargaining Unit	\$0	
Accountant	Non-Bargaining Unit	n/a	
Account Admin.	Non-Bargaining Unit	\$9,278	
Account/Clerk	Non-Bargaining Unit	\$0	Vacant
Account/Clerk	Non-Bargaining Unit	\$0	Vacant
Inventory Purchasing	Non-Bargaining Unit	\$0	
Engineering			
Engineering Director	Non-Bargaining Unit	n/a	Vacant - Managing Director currently performs duties
Road Engineer	Non-Bargaining Unit	n/a	
Civil Engineer	Non-Bargaining Unit	n/a	
Civil Engineer	Non-Bargaining Unit	n/a	
Civil Engineer	Non-Bargaining Unit	n/a	
Civil Engineer	Non-Bargaining Unit	n/a	
Civil Engineer	Non-Bargaining Unit	n/a	
Civil Engineer	Non-Bargaining Unit	n/a	Vacant
Engineer Aides	Non-Bargaining Unit	\$15,628	
Engineer Aides	Non-Bargaining Unit	\$5,497	
Engineer Aides	Non-Bargaining Unit	\$961	
Engineer Aides	Non-Bargaining Unit	\$0	Vacant
Special Services Engineer	Non-Bargaining Unit	n/a	
Special Services Aides	Non-Bargaining Unit	\$968	
Special Services Aides	Non-Bargaining Unit	\$527	
Special Services Aides	Non-Bargaining Unit	\$725	
Special Services Aides	Non-Bargaining Unit	\$0	Vacant
S.S. Clerk/Secretary	Non-Bargaining Unit	n/a	Part time employee - approximately 12 hrs./week
ROW/Planning	Non-Bargaining Unit	n/a	Vacant - Managing Director currently performs duties
Traffic Engineer	Non-Bargaining Unit	n/a	
Sign Shop Supv.	Non-Bargaining Unit	n/a	
SL I (1 position)	Bargaining Unit	\$1,671	
SL II (2 positions)	Bargaining Unit	\$1,169	

Attachment K3

**FY 2012 Annual Overtime Pay by Staff Position
Road Commission is Independent**

Position	Bargaining Unit	Overtime Pay (FY 2012)	Comments
Operations			
Operations Director	Non-Bargaining Unit	n/a	Vacant - duties currently performed by Managing Dir., Finance Dir., and Operations Sup.
Operations Superintendent	Non-Bargaining Unit	n/a	
District Supervisor	Non-Bargaining Unit	n/a	
District Supervisor	Non-Bargaining Unit	n/a	
District Supervisor	Non-Bargaining Unit	n/a	
District Supervisor	Non-Bargaining Unit	n/a	
Asst. Dist. Supervisor	Non-Bargaining Unit	n/a	
Asst. Dist. Supervisor	Non-Bargaining Unit	n/a	
HEO I (6 positions)	Bargaining Unit	\$34,879	
HEO II (8 positions)	Bargaining Unit	\$28,726	
LEO (40 positions)	Bargaining Unit	\$162,339	
Roads CL (2 positions)	Bargaining Unit	\$7,717	
Other Road Positions (25 positions)	Bargaining Unit	\$0	Declared no-vacancy
Equipment Supervisor	Non-Bargaining Unit	n/a	
Asst. Equip. Supervisor	Non-Bargaining Unit	n/a	
M I (9 positions)	Bargaining Unit	\$25,016	
M II (1 position)	Bargaining Unit	\$3,005	
M III (3 positions)	Bargaining Unit	\$2,472	
Equipment CL (3 positions)	Bargaining Unit	\$0	
Other Equipment Positions (4 positions)	Bargaining Unit	\$0	Declared no-vacancy

Source: Ottawa County Road Commission

\$301,595

Positions in Red Font are vacant positions

Attachment K4

**Annual Salary Comparison
Projected Cost Savings in Annual Salary if Road Commission is Part of County**

Position	Actual Annual Salary (FY 2012)	Projected Annual Salary (FY 2012) if Road Commission is Part of County	Annual Salary Cost Savings if Road Commission is Part of County	Comments
Administration				
Managing Director	\$97,576	\$97,576	\$0	
Environmental Coordinator	\$56,888	\$56,888	\$0	
Human Resources Admin.	\$49,666	\$49,666	\$0	
Finance				
Finance Director	\$87,228	\$73,069	\$14,159	Reclassified to pay grade U07, which is a Financial Manager position
Secretary/Receptionist	\$40,431	\$37,585	\$2,846	County's pay grade is lower
Accountant	\$63,247	\$53,419	\$9,828	County's pay grade is lower
Account Admin.	\$54,178	\$29,279	\$24,899	Reclassified to a 0.5 FTE pay grade U05, which is as a Budget/Audit Analyst
Account/Clerk	\$0	\$0	\$0	
Account/Clerk	\$0	\$0	\$0	
Inventory Purchasing	\$49,142	\$49,142	\$0	
Engineering				
Engineering Director	\$0	\$0	\$0	
Road Engineer	\$82,909	\$82,909	\$0	
Civil Engineer	\$63,247	\$63,247	\$0	
Civil Engineer	\$69,146	\$69,146	\$0	
Civil Engineer	\$53,641	\$53,641	\$0	
Civil Engineer	\$63,247	\$63,247	\$0	
Civil Engineer	\$0	\$0	\$0	
Engineer Aides	\$54,178	\$54,178	\$0	
Engineer Aides	\$46,802	\$46,802	\$0	
Engineer Aides	\$46,057	\$46,057	\$0	
Engineer Aides	\$0	\$0	\$0	
Special Services Engineer	\$72,418	\$72,418	\$0	
Special Services Aides	\$51,600	\$51,600	\$0	
Special Services Aides	\$51,600	\$51,600	\$0	
Special Services Aides	\$51,600	\$51,600	\$0	
Special Services Aides	\$0	\$0	\$0	
S.S. Clerk/Secretary	\$12,000	\$12,000	\$0	Part time employee - approximately 12 hrs./week
ROW/Planning	\$0	\$0	\$0	
Traffic Engineer	\$77,488	\$77,488	\$0	
Sign Shop Supv.	\$59,112	\$59,112	\$0	
SL I (1 position)	\$43,784	\$43,784	\$0	
SL II (2 positions)	\$86,154	\$86,154	\$0	

Attachment K4

**Annual Salary Comparison
Projected Cost Savings in Annual Salary if Road Commission is Part of County**

Position	Actual Annual Salary (FY 2012)	Projected Annual Salary (FY 2012) if Road Commission is Part of County	Annual Salary Cost Savings if Road Commission is Part of County	Comments
Operations				
Operations Director	\$0	\$0	\$0	
Operations Superintendent	\$76,033	\$76,033	\$0	
District Supervisor	\$72,056	\$72,056	\$0	Includes premium pay
District Supervisor	\$63,960	\$63,960	\$0	Includes premium pay
District Supervisor	\$69,053	\$69,053	\$0	Includes premium pay
District Supervisor	\$72,056	\$72,056	\$0	Includes premium pay
Asst. Dist. Supervisor	\$51,730	\$51,730	\$0	Includes premium pay
Asst. Dist. Supervisor	\$54,092	\$54,092	\$0	Includes premium pay
HEO I (6 positions)	\$271,814	\$271,814	\$0	
HEO II (8 positions)	\$356,262	\$356,262	\$0	
LEO (40 positions)	\$1,723,072	\$1,723,072	\$0	
Roads CL (2 positions)	\$86,154	\$86,154	\$0	
Other Road Positions (25 positions)	\$0	\$0	\$0	
Equipment Supervisor	\$72,056	\$72,056	\$0	Includes premium pay
Asst. Equip. Supervisor	\$64,592	\$64,592	\$0	Includes premium pay
M I (9 positions)	\$407,722	\$407,722	\$0	
M II (1 position)	\$43,638	\$43,638	\$0	
M III (3 positions)	\$129,230	\$129,230	\$0	
Equipment CL (3 positions)	\$129,230	\$129,230	\$0	
Other Equipment Positions (4 positions)	\$0	\$0	\$0	
Total	\$5,226,089	\$5,174,357	\$51,732	

Source: Ottawa County Road Commission; Ottawa County Human Resources Department

Positions in Red Font are vacant positions

Rationale for Projected Annual Salary if Road Commission is Part of County:

For Administration and Finance positions, the Ottawa County Human Resources Department conducted an informal Wage Study. If the Actual 2012 Salary for a Road Commission Staff Position is within the salary range as determined by the informal Wage Study, then the Actual Salary will be the Projected Salary.

For Administration and Finance positions, the Ottawa County Human Resources Department conducted an informal Wage Study. If the Actual 2012 Salary for a Road Commission Staff Position is higher than the salary range as determined by informal Wage Study, then the Projected Salary will be the Maximum Salary as defined in the Wage Study.

For the remaining Road Commission Staff positions which are not comparable to a County position, the position will be part of a new Road Commission Bargaining Unit and the salary will remain as it was for that position.

Attachment K5

**Annual Overtime Pay Comparison
Projected Cost Savings in Annual Overtime Pay if Road Commission is Part of County**

Position	Actual Overtime Pay (FY 2012)	Projected Overtime Pay (FY 2012) if Road Commission is Part of County	Annual Overtime Cost Savings if Road Commission is Part of County	Comments
Administration				
Managing Director	n/a	n/a	n/a	
Environmental Coordinator	\$0	\$0	\$0	
Human Resources Admin.	\$1,017	\$0	\$1,017	Reclassified to an Unclassified position per Informal Wage Study
Finance				
Finance Director	n/a	n/a	n/a	
Secretary/Receptionist	\$0	\$0	\$0	
Accountant	n/a	n/a	n/a	
Account Admin.	\$9,278	\$0	\$9,278	Reclassified to an Unclassified position per Informal Wage Study
Account/Clerk	\$0	\$0	\$0	
Account/Clerk	\$0	\$0	\$0	
Inventory Purchasing	\$0	\$0	\$0	
Engineering				
Engineering Director	n/a	n/a	n/a	
Road Engineer	n/a	n/a	n/a	
Civil Engineer	n/a	n/a	n/a	
Civil Engineer	n/a	n/a	n/a	
Civil Engineer	n/a	n/a	n/a	
Civil Engineer	n/a	n/a	n/a	
Civil Engineer	n/a	n/a	n/a	
Engineer Aides	\$15,628	\$15,628	\$0	
Engineer Aides	\$5,497	\$5,497	\$0	
Engineer Aides	\$961	\$961	\$0	
Engineer Aides	\$0	\$0	\$0	
Special Services Engineer	n/a	n/a	n/a	
Special Services Aides	\$968	\$968	\$0	
Special Services Aides	\$527	\$527	\$0	
Special Services Aides	\$725	\$725	\$0	
Special Services Aides	\$0	\$0	\$0	
S.S. Clerk/Secretary	n/a	n/a	n/a	Part time employee - approximately 12 hrs./week
ROW/Planning	n/a	n/a	n/a	
Traffic Engineer	n/a	n/a	n/a	
Sign Shop Supv.	n/a	n/a	n/a	
SL I (1 position)	\$1,671	\$1,671	\$0	
SL II (2 positions)	\$1,169	\$1,169	\$0	

Attachment K5

**Annual Overtime Pay Comparison
Projected Cost Savings in Annual Overtime Pay if Road Commission is Part of County**

Position	Actual Overtime Pay (FY 2012)	Projected Overtime Pay (FY 2012) if Road Commission is Part of County	Annual Overtime Cost Savings if Road Commission is Part of County	Comments
Operations				
Operations Director	n/a	n/a	n/a	
Operations Superintendent	n/a	n/a	n/a	
District Supervisor	n/a	n/a	n/a	
District Supervisor	n/a	n/a	n/a	
District Supervisor	n/a	n/a	n/a	
Asst. Dist. Supervisor	n/a	n/a	n/a	
Asst. Dist. Supervisor	n/a	n/a	n/a	
HEO I (6 positions)	\$34,879	\$34,879	\$0	
HEO II (8 positions)	\$28,726	\$28,726	\$0	
LEO (40 positions)	\$162,339	\$162,339	\$0	
Roads CL (2 positions)	\$7,717	\$7,717	\$0	
Other Road Positions (25 positions)	\$0	\$0	\$0	
Equipment Supervisor	n/a	n/a	n/a	
Asst. Equip. Supervisor	n/a	n/a	n/a	
M I (9 positions)	\$25,016	\$25,016	\$0	
M II (1 position)	\$3,005	\$3,005	\$0	
M III (3 positions)	\$2,472	\$2,472	\$0	
Equipment CL (3 positions)	\$0	\$0	\$0	
Other Equipment Positions (4 positions)	\$0	\$0	\$0	
Total	\$301,595	\$291,300	\$10,295	

Source: Ottawa County Road Commission; Ottawa County Human Resources Department

Positions in Red Font are vacant positions

Rationale for Projected Annual Overtime Pay if Road Commission is Part of County:

If the Road Commission position that received overtime pay has been classified as Unclassified as determined by the Ottawa County Human Resources Department as part of an informal Wage Study, then the Projected Overtime Pay will be \$0

Attachment K6

**Annual Health, Dental, and Optical Insurance Cost (FY 2012)
Road Commission is Independent**

Bargaining Unit Employees (Health and Optical)

Type of Health/Optical Plan	Number of Employees	Total Premium (Annual)	Employee Paid Premium (10% of Total)	Employer Paid Premium	Annual Cost to Road Commission
Single	8.0	\$5,226.84	\$522.72	\$4,704.12	\$37,632.96
Two-Person	28.0	\$11,498.52	\$1,149.84	\$10,348.68	\$289,763.04
Family	32.0	\$15,437.04	\$1,543.64	\$13,893.40	\$444,588.80
				Total	\$771,984.80

Source: Ottawa County Road Commission

Non-Bargaining Unit Employees (Health)

Type of Health Plan	Number of Employees	Total Premium (Annual)	Employee Paid Premium (10% of Total)	Employer Paid Premium	Annual Cost to Road Commission
Single	3.0	\$4,863.24	\$486.36	\$4,376.88	\$13,130.64
Two-Person	12.0	\$10,700.16	\$1,070.04	\$9,630.12	\$115,561.44
Family	14.0	\$14,282.88	\$1,428.24	\$12,854.64	\$179,964.96
				Total	\$308,657.04

Source: Ottawa County Road Commission

Non-Bargaining Unit Employees (Optical)

Type of Optical Plan	Number of Employees	Total Premium (Annual)	Employee Paid Premium	Employer Paid Premium	Annual Cost to Road Commission
Single	3.0	\$96.84	\$0.00	\$96.84	\$290.52
Two-Person	12.0	\$147.84	\$0.00	\$147.84	\$1,774.08
Family	14.0	\$265.20	\$0.00	\$265.20	\$3,712.80
				Total	\$5,777.40

Source: Ottawa County Road Commission

All Employees (Dental)

Type of Dental Plan	Number of Employees	Total Premium (Annual)	Employee Paid Premium	Employer Paid Premium	Annual Cost to Road Commission
Single	11.0	\$453.24	\$0.00	\$453.24	\$4,985.64
Two-Person	40.0	\$803.64	\$0.00	\$803.64	\$32,145.60
Family	46.0	\$1,486.44	\$0.00	\$1,486.44	\$68,376.24
				Total	\$105,507.48

Source: Ottawa County Road Commission

Employees Who Opted-Out of Insurance Coverage

	Number of Employees	Annual Cost to Road Commission
Bargaining Unit Employees	7	\$14,381.00
Non-Bargaining Unit Employees	2	\$8,560.00
		Total
		\$22,941.00

Source: Ottawa County Road Commission

Attachment K7

**Annual Health Insurance Cost for Road Commission Staff
If Road Commission is Part of County**

Health Plan and Health Management Plan Compliance	Number of Ottawa County Employees by Plan Type			Percent of Ottawa County Employees by Plan Type			Number of Road Commission Employees by Plan Type ¹		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
HSA Plan - Compliant	125	131	360	68.3%	73.6%	81.4%	8.0	29.0	38.0
HSA Plan - 1 Category Non Compliant	7	9	28	3.8%	5.1%	6.3%	1.0	2.0	3.0
HSA Plan - 2 Categories Non Compliant	4	8	15	2.2%	4.5%	3.4%	0.0	2.0	2.0
Low Plan - Compliant	4	0	3	2.2%	0.0%	0.7%	0.0	0.0	0.0
Low Plan - 1 Category Non Compliant	0	1	0	0.0%	0.6%	0.0%	0.0	0.0	0.0
Low Plan - 2 Categories Non Compliant	0	0	1	0.0%	0.0%	0.2%	0.0	0.0	0.0
High Plan - Compliant	38	26	29	20.8%	14.6%	6.6%	2.0	6.0	3.0
High Plan - 1 Category Non Compliant	4	1	4	2.2%	0.6%	0.9%	0.0	0.0	0.0
High Plan - 2 Categories Non Compliant	1	2	2	0.5%	1.1%	0.5%	0.0	0.5	0.0
Total	183	178	442	100.0%	100.0%	100.0%	11.0	39.5²	46.0

Health Plan and Health Management Plan Compliance	Total Premium			Employee Paid Premium			Employer Paid Premium		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
HSA Plan - Compliant	\$4,507.92	\$10,143.00	\$12,622.92	\$0.00	\$0.00	\$0.00	\$4,507.92	\$10,143.00	\$12,622.92
HSA Plan - 1 Category Non Compliant	\$4,507.92	\$10,143.00	\$12,622.92	\$676.26	\$1,521.52	\$1,893.32	\$3,831.66	\$8,621.48	\$10,729.60
HSA Plan - 2 Categories Non Compliant	\$4,507.92	\$10,143.00	\$12,622.92	\$901.68	\$2,028.52	\$2,524.60	\$3,606.24	\$8,114.48	\$10,098.32
Low Plan - Compliant	\$5,749.80	\$12,936.84	\$16,099.44	\$1,149.98	\$2,587.26	\$3,219.84	\$4,599.82	\$10,349.58	\$12,879.60
Low Plan - 1 Category Non Compliant	\$5,749.80	\$12,936.84	\$16,099.44	\$2,012.40	\$4,527.90	\$5,634.72	\$3,737.40	\$8,408.94	\$10,464.72
Low Plan - 2 Categories Non Compliant	\$5,749.80	\$12,936.84	\$16,099.44	\$2,299.96	\$5,174.52	\$6,439.68	\$3,449.84	\$7,762.32	\$9,659.76
High Plan - Compliant	\$6,301.20	\$14,177.76	\$17,643.24	\$1,260.22	\$2,835.56	\$3,528.72	\$5,040.98	\$11,342.20	\$14,114.52
High Plan - 1 Category Non Compliant	\$6,301.20	\$14,177.76	\$17,643.24	\$2,205.32	\$4,962.10	\$6,175.26	\$4,095.88	\$9,215.66	\$11,467.98
High Plan - 2 Categories Non Compliant	\$6,301.20	\$14,177.76	\$17,643.24	\$2,520.44	\$5,671.12	\$7,057.44	\$3,780.76	\$8,506.64	\$10,585.80

Health Plan and Health Management Plan Compliance	Number of Road Commission Employees by Plan Type ¹			Employer Paid Premium			Annual Cost to the County		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
HSA Plan - Compliant	8.0	29.0	38.0	\$4,507.92	\$10,143.00	\$12,622.92	\$36,063.36	\$294,147.00	\$479,670.96
HSA Plan - 1 Category Non Compliant	1.0	2.0	3.0	\$3,831.66	\$8,621.48	\$10,729.60	\$3,831.66	\$17,242.96	\$32,188.80
HSA Plan - 2 Categories Non Compliant	0.0	2.0	2.0	\$3,606.24	\$8,114.48	\$10,098.32	\$0.00	\$16,228.96	\$20,196.64
Low Plan - Compliant	0.0	0.0	0.0	\$4,599.82	\$10,349.58	\$12,879.60	\$0.00	\$0.00	\$0.00
Low Plan - 1 Category Non Compliant	0.0	0.0	0.0	\$3,737.40	\$8,408.94	\$10,464.72	\$0.00	\$0.00	\$0.00
Low Plan - 2 Categories Non Compliant	0.0	0.0	0.0	\$3,449.84	\$7,762.32	\$9,659.76	\$0.00	\$0.00	\$0.00
High Plan - Compliant	2.0	6.0	3.0	\$5,040.98	\$11,342.20	\$14,114.52	\$10,081.96	\$68,053.20	\$42,343.56
High Plan - 1 Category Non Compliant	0.0	0.0	0.0	\$4,095.88	\$9,215.66	\$11,467.98	\$0.00	\$0.00	\$0.00
High Plan - 2 Categories Non Compliant	0.0	0.5	0.0	\$3,780.76	\$8,506.64	\$10,585.80	\$0.00	\$4,253.32	\$0.00
Total							\$49,976.98	\$399,925.44	\$574,399.96

Source: Ottawa County Human Resources Department; Ottawa County Road Commission

¹ The Road Commission identified the number of their employees with Single, Two-Person, and Family Health Insurance Coverage. These numbers were then multiplied by the percent of Ottawa County employees who opted for each type of Health Plan (i.e. HSA, Low, or High Plan) and the percent of Ottawa County employees who were compliant/non compliant with the Health Management Plan

² The Road Commission had 40 employees with Two-Person health insurance coverage in 2012. If the Road Commission is part of the County, the total positions with two-person coverage will be reduced by 0.5 FTE

Attachment K8

**Annual Dental Insurance Cost for Road Commission Staff
If Road Commission is Part of County**

Dental Plan	Number of Ottawa County Employees by Plan Type			Percent of Ottawa County Employees by Plan Type			Number of Road Commission Employees by Plan Type ¹		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
Basic	45	38	116	24.6%	21.3%	26.2%	3.0	8.5	12.0
Enhanced	138	140	326	75.4%	78.7%	73.8%	8.0	31.0	34.0
Total	183	178	442	100.0%	100.0%	100.0%	11.0	39.5 ²	46.0

Dental Plan	Total Premium			Employee Paid Premium			Employer Paid Premium		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
Basic	\$281.04	\$674.40	\$843.00	\$28.08	\$67.34	\$84.24	\$252.96	\$607.06	\$758.76
Enhanced	\$416.64	\$999.84	\$1,249.80	\$164.06	\$392.86	\$491.14	\$252.58	\$606.98	\$758.66

Dental Plan	Number of Road Commission Employees by Plan Type ¹			Employer Paid Premium			Annual Cost to the County		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
Basic	3.0	8.5	12.0	\$252.96	\$607.06	\$758.76	\$758.88	\$5,160.01	\$9,105.12
Enhanced	8.0	31.0	34.0	\$252.58	\$606.98	\$758.66	\$2,020.64	\$18,816.38	\$25,794.44
				Total			\$2,779.52	\$23,976.39	\$34,899.56

Source: Ottawa County Human Resources Department; Ottawa County Road Commission

¹ The Road Commission identified the number of their employees with Single, Two-Person, and Family Dental Insurance Coverage. These numbers were then multiplied by the percent of Ottawa County employees who opted for each type of Dental Plan (i.e. Basic or Enhanced)

² The Road Commission had 40 employees with Two-Person dental insurance coverage in 2012. If the Road Commission is part of the County, the total positions with two-person coverage will be reduced by 0.5 FTE

Attachment K9

**Annual Vision Insurance Cost for Road Commission Staff
If Road Commission is Part of County**

Vision Plan	Number of Ottawa County Employees by Plan Type			Percent of Ottawa County Employees by Plan Type			Number of Road Commission Employees by Plan Type ¹		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
Basic	66	51	136	36.1%	28.7%	30.8%	4.0	11.5	14.0
Enhanced	117	127	306	63.9%	71.3%	69.2%	7.0	28.0	32.0
Total	183	178	442	100.0%	100.0%	100.0%	11.0	39.5 ²	46.0

Vision Plan	Total Premium			Employee Paid Premium			Employer Paid Premium		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
Basic	\$39.60	\$79.44	\$127.92	\$4.16	\$8.06	\$13.00	\$35.44	\$71.38	\$114.92
Enhanced	\$56.64	\$113.40	\$182.64	\$21.06	\$42.12	\$67.60	\$35.58	\$71.28	\$115.04

Vision Plan	Number of Road Commission Employees by Plan Type ¹			Employer Paid Premium			Annual Cost to the County		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
Basic	4.0	11.5	14.0	\$35.44	\$71.38	\$114.92	\$141.76	\$820.87	\$1,608.88
Enhanced	7.0	28.0	32.0	\$35.58	\$71.28	\$115.04	\$249.06	\$1,995.84	\$3,681.28
				Total			\$390.82	\$2,816.71	\$5,290.16

Source: Ottawa County Human Resources Department; Ottawa County Road Commission

¹ The Road Commission identified the number of their employees with Single, Two-Person, and Family Vision Insurance Coverage. These numbers were then multiplied by the percent of Ottawa County employees who opted for each type of Vision Plan (i.e. Basic or Enhanced)

² The Road Commission had 40 employees with Two-Person vision insurance coverage in 2012. If the Road Commission is part of the County, the total positions with two-person coverage will be reduced by 0.5 FTE

Attachment K10

**Annual Cost of Other Benefits
Road Commission is Independent**

	Annual Cost (FY 2012)
FICA/Medicaid	\$426,349
Life Insurance	\$16,200
Workers Compensation Insurance	\$130,576
Unemployment	\$3,009
Long-Term Debt	\$0
Retirement/MERS	\$1,226,957
457 Plan Match	\$0
Total	\$1,803,091

Source: Ottawa County Road Commission

Attachment K11

Workers Compensation Cost (2005-2012) Road Commission is Independent

Contract Period	Total Workers Compensation Cost
12/1/04 - 11/30/05	\$161,910
12/1/05 - 11/30/06	\$152,780
12/1/06 - 11/30/07	\$129,946
12/1/07 - 11/30/08	\$108,721
12/1/08 - 11/30/09	\$133,398
12/1/09 - 11/30/10	\$103,777
12/1/10 - 11/30/11	\$110,075
12/1/11 - 11/30/12	\$152,003
Average	\$131,576¹

Source: Ottawa County Road Commission

¹ \$1,000 of this total is allocated to the Public Utilities Department, which represents 2.6% of administrative costs. The Public Utilities Department did not have any claims during the past year

Attachment K12

**Annual Cost of Other Benefits
If Road Commission is Part of County**

Position	Projected Annual Salary and Overtime (FY 2012) if Road Commission is Part of County	FICA/Medicaid	Life Insurance	Unemployment	Long-Term Disability
Administration					
Managing Director	\$97,576	\$7,465	\$293	\$537	\$268
Environmental Coordinator	\$56,888	\$4,352	\$171	\$313	\$156
Human Resources Admin.	\$49,666	\$3,799	\$149	\$273	\$137
Finance					
Finance Director	\$73,069	\$5,590	\$219	\$402	\$201
Secretary/Receptionist	\$37,585	\$2,875	\$113	\$207	\$103
Accountant	\$53,419	\$4,087	\$160	\$294	\$147
Account Admin.	\$29,279	\$2,240	\$88	\$161	\$81
Account/Clerk	\$0	\$0	\$0	\$0	\$0
Account/Clerk	\$0	\$0	\$0	\$0	\$0
Inventory Purchasing	\$49,142	\$3,759	\$147	\$270	\$135
Engineering					
Engineering Director	\$0	\$0	\$0	\$0	\$0
Road Engineer	\$82,909	\$6,343	\$249	\$456	\$228
Civil Engineer	\$63,247	\$4,838	\$190	\$348	\$174
Civil Engineer	\$69,146	\$5,290	\$207	\$380	\$190
Civil Engineer	\$53,641	\$4,104	\$161	\$295	\$148
Civil Engineer	\$63,247	\$4,838	\$190	\$348	\$174
Civil Engineer	\$0	\$0	\$0	\$0	\$0
Engineer Aides	\$69,806	\$5,340	\$209	\$384	\$192
Engineer Aides	\$52,299	\$4,001	\$157	\$288	\$144
Engineer Aides	\$47,018	\$3,597	\$141	\$259	\$129
Engineer Aides	\$0	\$0	\$0	\$0	\$0
Special Services Engineer	\$72,418	\$5,540	\$217	\$398	\$199
Special Services Aides	\$52,568	\$4,021	\$158	\$289	\$145
Special Services Aides	\$52,127	\$3,988	\$156	\$287	\$143
Special Services Aides	\$52,325	\$4,003	\$157	\$288	\$144
Special Services Aides	\$0	\$0	\$0	\$0	\$0
S.S. Clerk/Secretary	\$12,000	\$918	\$36	\$66	\$33
ROW/Planning	\$0	\$0	\$0	\$0	\$0
Traffic Engineer	\$77,488	\$5,928	\$232	\$426	\$213
Sign Shop Supv.	\$59,112	\$4,522	\$177	\$325	\$163
SL I (1 position)	\$45,455	\$3,477	\$136	\$250	\$125
SL II (2 positions)	\$87,323	\$6,680	\$262	\$480	\$240

Attachment K12

**Annual Cost of Other Benefits
If Road Commission is Part of County**

Position	Projected Annual Salary and Overtime (FY 2012) if Road Commission is Part of County	FICA/Medicaid	Life Insurance	Unemployment	Long-Term Disability
Operations					
Operations Director	\$0	\$0	\$0	\$0	\$0
Operations Superintendent	\$76,033	\$5,817	\$228	\$418	\$209
District Supervisor	\$72,056	\$5,512	\$216	\$396	\$198
District Supervisor	\$63,960	\$4,893	\$192	\$352	\$176
District Supervisor	\$69,053	\$5,283	\$207	\$380	\$190
District Supervisor	\$72,056	\$5,512	\$216	\$396	\$198
Asst. Dist. Supervisor	\$51,730	\$3,957	\$155	\$285	\$142
Asst. Dist. Supervisor	\$54,092	\$4,138	\$162	\$298	\$149
HEO I (6 positions)	\$306,693	\$23,462	\$920	\$1,687	\$843
HEO II (8 positions)	\$384,988	\$29,452	\$1,155	\$2,117	\$1,059
LEO (40 positions)	\$1,885,411	\$144,234	\$5,656	\$10,370	\$5,185
Roads CL (2 positions)	\$93,871	\$7,181	\$282	\$516	\$258
Other Road Positions (25 positions)	\$0	\$0	\$0	\$0	\$0
Equipment Supervisor	\$72,056	\$5,512	\$216	\$396	\$198
Asst. Equip. Supervisor	\$64,592	\$4,941	\$194	\$355	\$178
M I (9 positions)	\$432,738	\$33,104	\$1,298	\$2,380	\$1,190
M II (1 position)	\$46,643	\$3,568	\$140	\$257	\$128
M III (3 positions)	\$131,702	\$10,075	\$395	\$724	\$362
Equipment CL (3 positions)	\$129,230	\$9,886	\$388	\$711	\$355
Other Equipment Positions (4 positions)	\$0	\$0	\$0	\$0	\$0
Total	\$5,465,657	\$418,123	\$16,397	\$30,061	\$15,031

Source: Ottawa County Human Resources Department

Positions in Red Font are vacant positions

Other benefits calculated based on the following assumptions:

FICA = 7.65% of salary

Life Insurance = 0.3% of salary

Unemployment = 0.55% of salary

Disability = 0.275% of salary

Attachment K13

**Workers Compensation Cost
Road Commission is Part of County**

**Workers Compensation Claims
Road Commission is Part of County**

Contract Period	Total Workers Compensation Claims¹
12/1/04 - 11/30/05	\$120,991
12/1/05 - 11/30/06	\$111,861
12/1/06 - 11/30/07	\$87,163
12/1/07 - 11/30/08	\$65,938
12/1/08 - 11/30/09	\$96,681
12/1/09 - 11/30/10	\$67,060
12/1/10 - 11/30/11	\$75,400
12/1/11 - 11/30/12	\$117,328
Average	\$92,803

Source: Ottawa County Road Commission

¹ Actual claims for the Road Commission and Public Utilities

**Workers Compensation Third Party Administration Cost
Road Commission is Part of County**

	Annual Cost Per Year¹
Third Party Administrator	\$5,000
Excess Carrier	\$6,000
Total	\$11,000
Cost Allocated to Road Commission (97.4%)²	\$10,714

Source: Ottawa County Human Resources Department; Third Party Administrator for Workers Compensation

¹ This is an estimated cost based on the Road Commission's workers compensation claims from 2005-2012, the number of FTE, and the workers compensation codes of their employees. The cost could change once a full assessment is completed. However, the third party administrator noted that the claims history for the Road Commission is good and that their rates would probably improve if combined with the County which has a better rating

² The annual cost for Third Party Administration includes Road Commission and Public Utilities. Since the Road Commission allocated 2.6% of their administration cost to Public Utilities, the County allocated their Third Party Administration cost in the same manner

**Total Workers Compensation Cost
Road Commission and Public Utilities are Part of County**

	Average Cost Per Year
Average Claims Cost	\$92,803
Third Party Administration	\$10,714
Total	\$103,517

Attachment K14

**Ottawa County Road Commission
Contractual Services Utilized in FY 2012**

Type of Service	Annual Cost	Annual Number of Hours of Contractual Services Utilized	Comments
Legal	\$13,566	100.00	About 50 hours are for right-of-way acquisitions and 50 hours are for labor questions
IT (contractual)	\$9,000	100.00	Setting up new users to the network, back up and monitor systems offsite, trouble shooting as necessary
IT (admin. expense budget line item)	\$28,845	n/a	
Engineering	\$35,549	n/a	Hours not available because it is a lump sum
Winter Maintenance	\$84,703	936.25	Snow plowing streets
HVAC	\$12,026	n/a	Annual hours not available because it is an annual contract
Grounds Maintenance	\$3,189	n/a	Road Commission grounds. Annual hours not available because it is an annual contact
Janitorial	\$26,652	n/a	Annual hours not available because it is an annual contract
Accounting Software	\$20,674	n/a	Annual fees and support fees for road-specific software
Seasonal Employees	\$76,882	8,153.00	Typically college students who work in engineering, traffic, special services, and maintenance departments. They assist field engineers, help with traffic counts, flag for the work crews, and other various assignments

Source: Ottawa County Road Commission

Attachment K15

IT Equipment and Software Cost Road Commission is Independent

Item	Average Cost ¹	Total Number of Items (Road Commission)	Total Cost (Road Commission)	Average Cost Per Year ²
PC with Software	\$913	57	\$52,041.00	\$10,408
Computer Monitor	\$173	54	\$9,342.00	\$1,868
Desktop Printer	\$200	7	\$1,400.00	\$280
Source: Ottawa County IT Department; Ottawa County Road Commission			Annual Cost	\$12,557

¹ Reflects the average cost to the County in 2012

² The Total Cost was amortized over 5 years to reflect their normal replacement cycle of IT equipment

Attachment K16

County Charges Road Commission is Part of County

	Annual Cost
IT Charges¹	
Technology and Infrastructure	\$55,047
Applications and Data	\$154,380
User Services	\$26,358
<i>Total IT Charges</i>	<i>\$235,785</i>

Administrative Charges²	
Corporate Counsel	\$19,026
Administrator	\$44,485
Fiscal Services ³	\$243
<i>Total Administrative Charges⁴</i>	<i>\$63,754</i>

Source: Ottawa County Road Commission; Ottawa County IT Department; Ottawa County Cost Allocation Plan

¹ Calculated by the Planning and Performance Improvement Department using the County's Cost Allocation Plan that was completed by MGT of America, Inc.

² Calculated by the Planning and Performance Improvement Department using the County's Cost Allocation Plan that was completed by MGT of America, Inc. There is no charge for the Human Resources and Fiscal Services staff who will continue to be located at the Road Commission. Building costs are also not allocated to the Road Commission because it is assumed that the County would not charge them more than they currently expend for property maintenance

³ The Road Commission's Accounting Administrator position will become a 0.5 FTE position. Some of the time savings is the result of Ottawa County's IT staff performing the IT functions of the Road Commission and the remaining time savings will be absorbed by existing County Fiscal Services staff. This charge is for a 0.25 FTE County Fiscal Services position that will perform some of the work that was previously completed by the Road Commission's Accounting Administrator position

⁴ This cost may increase after the Treasurer's Office expenditures are factored into the calculation. Their expenditures are allocated based on number of transactions; the manner in which the Road Commission's transactions are counted is not comparable to the County at this time

Attachment K17

**Risk Management Information from 2008-2012
Road Commission is Independent**

Michigan County Road Commission Self Insurance Pool		
Year	Annual Premium Paid	Annual Reimbursement Received
2008	\$439,964	\$153,561
2009	\$420,204	\$30,244
2010	\$417,846	\$238,949
2011	\$398,491	\$189,945
2012	\$397,445	\$106,142
Average (2008-2012)	\$414,790	\$143,768

Source: Ottawa County Road Commission

Attachment K18

Risk Management Insurance If Road Commission is Part of County

Type of Insurance Coverage	Annual Cost ¹
Cost within Authority Retention	
Property & Road Maintenance Equipment	\$4,188
General Liability	\$41,440
Automobile Liability	\$80,538
Excess Insurance Cost	
Property & Mobile Equipment	\$10,783
Automobile Liability and "No-Fault"	\$79,080
Excess Liability	\$23,659
Total Annual Cost	\$239,688

Source: Ottawa County Insurance Authority

¹ The cost is a rough estimate

Attachment L1

Financial Impact of Consolidating Public Utilities with Ottawa County

	Public Utilities is Part of Road Commission		Public Utilities is Part of County		Potential Savings/ Added Cost		Comments
REVENUES	Annual Revenue (2012)	Annual Revenue (2012)	Annual Revenue (2012)	Annual Revenue (2012)	Annual Revenue Gained (2012)		
Billed Labor	\$578,680	\$578,680	\$578,680	\$578,680	\$0		Direct labor that is billed to local units of government, retail customers, and wholesale customers
Equipment Billing	\$92,300	\$92,300	\$92,300	\$92,300	\$0		Equipment expenditures and supervisor mileage that is billed to local units of government, retail customers, and wholesale customers
Sales Surcharge	\$0	\$0	\$0	\$0	\$0		
Admin./Financial/Clerical Charge	\$138,248	\$138,248	\$138,248	\$138,248	\$0		General administrative expenditures that are billed to local units of government, retail customers, and wholesale customers
Bond Payment Process Charges	\$7,700	\$7,700	\$7,700	\$7,700	\$0		
Bond Issue Admin. Charge	\$25,999	\$25,999	\$25,999	\$25,999	\$0		
Transfers	\$0	\$0	\$0	\$0	\$0		
Interest	\$5,355	\$5,355	\$5,355	\$5,355	\$0		
Total Revenues	\$848,282	\$848,282	\$848,282	\$848,282	\$0		
EXPENSES	FTE	Annual Cost (2012)	FTE	Annual Cost (2012)	FTE	Annual Cost Savings (2012)	
Salaries							
Board of Public Works	0.0	\$0	9.0	\$9,396	9.0	(\$9,396)	Based on a 9-member Board, 18 meetings per year, a per diem of \$40 per Board member per meeting, and average mileage of \$18 per Board member per meeting
Director	1.0	\$94,917	1.0	\$94,917	0.0	\$0	
Engineer	1.0	\$77,488	1.0	\$77,488	0.0	\$0	
Supervisor	1.0	\$69,126	1.0	\$69,126	0.0	\$0	Includes premium pay
WWTPO	1.0	\$61,500	1.0	\$61,500	0.0	\$0	
Operator	1.0	\$53,680	1.0	\$53,680	0.0	\$0	
Operator	1.0	\$46,175	1.0	\$46,175	0.0	\$0	
Clerk/Secretary	1.0	\$45,359	1.0	\$45,359	0.0	\$0	
Overtime		\$10,362		\$10,362		\$0	
Sub-Total (Salaries)	7.0	\$458,607	16.0	\$468,003	9.0	(\$9,396)	
Fringe Benefits							
Health		\$80,309		\$83,611		(\$3,302)	FY 2013 cost was utilized because the County's rates changed
Dental		\$8,357		\$4,856		\$3,501	FY 2013 cost was utilized because the County's rates changed
Optical		\$1,504		\$674		\$830	FY 2013 cost was utilized because the County's rates changed
Opt-Out of Coverage		\$0		\$0		\$0	
Sub-Total (Fringe Benefits)		\$90,170		\$89,141		\$1,029	Cost savings will occur after all existing contracts are renegotiated
Other Benefits							
FICA/Medicaid		\$35,083		\$35,083		\$0	
Life Insurance		\$1,571		\$1,376		\$195	
Workers Compensation Insurance		\$1,000		\$286		\$714	"Public Utilities is Part of County" cost is based on average claims for the past 8 years and third party administration cost
Unemployment		\$0		\$2,522		(\$2,522)	
Long-Term Disability		\$0		\$1,261		(\$1,261)	
Retirement/MERS		\$41,626		\$41,626		\$0	If Public Utilities were to move under the County, their employees would eventually move to a Defined Contribution plan. The reduction in cost cannot be calculated at this time
457 Plan Match		\$0		\$1,260		(\$1,260)	
Sub-Total (Other Benefits)		\$79,280		\$83,414		(\$4,134)	Cost savings will occur after all existing contracts are renegotiated
Other Expenses							
Equipment		\$65,337		\$65,337		\$0	This expense is based on State rental rates and includes the cost associated with pick-up trucks, generators, air compressors, and other equipment
Overhead		\$69,334		\$0		\$69,334	Public Utilities is charged 10% overhead by the Road Commission on salaries, fringe benefits, other benefits, and equipment expenses. The overhead expense includes, but is not limited to, accounting services, buildings, insurance, computers, telephones, and office supplies
Information Technology (IT)		\$0		\$16,048		(\$16,048)	The County will not add IT staff, but it will charge Public Utilities for IT services. This will result in an increase in cost for Public Utilities
Administrative Services		\$0		\$13,394		(\$13,394)	The County will charge Public Utilities for Corporate Counsel, Administrator Office, Human Resources, and Buildings. They will not be charged for Fiscal Services staff (i.e. Clerk/Secretary) who will continue to be located in the Public Utilities office. The cost may increase after the Treasurer's Office expenditures are factored into the calculations. Their cost cannot be allocated at this time because they are based on number of transactions and the manner in which Public Utilities and the County define a transaction is not comparable
Office Supplies, Postage, Telephone		\$0		\$7,048		(\$7,048)	These expenses are paid by the Road Commission and charged to Public Utilities as part of their Overhead expense
Risk Management Insurance		\$0		\$0		\$0	This expense is paid by the Road Commission and charged to Public Utilities as part of their Overhead expense. The exact cost for Public Utilities is unknown. "If Public Utilities is Part of County" there would be a cost associated with Risk Management Insurance but an estimate cannot be calculated at this time
Supervisor Mileage		\$18,619		\$18,619		\$0	
Memberships, Conferences, Training		\$10,556		\$10,556		\$0	
Audit Expense		\$8,650		\$8,650		\$0	
Building Amortization		\$0		\$0		\$0	
Transportation		\$4,980		\$4,980		\$0	This expense includes mileage paid to other Public Utilities Department employees
Legal/Consultant (not direct billed)		\$0		\$0		\$0	
Supplies/Miscellaneous		\$26,542		\$26,542		\$0	This expense covers safety equipment, fees paid to the State for licenses, and other miscellaneous expenses
Sub-Total (Other Expenses)		\$204,018		\$171,174		\$32,844	
Total Expenses		\$832,075		\$811,732			Expenses and Revenues do not balance because Public Utilities received more revenue than expenses in FY 2012
Net Financial Impact to Public Utilities						\$20,343	

Attachment L2

**FY 2012 Annual Salaries by Staff Position
Public Utilities is Part of Road Commission**

Position	Bargaining Unit	Annual Salary (FY 2012)	Comments
P.U. Clerk/Sec.	Non-Bargaining Unit	\$45,359	100% of time to Public Utilities Department
Director	Non-Bargaining Unit	\$94,917	
Engineer	Non-Bargaining Unit	\$77,488	
Public Utility Supervisor	Non-Bargaining Unit	\$69,126	Includes premium pay
Public Utility WWTP	Non-Bargaining Unit	\$61,500	
Public Utility Operator	Non-Bargaining Unit	\$53,680	
Public Utility Operator	Non-Bargaining Unit	\$46,175	

Source: Ottawa County Road Commission

\$448,245

Attachment L3

**FY 2012 Annual Overtime Pay by Staff Position
Public Utilities is Part of Road Commission**

Position	Bargaining Unit	Overtime Pay (FY 2012)	Comments
P.U. Clerk/Sec.	Non-Bargaining Unit	\$0	100% of time to Public Utilities Department
Director	Non-Bargaining Unit	n/a	
Engineer	Non-Bargaining Unit	n/a	
Public Utility Supervisor	Non-Bargaining Unit	n/a	
Public Utility WWTPO	Non-Bargaining Unit	\$2,501	
Public Utility Operator	Non-Bargaining Unit	\$4,224	
Public Utility Operator	Non-Bargaining Unit	\$3,637	

Source: Ottawa County Road Commission

\$10,362

Attachment L4

**Annual Salary Comparison
Projected Cost Savings in Annual Salary if Public Utilities is Part of County**

Position	Actual Annual Salary (FY 2012)	Projected Annual Salary (FY 2012) if Public Utilities is Part of County	Annual Salary Cost Savings if Public Utilities is Part of County	Comments
P.U. Clerk/Sec.	\$45,359	\$45,359	\$0	
Director	\$94,917	\$94,917	\$0	
Engineer	\$77,488	\$77,488	\$0	
Public Utility Supervisor	\$69,126	\$69,126	\$0	Includes premium pay
Public Utility WWTPPO	\$61,500	\$61,500	\$0	
Public Utility Operator	\$53,680	\$53,680	\$0	
Public Utility Operator	\$46,175	\$46,175	\$0	
Total	\$448,245	\$448,245	\$0	

Source: Ottawa County Road Commission; Ottawa County Human Resources Department

Rationale for Projected Annual Salary if Public Utilities is Part of County:

For Administration and Finance positions, the Ottawa County Human Resources Department conducted an informal Wage Study. If the Actual 2012 Salary for a Public Utilities Staff Position is within the salary range as determined by the informal Wage Study, then the Actual Salary will be the Projected Salary.

For Administration and Finance positions, the Ottawa County Human Resources Department conducted an informal Wage Study. If the Actual 2012 Salary for a Public Utilities Staff Position is higher than the salary range as determined by informal Wage Study, then the Projected Salary will be the Maximum Salary as defined in the Wage Study.

For the remaining Public Utilities Staff positions which are not comparable to a County position, the position will be part of a new Public Utilities Bargaining Unit and the salary will remain as it was for that position.

Attachment L5

**Annual Overtime Pay Comparison
Projected Cost Savings in Annual Overtime Pay if Public Utilities is Part of County**

Position	Actual Overtime Pay (FY 2012)	Projected Overtime Pay (FY 2012) if Public Utilities is Part of County	Annual Overtime Cost Savings if Public Utilities is Part of County	Comments
P.U. Clerk/Sec.	\$0	\$0	\$0	
Director	n/a	n/a	n/a	
Engineer	n/a	n/a	n/a	
Public Utility Supervisor	n/a	n/a	n/a	
Public Utility WWTPPO	\$2,501	\$2,501	\$0	
Public Utility Operator	\$4,224	\$4,224	\$0	
Public Utility Operator	\$3,637	\$3,637	\$0	
Total	\$10,362	\$10,362	\$0	

Source: Ottawa County Road Commission; Ottawa County Human Resources Department

Rationale for Projected Annual Overtime Pay if Public Utilities is Part of County:

If the Public Utilities position that received overtime pay has been classified as Unclassified as determined by the Ottawa County Human Resources Department as part of an Informal Wage Study, then the Projected Overtime Pay will be \$0

Attachment L6

Annual Health, Dental, and Optical Insurance Cost (FY 2012) Public Utilities is Part of Road Commission

Health

Type of Health Plan	Number of Employees	Total Premium (Annual)	Employee Paid Premium (10% of Total)	Employer Paid Premium	Annual Cost to Road Commission
Single	0.0	\$4,863.24	\$486.36	\$4,376.88	\$0.00
Two-Person	3.0	\$10,700.16	\$1,070.04	\$9,630.12	\$28,890.36
Family	4.0	\$14,282.88	\$1,428.24	\$12,854.64	\$51,418.56
Source: Ottawa County Road Commission				Total	\$80,308.92

Dental

Type of Dental Plan	Number of Employees	Total Premium (Annual)	Employee Paid Premium	Employer Paid Premium	Annual Cost to Road Commission
Single	0.0	\$453.24	\$0.00	\$453.24	\$0.00
Two-Person	3.0	\$803.64	\$0.00	\$803.64	\$2,410.92
Family	4.0	\$1,486.44	\$0.00	\$1,486.44	\$5,945.76
Source: Ottawa County Road Commission				Total	\$8,356.68

Optical

Type of Optical Plan	Number of Employees	Total Premium (Annual)	Employee Paid Premium	Employer Paid Premium	Annual Cost to Road Commission
Single	0.0	\$96.84	\$0.00	\$96.84	\$0.00
Two-Person	3.0	\$147.84	\$0.00	\$147.84	\$443.52
Family	4.0	\$265.20	\$0.00	\$265.20	\$1,060.80
Source: Ottawa County Road Commission				Total	\$1,504.32

Attachment L7

**Annual Health Insurance Cost for Public Utilities Staff
If Public Utilities is Part of County**

Health Plan and Health Management Plan Compliance	Number of Ottawa County Employees by Plan Type			Percent of Ottawa County Employees by Plan Type			Number of Public Utilities Employees by Plan Type ¹		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
HSA Plan - Compliant	125	131	360	68.3%	73.6%	81.4%	0	2	3
HSA Plan - 1 Category Non Compliant	7	9	28	3.8%	5.1%	6.3%	0	0	0
HSA Plan - 2 Categories Non Compliant	4	8	15	2.2%	4.5%	3.4%	0	0	0
Low Plan - Compliant	4	0	3	2.2%	0.0%	0.7%	0	0	0
Low Plan - 1 Category Non Compliant	0	1	0	0.0%	0.6%	0.0%	0	0	0
Low Plan - 2 Categories Non Compliant	0	0	1	0.0%	0.0%	0.2%	0	0	0
High Plan - Compliant	38	26	29	20.8%	14.6%	6.6%	0	1	1
High Plan - 1 Category Non Compliant	4	1	4	2.2%	0.6%	0.9%	0	0	0
High Plan - 2 Categories Non Compliant	1	2	2	0.5%	1.1%	0.5%	0	0	0
Total	183	178	442	100.0%	100.0%	100.0%	0	3	4

Health Plan and Health Management Plan Compliance	Total Premium			Employee Paid Premium			Employer Paid Premium		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
HSA Plan - Compliant	\$4,507.92	\$10,143.00	\$12,622.92	\$0.00	\$0.00	\$0.00	\$4,507.92	\$10,143.00	\$12,622.92
HSA Plan - 1 Category Non Compliant	\$4,507.92	\$10,143.00	\$12,622.92	\$676.26	\$1,521.52	\$1,893.32	\$3,831.66	\$8,621.48	\$10,729.60
HSA Plan - 2 Categories Non Compliant	\$4,507.92	\$10,143.00	\$12,622.92	\$901.68	\$2,028.52	\$2,524.60	\$3,606.24	\$8,114.48	\$10,098.32
Low Plan - Compliant	\$5,749.80	\$12,936.84	\$16,099.44	\$1,149.98	\$2,587.26	\$3,219.84	\$4,599.82	\$10,349.58	\$12,879.60
Low Plan - 1 Category Non Compliant	\$5,749.80	\$12,936.84	\$16,099.44	\$2,012.40	\$4,527.90	\$5,634.72	\$3,737.40	\$8,408.94	\$10,464.72
Low Plan - 2 Categories Non Compliant	\$5,749.80	\$12,936.84	\$16,099.44	\$2,299.96	\$5,174.52	\$6,439.68	\$3,449.84	\$7,762.32	\$9,659.76
High Plan - Compliant	\$6,301.20	\$14,177.76	\$17,643.24	\$1,260.22	\$2,835.56	\$3,528.72	\$5,040.98	\$11,342.20	\$14,114.52
High Plan - 1 Category Non Compliant	\$6,301.20	\$14,177.76	\$17,643.24	\$2,205.32	\$4,962.10	\$6,175.26	\$4,095.88	\$9,215.66	\$11,467.98
High Plan - 2 Categories Non Compliant	\$6,301.20	\$14,177.76	\$17,643.24	\$2,520.44	\$5,671.12	\$7,057.44	\$3,780.76	\$8,506.64	\$10,585.80

Health Plan and Health Management Plan Compliance	Number of Public Utilities Employees by Plan Type ¹			Employer Paid Premium			Annual Cost to the County		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
HSA Plan - Compliant	0	2	3	\$4,507.92	\$10,143.00	\$12,622.92	\$0.00	\$20,286.00	\$37,868.76
HSA Plan - 1 Category Non Compliant	0	0	0	\$3,831.66	\$8,621.48	\$10,729.60	\$0.00	\$0.00	\$0.00
HSA Plan - 2 Categories Non Compliant	0	0	0	\$3,606.24	\$8,114.48	\$10,098.32	\$0.00	\$0.00	\$0.00
Low Plan - Compliant	0	0	0	\$4,599.82	\$10,349.58	\$12,879.60	\$0.00	\$0.00	\$0.00
Low Plan - 1 Category Non Compliant	0	0	0	\$3,737.40	\$8,408.94	\$10,464.72	\$0.00	\$0.00	\$0.00
Low Plan - 2 Categories Non Compliant	0	0	0	\$3,449.84	\$7,762.32	\$9,659.76	\$0.00	\$0.00	\$0.00
High Plan - Compliant	0	1	1	\$5,040.98	\$11,342.20	\$14,114.52	\$0.00	\$11,342.20	\$14,114.52
High Plan - 1 Category Non Compliant	0	0	0	\$4,095.88	\$9,215.66	\$11,467.98	\$0.00	\$0.00	\$0.00
High Plan - 2 Categories Non Compliant	0	0	0	\$3,780.76	\$8,506.64	\$10,585.80	\$0.00	\$0.00	\$0.00
Total							\$0.00	\$31,628.20	\$51,983.28

Source: Ottawa County Human Resources Department; Ottawa County Road Commission

¹ The Road Commission identified the number of Public Utilities employees with Single, Two-Person, and Family Health Insurance Coverage. These numbers were then multiplied by the percent of Ottawa County employees who opted for each type of Health Plan (i.e. HSA, Low, or High Plan) and the percent of Ottawa County employees who were compliant/non compliant with the Health Management Plan

Attachment L8

**Annual Dental Insurance Cost for Public Utilities Staff
If Public Utilities is Part of County**

Dental Plan	Number of Ottawa County Employees by Plan Type			Percent of Ottawa County Employees by Plan Type			Number of Public Utilities Employees by Plan Type ¹		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
Basic	45	38	116	24.6%	21.3%	26.2%	0	1	1
Enhanced	138	140	326	75.4%	78.7%	73.8%	0	2	3
Total	183	178	442	100.0%	100.0%	100.0%	0	3	4

Dental Plan	Total Premium			Employee Paid Premium			Employer Paid Premium		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
Basic	\$281.04	\$674.40	\$843.00	\$28.08	\$67.34	\$84.24	\$252.96	\$607.06	\$758.76
Enhanced	\$416.64	\$999.84	\$1,249.80	\$164.06	\$392.86	\$491.14	\$252.58	\$606.98	\$758.66

Dental Plan	Number of Public Utilities Employees by Plan Type ¹			Employer Paid Premium			Annual Cost to the County		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
Basic	0	1	1	\$252.96	\$607.06	\$758.76	\$0.00	\$607.06	\$758.76
Enhanced	0	2	3	\$252.58	\$606.98	\$758.66	\$0.00	\$1,213.96	\$2,275.98
						Total	\$0.00	\$1,821.02	\$3,034.74

Source: Ottawa County Human Resources Department; Ottawa County Road Commission

¹ The Road Commission identified the number of Public Utilities employees with Single, Two-Person, and Family Dental Insurance Coverage. These numbers were then multiplied by the percent of Ottawa County employees who opted for each type of Dental Plan (i.e. Basic or Enhanced)

Attachment L9

**Annual Vision Insurance Cost for Public Utilities Staff
If Public Utilities is Part of County**

Vision Plan	Number of Ottawa County Employees by Plan Type			Percent of Ottawa County Employees by Plan Type			Number of Public Utilities Employees by Plan Type ¹		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
Basic	66	51	136	36.1%	28.7%	30.8%	0	1	1
Enhanced	117	127	306	63.9%	71.3%	69.2%	0	2	3
Total	183	178	442	100.0%	100.0%	100.0%	0	3	4

Vision Plan	Total Premium			Employee Paid Premium			Employer Paid Premium		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
Basic	\$39.60	\$79.44	\$127.92	\$4.16	\$8.06	\$13.00	\$35.44	\$71.38	\$114.92
Enhanced	\$56.64	\$113.40	\$182.64	\$21.06	\$42.12	\$67.60	\$35.58	\$71.28	\$115.04

Vision Plan	Number of Public Utilities Employees by Plan Type ¹			Employer Paid Premium			Annual Cost to the County		
	Single	Two-Person	Family	Single	Two-Person	Family	Single	Two-Person	Family
Basic	0	1	1	\$35.44	\$71.38	\$114.92	\$0.00	\$71.38	\$114.92
Enhanced	0	2	3	\$35.58	\$71.28	\$115.04	\$0.00	\$142.56	\$345.12
				Total			\$0.00	\$213.94	\$460.04

Source: Ottawa County Human Resources Department; Ottawa County Road Commission

¹ The Road Commission identified the number of Public Utilities employees with Single, Two-Person, and Family Vision Insurance Coverage. These numbers were then multiplied by the percent of Ottawa County employees who opted for each type of Vision Plan (i.e. Basic or Enhanced)

Attachment L10

**Annual Cost of Other Benefits
Public Utilities is Independent**

	Annual Cost (FY 2012)
FICA/Medicaid	\$35,083
Life Insurance	\$1,571
Workers Compensation Insurance	\$1,000
Unemployment	\$0
Long-Term Debt	\$0
Retirement/MERS	\$41,626
457 Plan Match	\$0
Total	\$79,280

Source: Ottawa County Road Commission

Attachment L11

**Annual Cost of Other Benefits
If Public Utilities is Part of County**

Position	Projected Annual Salary and Overtime (FY 2012) if Public Utilities is Part of County	FICA/Medicaid	Life Insurance	Unemployment	Long-Term Disability
P.U. Clerk/Sec.	\$45,359	\$3,470	\$136	\$249	\$125
Director	\$94,917	\$7,261	\$285	\$522	\$261
Engineer	\$77,488	\$5,928	\$232	\$426	\$213
Public Utility Supervisor	\$69,126	\$5,288	\$207	\$380	\$190
Public Utility WWTP	\$64,001	\$4,896	\$192	\$352	\$176
Public Utility Operator	\$57,904	\$4,430	\$174	\$318	\$159
Public Utility Operator	\$49,812	\$3,811	\$149	\$274	\$137
Total	\$458,607	\$35,083	\$1,376	\$2,522	\$1,261

Source: Ottawa County Human Resources Department

Other benefits calculated based on the following assumptions:

FICA = 7.65% of salary

Life Insurance = 0.3% of salary

Unemployment = 0.55% of salary

Disability = 0.275% of salary

Attachment L12

Workers Compensation Cost Public Utilities is Part of County

Workers Compensation Third Party Administration Cost Public Utilities is Part of County

	Annual Cost Per Year ¹
Third Party Administrator	\$5,000
Excess Carrier	\$6,000
Total	\$11,000
Cost Allocated to Public Utilities (2.6%)²	\$286

Source: Ottawa County Human Resources Department; Third Party Administrator for Workers Compensation

¹ This is an estimated cost based on the Road Commission's workers compensation claims from 2005-2012, the number of FTE, and the workers compensation codes of their employees. The cost could change once a full assessment is completed. However, the third party administrator noted that the claims history for the Road Commission is good and that their rates would probably improve if combined with the County which has a better rating

² The annual cost for Third Party Administration includes Road Commission and Public Utilities. Since the Road Commission allocated 2.6% of their administration cost to Public Utilities, the County allocated their Third Party Administration cost in the same manner

Total Workers Compensation Cost Public Utilities is Part of County

	Average Cost Per Year
Average Claims Cost ¹	\$0
Third Party Administration	\$286
Total	\$286

¹ Public Utilities did not have any workers compensation claims in 2012

Attachment L13

County Charges Public Utilities is Part of County

	Annual Cost
IT Charges¹	
Technology and Infrastructure	\$3,659
Applications and Data	\$10,263
User Services	\$2,126
Total IT Charges	\$16,048

Administrative Charges²	
Corporate Counsel	\$1,265
Administrator	\$2,957
Human Resources	\$4,113
Building Expenses	\$5,059
Total Administrative Charges³	\$13,394

Source: Ottawa County Road Commission; Ottawa County IT Department; Ottawa County Cost Allocation Plan

¹ Calculated by the Planning and Performance Improvement Department using the County's Cost Allocation Plan that was completed by MGT of America, Inc.

² Calculated by the Planning and Performance Improvement Department using the County's Cost Allocation Plan that was completed by MGT of America, Inc. There is no charge for Fiscal Services staff (i.e. Clerk/Secretary) who will continue to work in the Public Utilities office

³ This cost may increase after the Treasurer's Office expenditures are factored into the calculation. Their expenditures are allocated based on number of transactions; the manner in which Public Utilities' transactions are counted is not comparable to the County at this time

Attachment L14

Cost for Office Supplies, Postage, and Telephones Public Utilities is Part of County

Item	Estimated Annual Cost
Office Supplies ¹	\$1,751
Postage ¹	\$429
Telephones ²	\$4,868
Total Cost	\$7,048

Source: Ottawa County Road Commission

¹ Office Supplies and Postage cost were allocated based on FTE and the Road Commission's total budget for these expenditures

² The telephone cost reflects the County Planning and Performance Improvement Department's telephone expenditures for 2012; this was utilized because the departments are similar in size

Attachment L15

IT Equipment and Software Cost Public Utilities is Part of County

Item	Average Cost ¹	Total Number of Items (Public Utilities)	Total Cost	Average Cost Per Year ²
PC with Software	\$913	5	\$4,565.00	\$913
Computer Monitor	\$173	3	\$519.00	\$104
Desktop Printer	\$200	1	\$200.00	\$40
Source: Ottawa County IT Department; Ottawa County Road Commission			Annual Cost	\$1,057

¹ Reflects the average cost to the County in 2012

² The Total Cost was amortized over 5 years to reflect the normal replacement cycle of IT equipment

Attachment M

Financial Impact of Consolidating Road Commission and Public Utilities with Ottawa County

Budget Line Item Impacted by Consolidation	Annual Revenue Prior to Consolidation	Annual Revenue After Consolidation	Financial Impact from Consolidation	Comments
REVENUES				
<u>Charges for County Services</u>				
GIS (Road Commission)	\$10,000	\$0	(\$10,000)	
Information Technology (Road Commission)	\$0	\$223,228	\$223,228	This reflects net revenue to the County after annual IT Equipment expenditures of \$12,557 were excluded
Information Technology (Public Utilities)	\$0	\$14,991	\$14,991	This reflects net revenue to the County after annual IT Equipment expenditures of \$1,057 were excluded
Administrative Services (Road Commission)	\$0	\$63,754	\$63,754	
Administrative Services (Public Utilities)	\$0	\$13,394	\$13,394	
Total Revenues	\$10,000	\$315,367		
Net Financial Impact to Ottawa County			\$305,367	

Attachment N

Capital Needs - Ottawa County Road Commission

Estimated Cost to Improve Roads that are in Fair/Poor Condition to Good Condition

	PASER Rating	Miles of Paved Local Roads	Miles of Primary and Federal-Aid Eligible Roads	Estimated Cost to Improve Road Conditions to Good or Better					Total Estimated Cost to Improve Roads	
				Seal Coat (\$32,000/mile)	Cape Seal (\$75,000/mile)	Subdivision HMA (\$180,000/mile)	HMA Overlay (\$200,000/mile)	Structural HMA (\$350,000/mile)		Reconstruct (\$1,000,000/mile)
Very Good	10	8.2	0.0							\$0
	9	30.2	9.8							\$0
	8	141.0	42.2							\$0
Good	7	180.2	34.9							\$0
	6	254.3	61.1							\$0
Fair	5	234.2	123.3	\$7,494,400	\$9,247,500	\$21,078,000				\$37,819,900
	4	57.5	92.5			\$5,175,000	\$24,250,000			\$29,425,000
Poor	3	15.6	52.0					\$23,660,000		\$23,660,000
	2	0.2	9.6						\$9,800,000	\$9,800,000
	1	0.3	0.0						\$300,000	\$300,000
	Total	921.7	425.4							\$101,004,900

Source: Ottawa County Road Commission

Attachment O

Michigan Counties with a Dedicated Road Millage

County	Number of Mills
Allegan	1.00
Baraga	2.00
Charlevoix	1.00
Chippewa	1.00
Crawford	1.00
Dickinson	0.50
Gladwin	2.00
Houghton	1.369
Huron	1.00
Iron	0.50
Leelanau	0.50
Midland	1.00
Montmorency	1.00
Ontonagon	5.00
Sanilac	2.00
St. Clair	0.25
St. Joseph	1.00
Tuscola	1.50
Van Buren	1.00

Source: CRAM

Attachment P

Ottawa County Local Units of Government with a Dedicated Road or Transportation Millage¹

Local Unit of Government (Townships)	Number of Mills	Estimated Tax Dollars (2013)	Millage Effective Date
Chester	1.50	\$114,723	Through 2016
Crockery	0.33 ²	\$42,351	Through 2017
Grand Haven	0.95 ³	\$613,001	Through 2015
Jamestown	1.50	\$406,000	Through 2014
Olive	2.00	\$287,257	Through 2013
Polkton	2.00	\$196,445	Through 2015
Robinson	1.00	\$193,075	Through 2019
Zeeland	2.00	\$320,304	Through 2018
Total		\$2,173,156	

Source: Ottawa County Apportionment Report; Ottawa County Equalization Department; Ottawa County Election Results

¹ In most cases, the road millages are utilized to pave gravel roads

² Utilized primarily for brining roads

³ Utilized for Harbor Transit and roads

Attachment Q

Estimated County Tax Dollars that Could be Generated with a Road Millage

Number of Mills	Total Estimated Tax Dollars (2013)	OPTION 1	OPTION 2 Revenue Allocated based on Population		OPTION 3 Revenue Allocated based on Miles of Road		OPTION 4 Revenue Allocated based on Taxable Value		OPTION 5 Revenue Allocated based on a Road Commission Concept ¹	
		All Funding to Road Commission	Funding to Road Commission	Funding to Cities	Funding to Road Commission	Funding to Cities	Funding to Road Commission	Funding to Cities	Funding to Road Commission	Funding to Cities
0.25	\$2,441,677	\$2,441,677	\$1,899,625	\$542,052	\$2,048,567	\$393,110	\$1,949,679	\$491,998	\$1,887,416	\$554,261
0.50	\$4,883,354	\$4,883,354	\$3,799,249	\$1,084,105	\$4,097,134	\$786,220	\$3,899,358	\$983,996	\$3,774,833	\$1,108,521
0.75	\$7,325,031	\$7,325,031	\$5,698,874	\$1,626,157	\$6,145,701	\$1,179,330	\$5,849,037	\$1,475,994	\$5,662,249	\$1,662,782
1.00	\$9,766,707	\$9,766,707	\$7,598,498	\$2,168,209	\$8,194,267	\$1,572,440	\$7,798,716	\$1,967,991	\$7,549,665	\$2,217,042

Source: Ottawa County Equalization Department; U.S. Census Bureau; Act 51 Report; Local Units of Government; Equalization Report; Ottawa County Road Commission

¹ The Ottawa County Road Commission developed a local road millage concept for 2009-2014. The concept was developed for discussion purposes; it was not formally approved by the Cities, Road Commission, or County



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