

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.*

- ✓ 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 (MCRC SIP) 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.

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.

(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

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 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.

(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

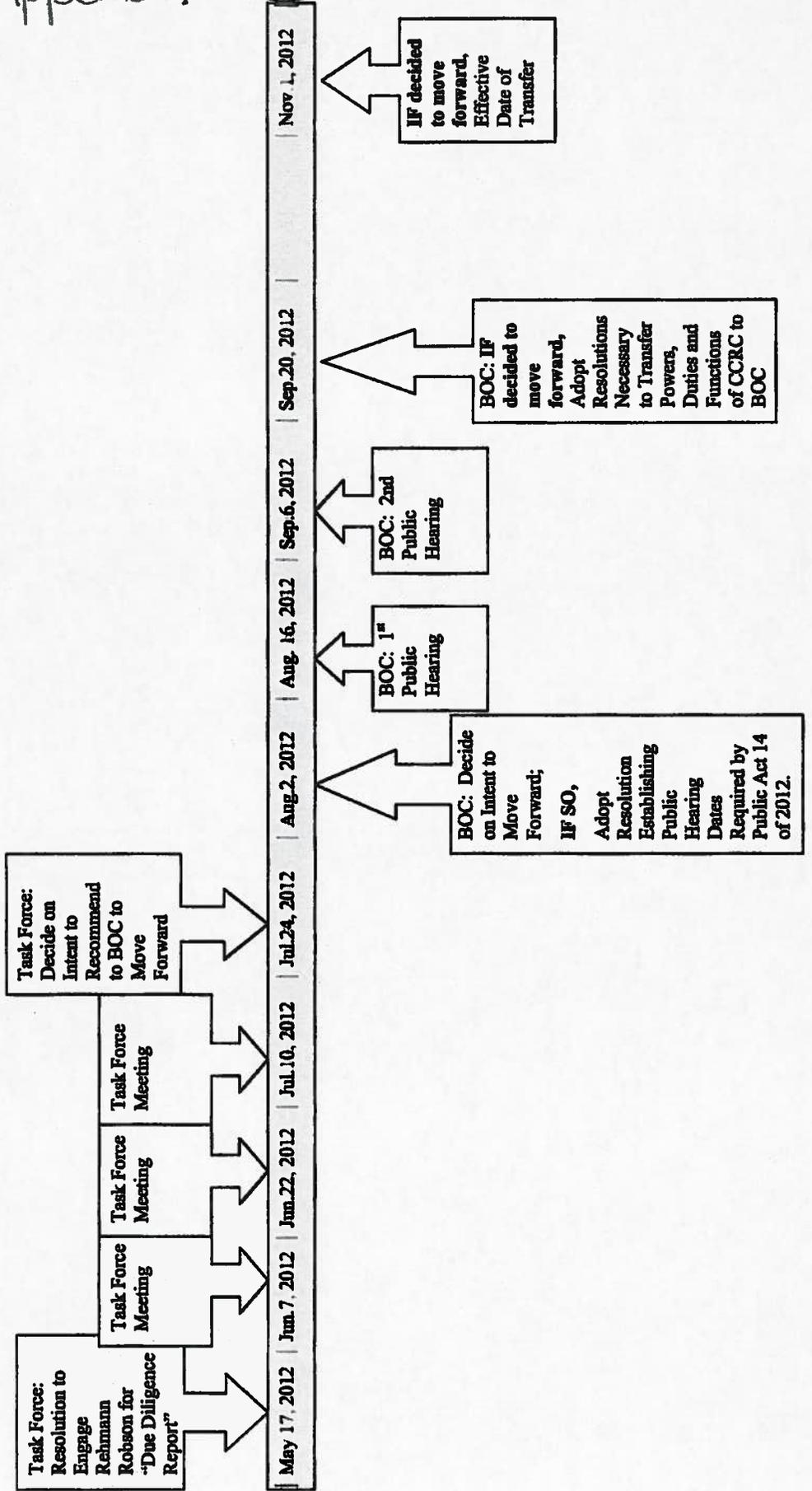
Governor



Calhoun County Road Commission Task Force:

Proposed Timeline

Last Revised: July 2, 2012



Appendix C

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.)**

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.

Appendix E

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

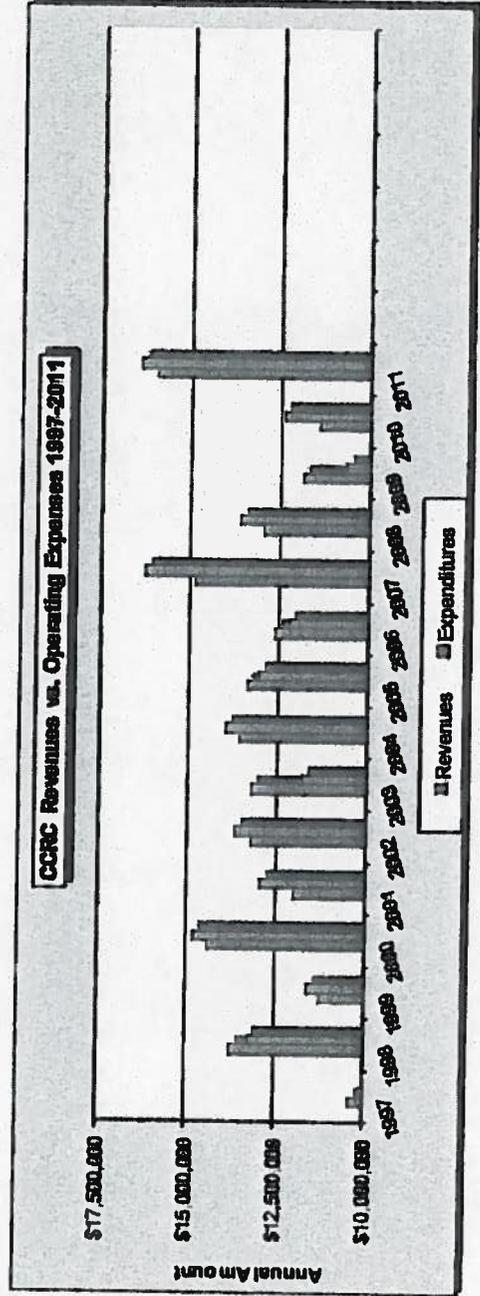
Overview of Financial Assessment

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

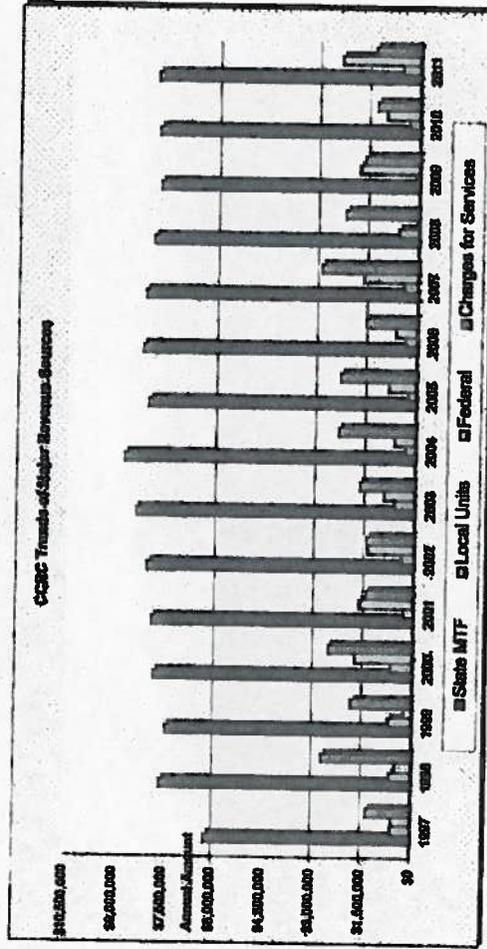
In Exhibit #1, it is evident that the annual Michigan Transportation Fund (MTF) distributions have been reduced relative to overall revenues starting in 2003, which is generally the case with all road commissions over this period of time. The 2011 MTF distribution was approximately the same dollar amount 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.

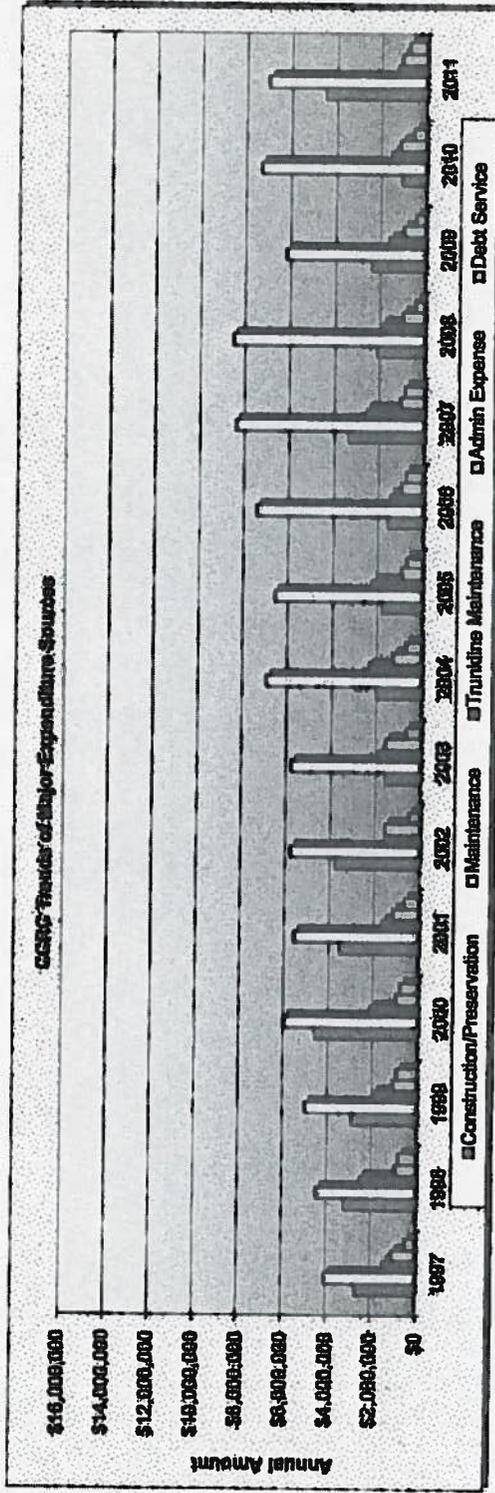
The following chart presents major revenue sources of the Road Commission from 1997 through 2011.



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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.

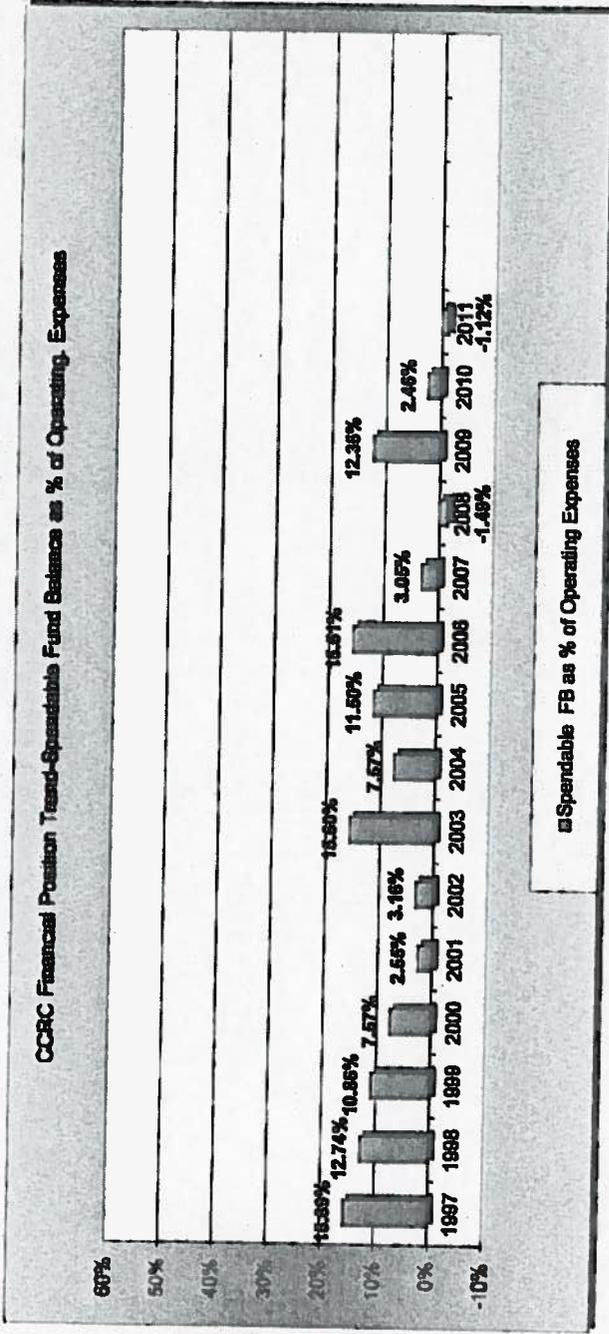


Board of Commissioners
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For long term installment indebtedness, which includes Transportation bonds as well as obligations under capital lease purchase agreements, the Road Commission is responsible for servicing the annual installments out of current 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.

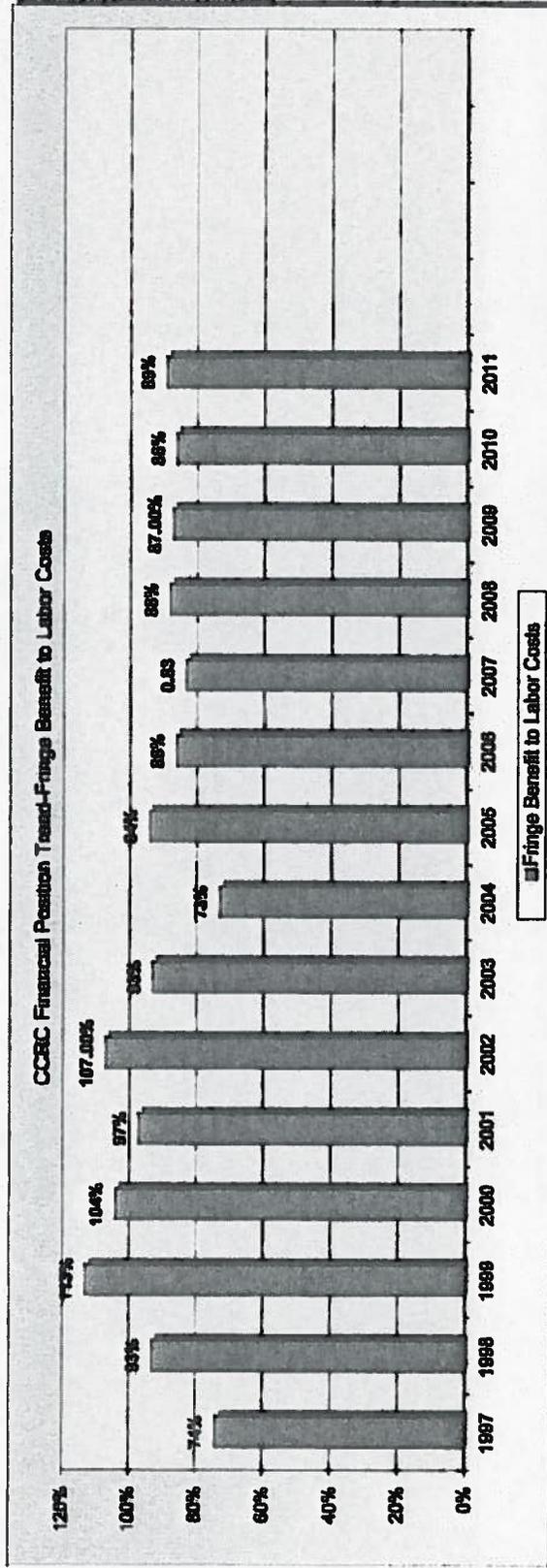
Regarding financial position, a measure of an entity to maintain adequate reserves is determined by the relationship of spendable fund balance to total operating expenditures, and is expressed as a percentage. Spendable fund balance for this purpose is calculated as total fund balance, less the fund 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 MIF 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.



Board of Commissioners
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 County of Calhoun, Michigan
 June 12, 2012

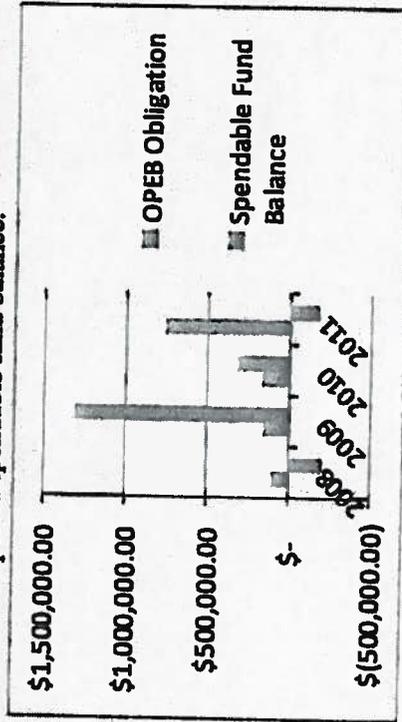
Fringe benefits to labor costs show how fringe benefits of project labor relate to labor applicable wages. This relationship is shown in the chart below. For each \$1 of wages in 2011 an additional \$.89 is expended on fringes. Fringes include holiday, vacation and sick time as well as health insurance, 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.



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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 OPEB liability, which will have to be serviced by future operational budgets. 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.

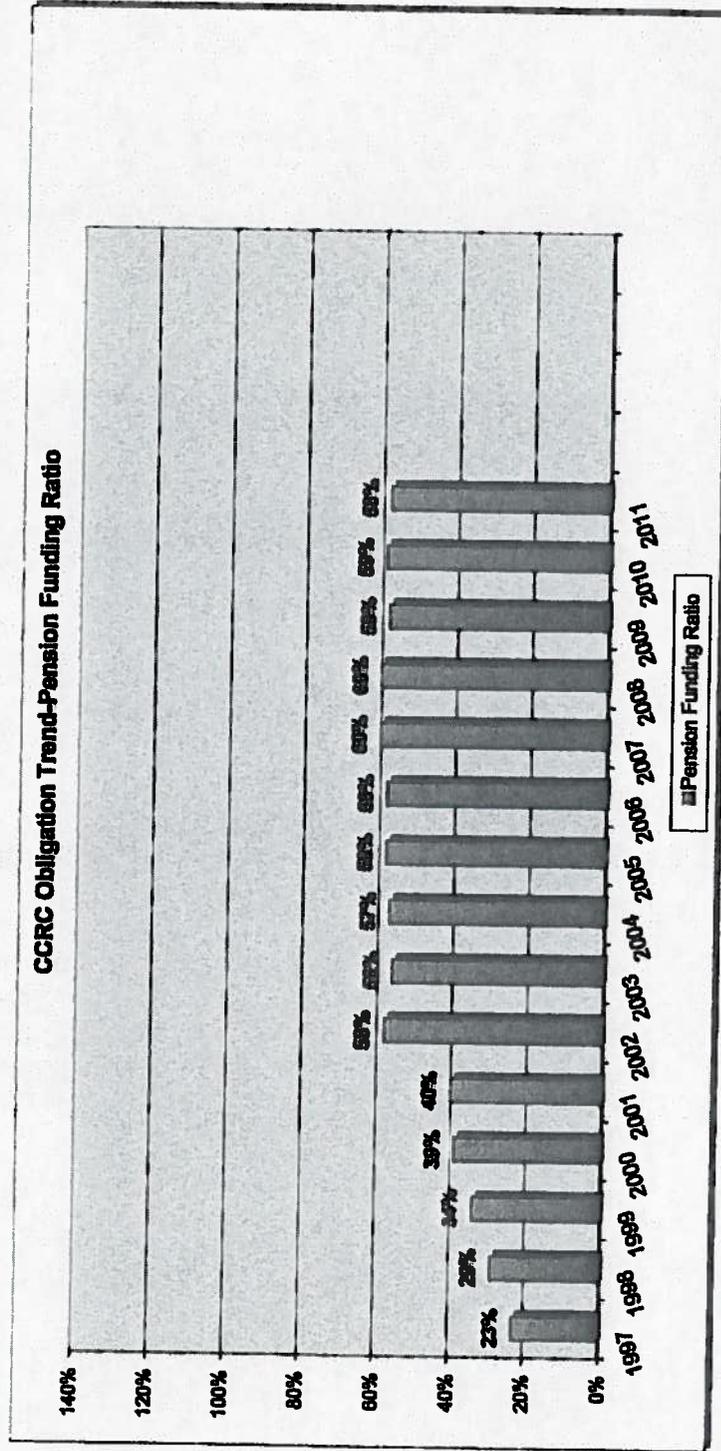
This liability was not required to be calculated and recorded by governmental entities until 2007 for larger governmental entities, and in the case of the Road Commission, not until 2008. In 2011, the OPEB obligation exceeded spendable fund balance by approximately \$943,000. A chart showing the OPEB 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

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

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.

Board of Commissioners
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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.

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

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.

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

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,



David M. Fisher, CPA
Principal

Attachments: Exhibits 1 and 2, and Glossary

DMF:tkb

**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 | 213,296 |
| State MTF distributions | 6,553,962 | 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 | 90,594 | 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 | 11,967,987 | 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 | 4,064,573 | 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 | 1,083,573 | 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 | 72,897 | 357,110 |
| Total operating expenses | 10,118,730 | 13,260,661 | 11,620,915 | 14,835,889 | 11,948,056 | 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 | 1,680,867 | 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 | 2,656,967 |
| Fringe benefit to labor costs | 0.74 | 0.93 | 1.13 | 1.04 | 0.97 | 1.07 |

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% | 8.6% | 4.6% | 2.7% | 1.9% | 1.3% |
| Administration costs as % of operating expenditures | 10.7% | 7.3% | 9.3% | 6.7% | 8.9% | 11.1% |
| 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 | 2,669,793 | 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% | 782.2% |
| Primary debt service | 494,419 | 818,225 | 931,462 | 810,310 | 659,385 | 508,547 |
| Annual debt service as % of operating expenditures | 4.9% | 6.2% | 8.0% | 5.5% | 5.1% | 3.7% |
| OPFB obligation at end of year | N/A | N/A | N/A | N/A | N/A | N/A |
| OPFB 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% |

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 | \$ 124,950 | \$ 131,821 | \$ 120,527 | \$ 80,480 | \$ 82,351 | \$ 61,540 | \$ 95,721 | \$ 119,828 | \$ 244,995 |
| Federal sources | 922,512 | 623,651 | 818,891 | 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 | 1,482,323 | 342,876 | - | 127,842 |
| State MTF distributions | 8,406,911 | 8,769,175 | 8,059,688 | 8,242,227 | 8,186,110 | 7,945,912 | 7,760,469 | 7,808,624 | 7,873,265 |
| Contributions from local units | 610,066 | 316,200 | 246,231 | 348,434 | 422,945 | 587,326 | 95,674 | 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 | 13,209,870 | 13,541,397 | 13,362,728 | 12,620,708 | 14,880,452 | 12,934,191 | 11,877,131 | 11,385,501 | 15,951,370 |
| Expenditures | | | | | | | | | |
| Construction/Capacity | | | | | | | | | |
| Preservation - Structural Improvements | - | 167,205 | 60,373 | - | 2,975 | 630,086 | 10,667 | - | - |
| Maintenance | 1,566,811 | 1,829,077 | 1,711,010 | 1,549,716 | 3,345,168 | 1,469,227 | 2,358,638 | 1,054,000 | 4,472,012 |
| Troubleshooting maintenance and nonmaintenance | 5,783,630 | 6,926,336 | 6,594,915 | 7,424,025 | 8,395,563 | 8,528,230 | 6,193,317 | 7,327,519 | 7,031,284 |
| Administrative expense | 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 |
| Equipment expense | 1,574,509 | 1,299,838 | 949,338 | 1,005,116 | 1,088,076 | 979,043 | 975,350 | 1,155,892 | 1,106,255 |
| Capital outlay - net | 478,934 | 367,399 | 88,316 | (140,655) | (545,391) | (660,951) | (912,362) | (284,306) | 104,558 |
| Debt service | (398,155) | 20,294 | (104,512) | (245,977) | (202,438) | 63,282 | (203,407) | 769,924 | 661,502 |
| Other | 655,191 | 734,367 | 721,515 | 785,334 | 855,020 | 409,482 | 418,600 | 523,954 | 741,735 |
| Total operating expenses | 273,330 | 320,256 | 812,846 | 348,473 | 788,894 | 265,918 | 191,771 | 353,199 | 1,030,248 |
| Excess revenues over (under) expenditures | 11,808,887 | 13,968,636 | 13,060,158 | 12,200,726 | 16,261,483 | 13,598,350 | 10,633,050 | 12,414,259 | 16,424,739 |
| Total spendable fund balance | 1,394,983 | (427,239) | 322,570 | 419,982 | (1,381,031) | (656,159) | 1,244,061 | (1,028,758) | (473,369) |
| Total cash and investments | 1,842,199 | 1,057,364 | 1,501,984 | 1,882,277 | 495,475 | (202,291) | 1,314,057 | 304,960 | (183,858) |
| Excess of expenditures over (under) final amended budget | 506,782 | 519,670 | 736,056 | 726,026 | 202,309 | 8,498 | 26,170 | 195,796 | 66,911 |
| Fringe benefit to labor costs | 931,590 | 5,779,384 | (359,847) | (2,585,493) | 4,566,253 | 815,547 | 1,310,337 | 1,764,839 | 336,823 |
| | 0.93 | 0.73 | 0.94 | 0.86 | 0.83 | 0.88 | 0.87 | 0.86 | 0.89 |

Exhibit 2

| | 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 | 1,465,629 | 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% | 500.1% | -922.5% |
| Primary debt service | 655,191 | 794,367 | 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% |
| OPFB obligation at end of year | N/A | N/A | N/A | N/A | N/A | 94,072 | 150,132 | 167,524 | 758,870 |
| OPFB obligation as % of spendable fund balance | N/A | N/A | N/A | N/A | N/A | -47% | 11% | 5% | -413% |
| Funded ratio of defined benefit plan | 56% | 57% | 58% | 58% | 60% | 60% | 58% | 59% | 58% |

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

Exhibit 2

| | Calhoun County Road Commission | Selected Other BC Average | Ingham (2010) | Easton 9/30/11 | Jackson (2010) | Hilldale | Cass 9/30/11 | Branch | Mont 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 | 7,175,998 | 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 | - | - | 2,458,089 | 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 | 2,809,898 | 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 | \$ 45,177,344 |
| 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 | 730,085 | 1,236,332 | 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 | 297,344 | - | 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 | 985,818 | 1,739,238 | 1,108,295 | 18,273,829 |

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.

- 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.



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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 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 (MCRC SIP). 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.

It should be noted that historical refunds of the Road Commission from MCRC SIP 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. It is the Road Commission Manager's contention that 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.

At this time, this issue still has to be resolved, since there are pending bylaw changes that may allow counties to keep their "road departments" with the insurance pool to enable the continuance of the rebates in the event of a consolidation.

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

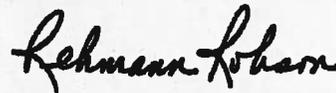
1. There could potentially be a shift in County Board focus from normal county affairs to this new public road administration function, and the Board could be spread too thin administering this new undertaking.
2. As an operation that has an inherent funding problem (since the level of MTF distributions 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

Appendix F



CALHOUN COUNTY Board of Commissioners

315 W. Green St.
Marshall, MI
49068
(269)781-0966

**KATHY-SUE
DUNN**
District 1

TERRIS E. TODD
District 2

JIM HAADSMAN
District 3

STEVE FRISBIE
District 4

**JULIE CAMP
SEIFKE**
*Vice Chair,
District 5*

**BLAINE
VANSICKLE**
District 6

ART KALE
*Chairman,
District 7*

May 4, 2012

Mr. Christopher Vreeland, Chair
Calhoun County Board of Road Commissioners
13300 - 15 Mile Road
Marshall, MI 49068

Dear Mr. Vreeland:

I am following up with this letter to reiterate my verbal request made at last night's Board of Commissioners meeting during my update report on the Calhoun County Road Commission Task Force. I respectfully ask that the Board of the Road Commission not renew or extend any long-term contracts - employment or otherwise, not revise or create policies that have long-term financial impact, and not enter into new long-term obligations until the task force has completed its work and the County Board has decided what action to take.

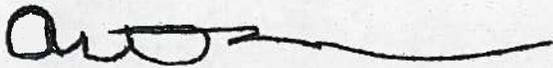
As I reported at last night's Board of Commissioners meeting, the Task Force met yesterday in open session and received several public comments from CCRC employees, vendors and others. The response could be summarized as one of deep concern over the poor condition of our roads, and also alleged financial and managerial issues including the Road Commission's failure to pay vendors timely.

We then appreciated hearing from County Administration that Managing Director Kevin Henning and Assistant Managing Director Mary Jo Crumpton were extremely helpful in providing requested materials and even creating informational binders for the Task Force members. We did not review the documents in any detail, however, before or at the meeting, simply because we had just received them.

After the Task Force meeting, I reviewed some of the materials and after discussions with County Administration, became convinced that it would be in the best interests of the citizens of this County for the Road Commission Board to hold off on long-term financial commitments during this Task Force's deliberations on whether to eliminate the Road Commission as recently authorized by HB 5125 and 5126. This type of requested "holding pattern" is reasonable due to the potential for transition and to minimize associated negative impacts on Road Commission's staff, its business partners and its overall operations.

I would appreciate your cooperation in this regard as well as in the broader Task Force process, and I hope that you'll consider this request as one that is beneficial to both of our organizations and the public.

Sincerely,



Art Kale, Chair
Calhoun County Board of Commissioners

Cc via email:

Board of Commissioners
Road Commissioners
Kevin Henning, CCRC Managing Director
Kelli Scott, Calhoun County Administrator/Controller
Richard Lindsey, Calhoun County Corporation Counsel
Road Commission Task Force

Law Office of Christopher B. Vreeland

105 West Michigan Avenue
Marshall, Michigan 49068
(269) 789-0787
FAX (269) 789-0815
www.VreelandLaw.com

June 21, 2012

County Commissioner Kale
315 West Green St.
Marshall, MI 49068

Re.: Your correspondence dated May 4, 2012

Dear Commissioner Kale:

Please allow this letter to respond to your correspondence dated May 4, 2012, a copy of which is enclosed for ease of reference.

The Road Commission Board is fully supportive of any and all review procedures, including but not limited to, the Road Commission Task Force. As anyone who follows roads in Michigan even casually will know, there is much room for improvement at this time. If the Task Force should generate any new information for improvement of operations at the Road Commission, we would welcome hearing that information. Accordingly, we agree with your request that we not renew or extend any long-term contracts or enter into long-term obligations until such time as the Task Force concludes its work.

Please be advised that we will continue to do our best to balance the needs of the Task Force and the County Board for a "holding pattern" with the need to maintain continuity of operations at the Road Commission. As I am sure you are aware after reviewing the materials we have given the Task Force, the Road Commission signs many different contracts and incurs obligations over a variety of time periods on a daily basis. Accordingly, we will treat your request, as you indicated in your remarks at our board meeting last night, not as a request that we cease all contracting activity but as a request that we not incur obligations that will adversely affect the County's ability to choose to implement different measures in the event that the County Board elects to disband the Road Commission after the Task Force completes its work.

After considering and debating the practical implications of your request on behalf of the County Board, we have extended our managing director's contract for a one-year period rather than the standard three-year contract. Of course, the Managing Director position, as well as all non-union positions at the road commission, remain terminable at will, which will remain the case until such time as the County Board may elect to disband the Road Commission as a separate entity. In any case, we believe our

decision is the best compromise to serve the best interests of the motoring public of Calhoun County and are hopeful that you will agree.

Our staff has spent considerable time and resources compiling information responsive to all requests received, and, as you acknowledged in your letter and as Mr. Fisher of Rehman Robson stated last night, our staff has done an excellent job of providing the Task Force and Mr. Fisher with any and all documentation requested. Please let us know of any additional information or documentation that you believe may be of assistance to you.

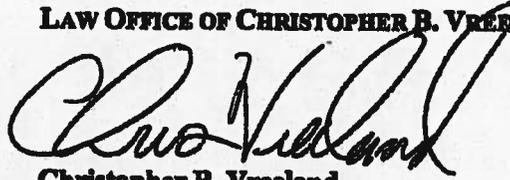
We renew our request to have any member of the task force contact all board members for input in the process. To date, none of our board members report having received any requests for information from any task force member or county commissioner, but our staff members have spent many hours compiling the voluminous documents requested by the Task Force. We are hopeful that the Task Force will conclude its operations in an efficient manner as a "holding pattern" is not a sustainable model for conducting business on an ongoing basis, particularly when the subject matter, roads, requires significant long-term planning.

Please do not hesitate to contact me with any questions or concerns.

Yours for better roads,

Very truly yours,

LAW OFFICE OF CHRISTOPHER B. VREELAND



Christopher B. Vreeland

Cc: **Steve Frisbie, Calhoun County Commissioner & Task Force member**
Jim Haadema, Calhoun County Commissioner & Task Force member
Terris E. Todd, Calhoun County Commissioner
Julie Camp-Siefke, Calhoun County Commissioner
Blaine VanSickle, Calhoun County Commissioner & Task Force member
Rob Behnke, Task Force member
Richard Sweet, Task Force member
Richard Lindsey, Jr., Esq. Corporate Counsel
Kevin Henning, CCRC Managing Director
Eric Johnson, CCRC Board member
Hugh Coward, CCRC Board member
Scott Brown, CCRC Board member
Doug Wildt, CCRC Board member

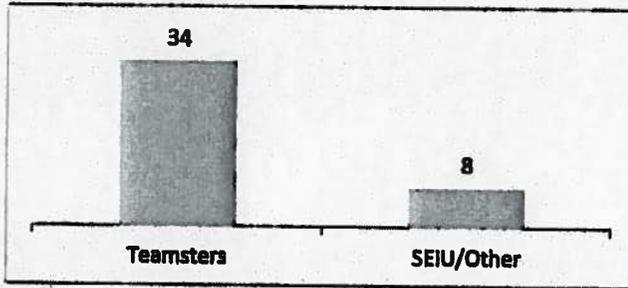
Appendix G

Calhoun County Road Commission Task Force

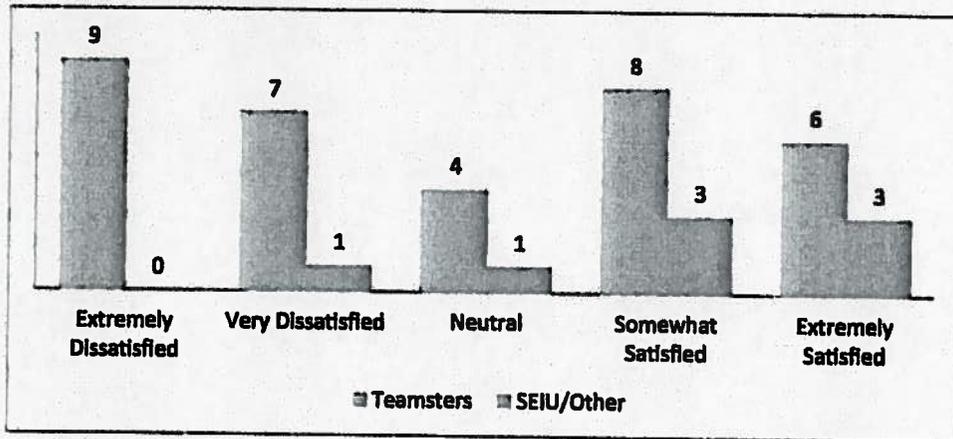
Road Commission Employee Survey Results

9-Jul-12

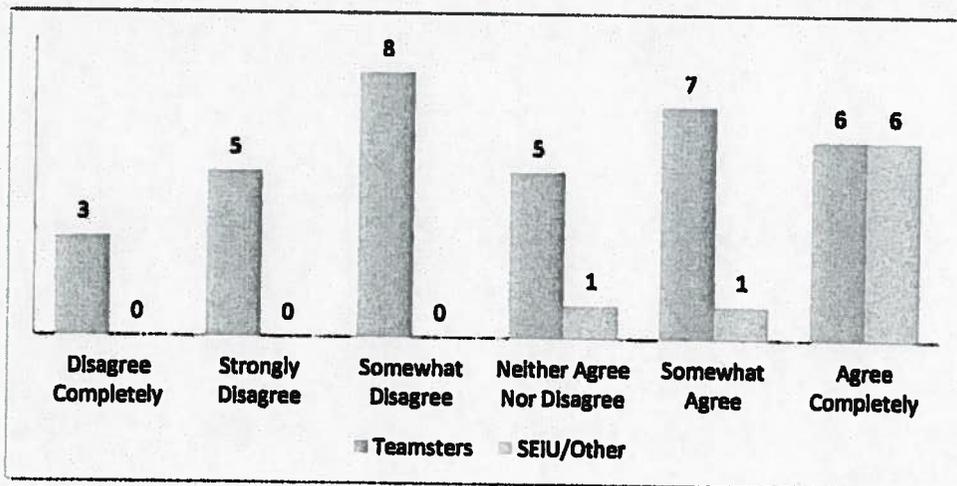
1 What type of position do you currently hold at the CCRC?



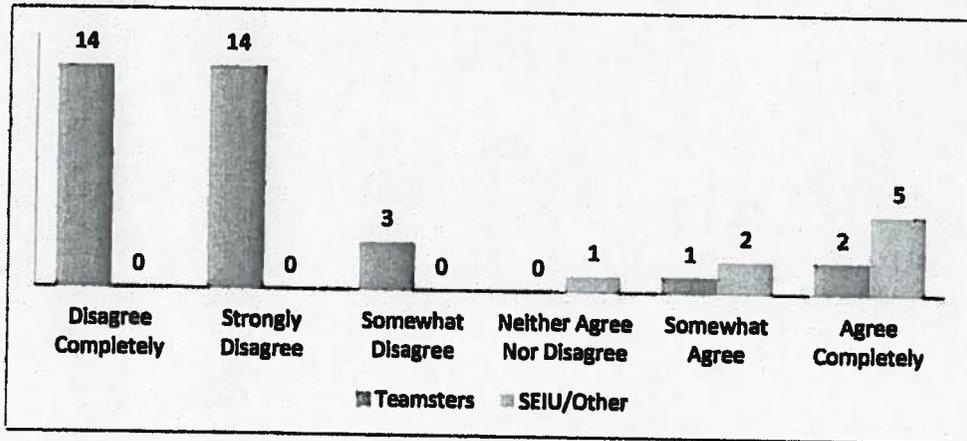
2 Overall, how satisfied are you working for the CCRC?



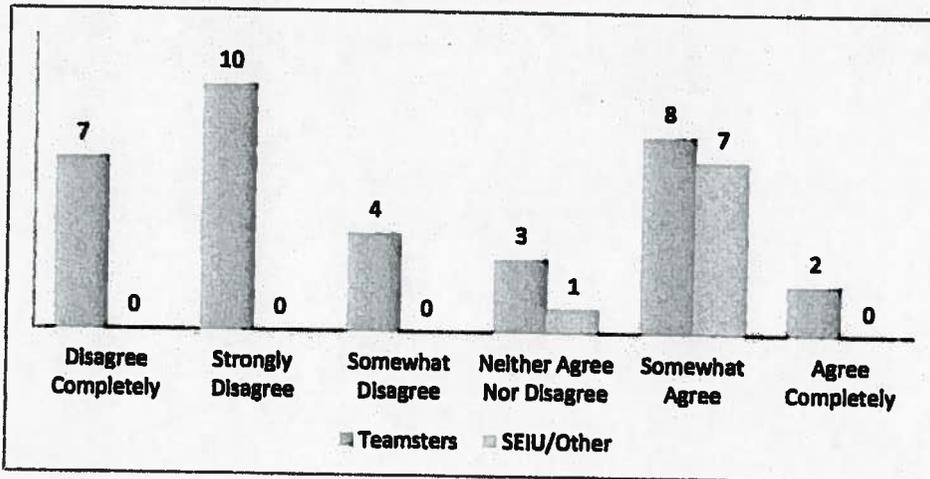
3 I feel like I am a part of the CCRC.



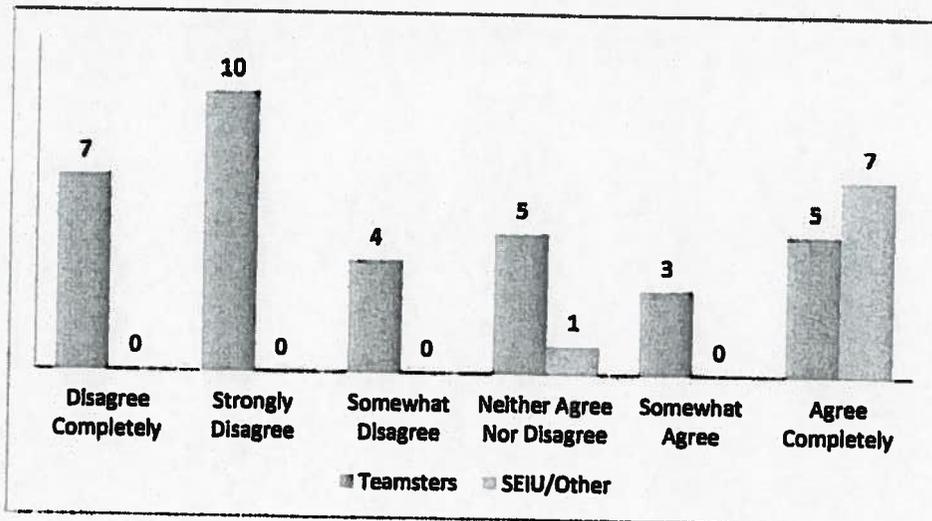
4 There is good communication from managers to employees in the CCRC.



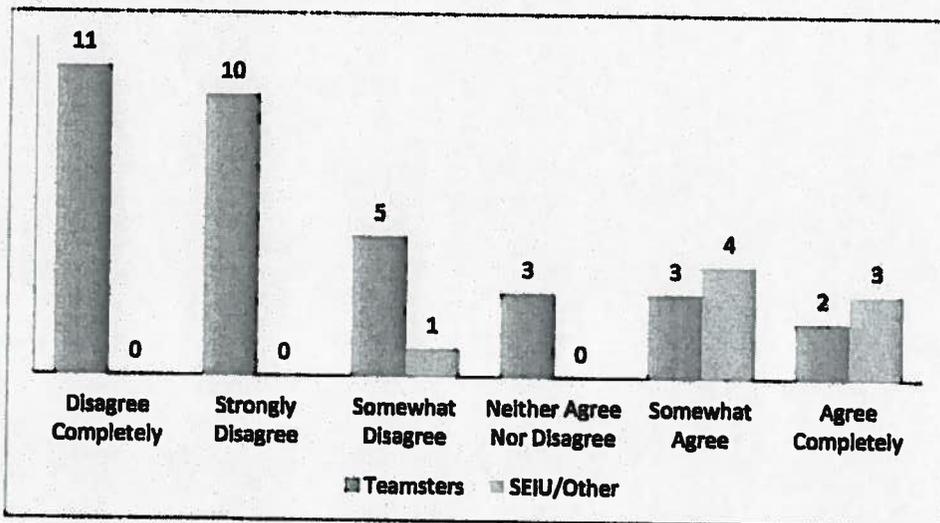
5 There is good communication from employees to managers in the CCRC.



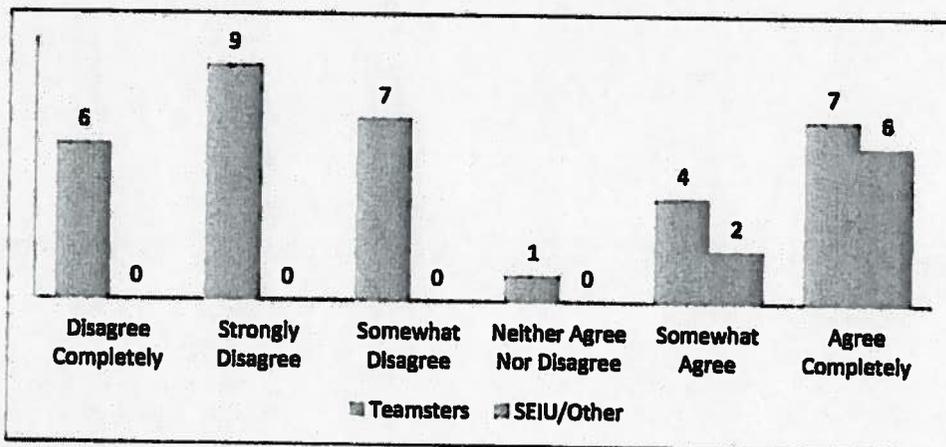
6 My job gives me the opportunity to learn.



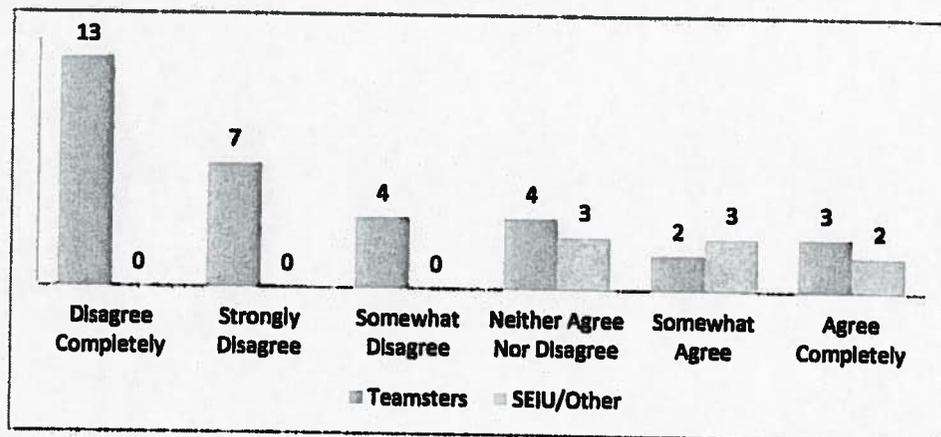
7 I consistently have the tools and resources I need to do my job.



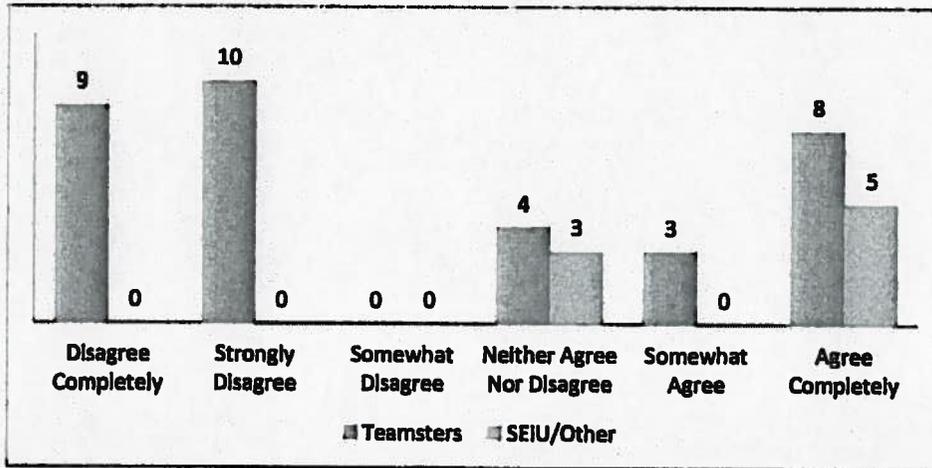
8 I have the training I need to do my job.



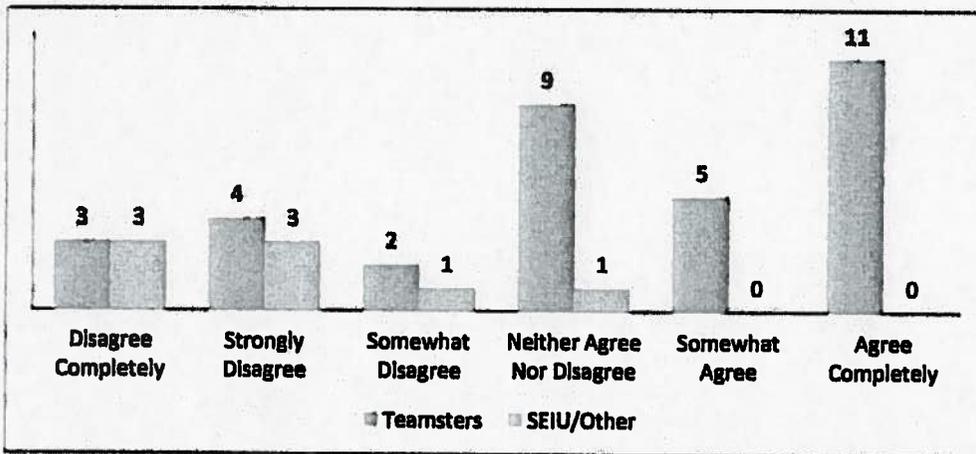
9 I receive the right amount of recognition for my work.



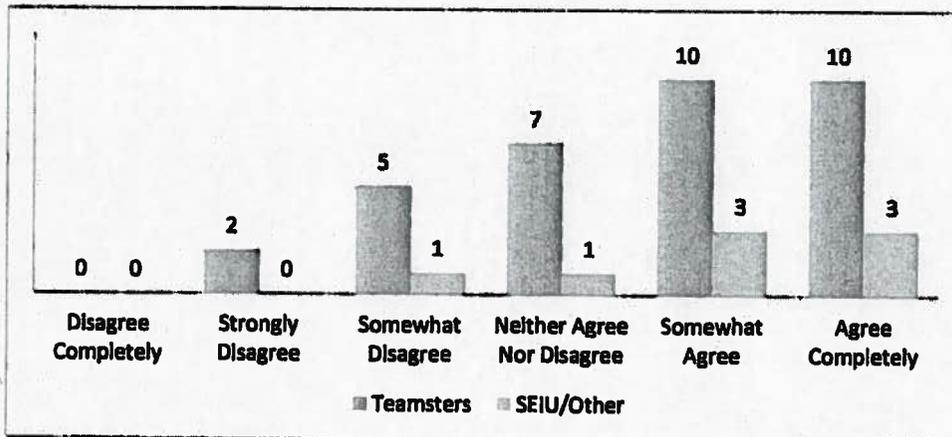
10 I am aware of the advancement opportunities that exist in the CCRC for me.



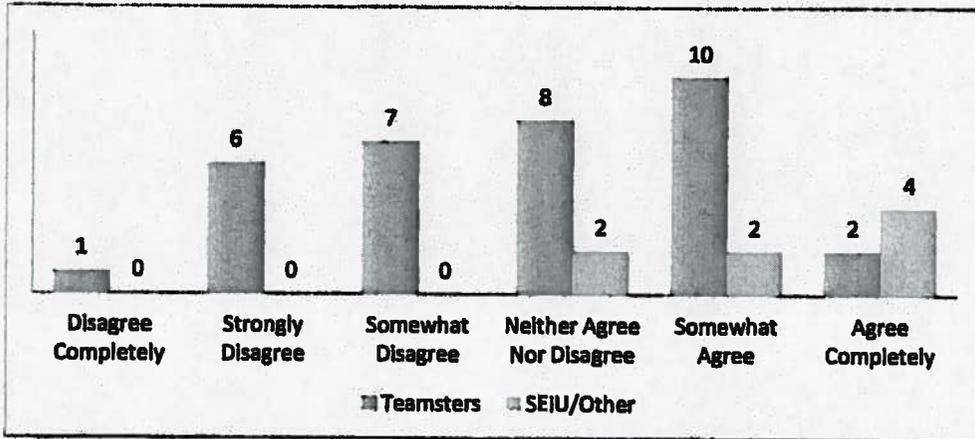
11 I feel underutilized in my job.



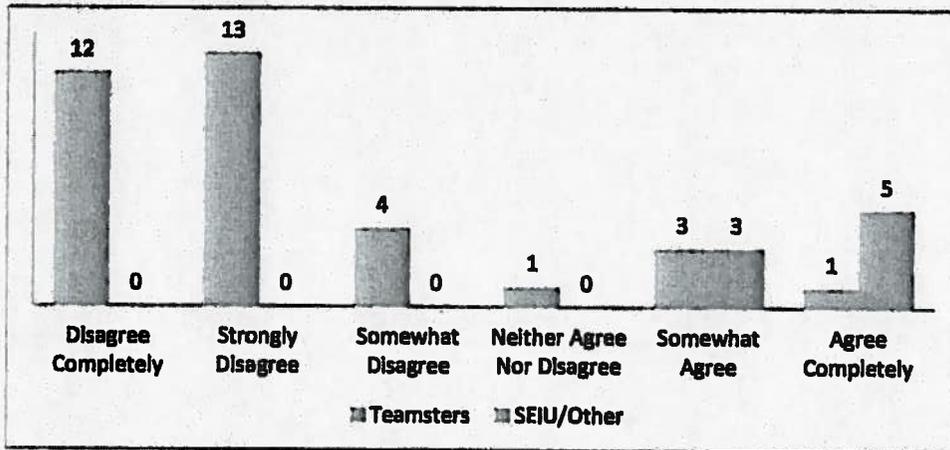
12 The amount of work expected of me is reasonable.



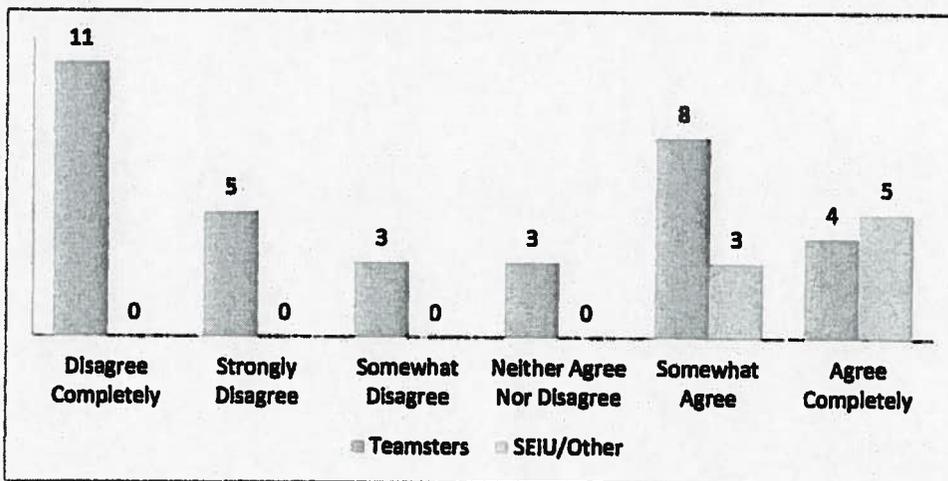
13 It is easy to get along with my co-workers.



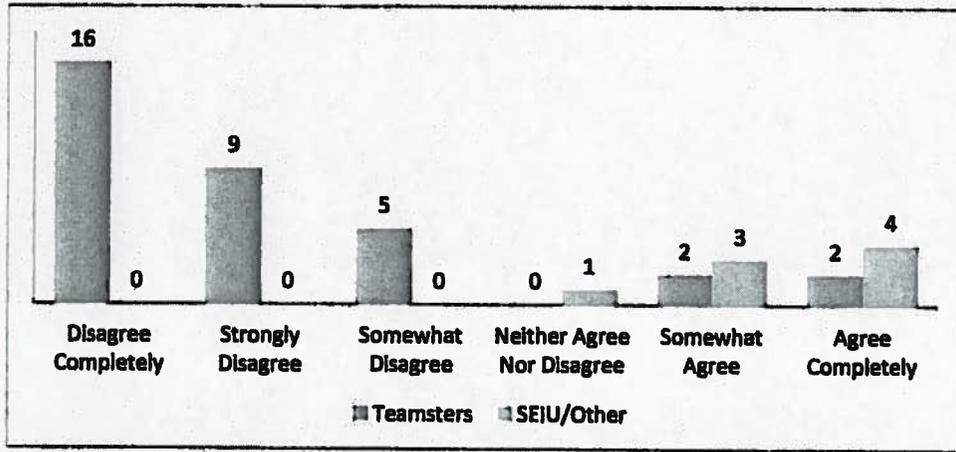
14 Overall, my supervisor does a good job.



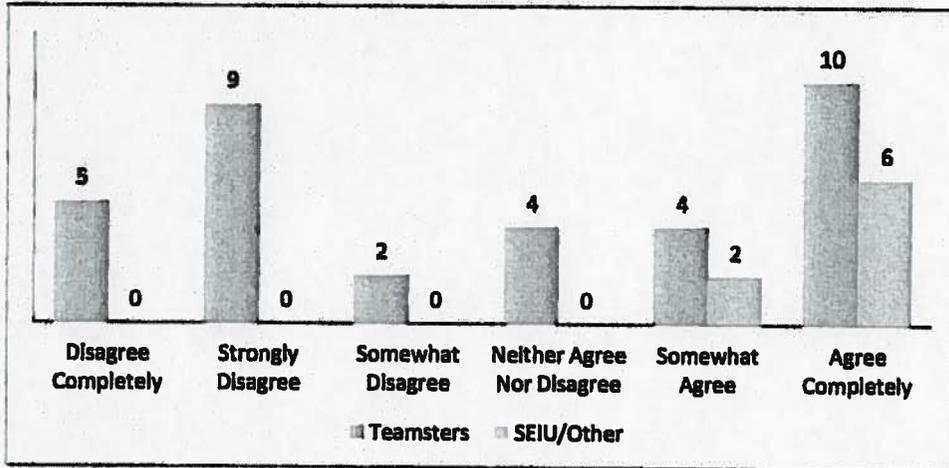
15 My supervisor actively listens to my suggestions.



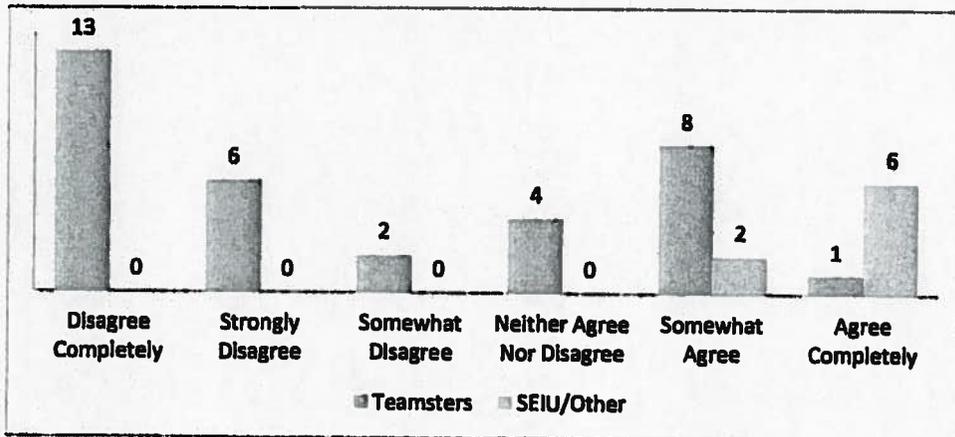
16 My supervisor promotes an atmosphere of teamwork.



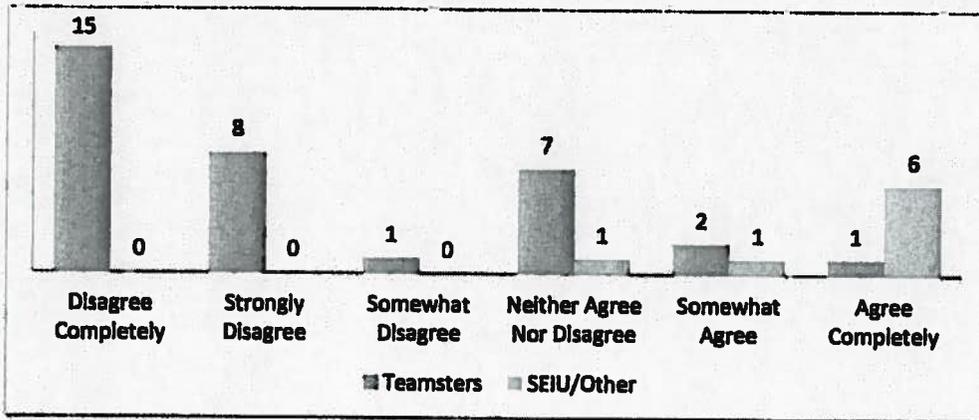
17 It is clear to me what my supervisor expects of me regarding my job performance.



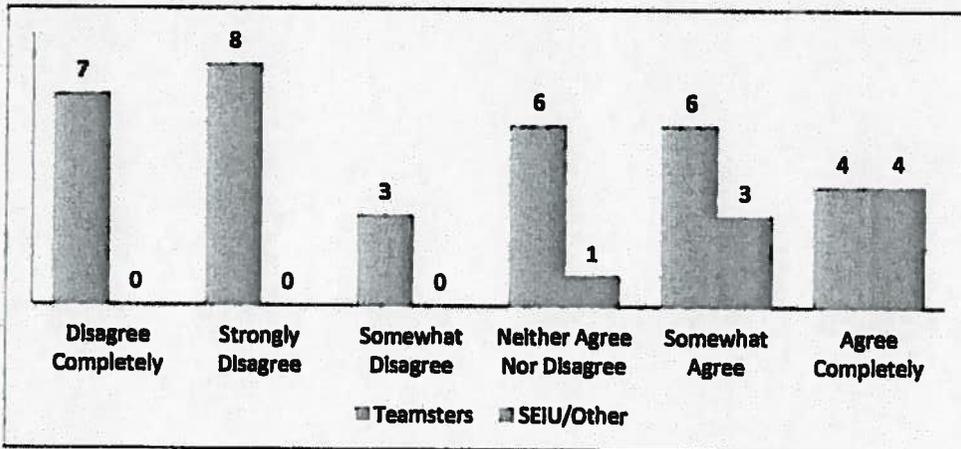
18 My supervisor evaluates my work performance on a regular basis.



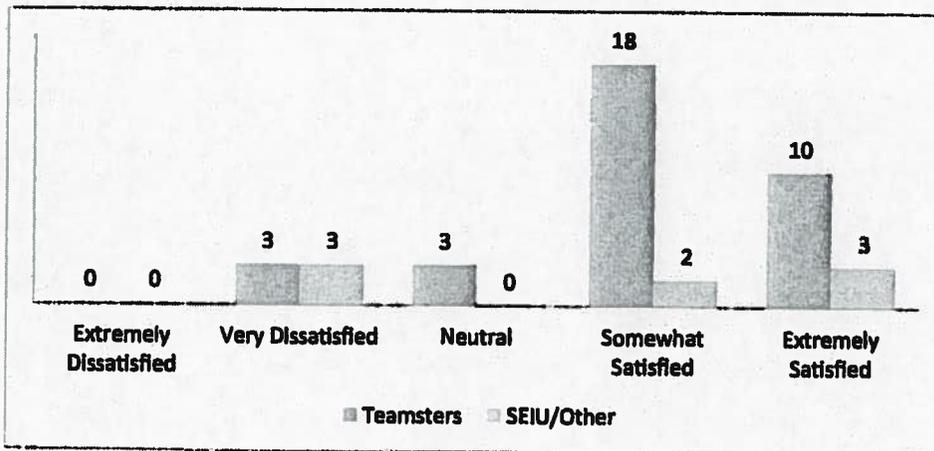
19 My supervisor provides me with actionable suggestions on what I can do to improve.



20 When I have questions or concerns, my supervisor is able to address them.



21 Your base pay?



14. How much road repair/maint. money has been left on the table and not spent from townships for the past 5 years in 50/50 match?
15. What is the procedure/paperwork to establish the cost analysis to determine the cost effectiveness of purchasing new equipment? Training to run?
16. Why pages 6,7,8 of Policy 12, Purchasing?
17. What was the justification of the 4 new cabs, plus add-on of frames in front?
18. Does the CCRC reimburse for personal miles of CCRC owned vehicles?
19. DOT/CDL certification for supervisors?
20. Workplace accident, immediate drug test always?
21. Concern about the "calling in" of CCRC board members for meetings.
22. Mary Jo Crumpton's contract: Is it accurate that it included an \$18,500 raise after one year? 4 weeks vacation the first year?
23. Many procedures appear to have been developed to be able to respond to the County's Road Commission Task Force request (No numbering system, etc.. Is that true?
24. How are employees scheduled in the morning?
25. How are projects monitored?
26. Hiring of staff? Background?
27. How does the on call system work; how often used?
28. Would the Road Commissioners and Managing Director describe their performance and outcome as satisfactory or not? If yes why, if no why?
29. Any reviews of the quality of work performed and materials utilized?
30. Proof of procedures followed for all purchases over Purchase Policy threshold level. Any purchases that exceeded the threshold where policy was not utilized?
31. Why does the night shift utilize cold patch all year? Why do you utilize a 2nd shift crew?
32. What was the topic of your closed session in April or May? Did you attempt to censure a Road Commissioner in closed session under what was listed as "legal matters"?
33. Why was it necessary to spend over \$10k on a lawyer to review an internal matter?
34. Was a RC supervisor allowed to drive RC vehicles after his arrest/conviction of DUI and not having a valid driver's license? If the supervisor did not operate RC vehicles during that time was he allowed to work?

Calhoun County Road Commission Task Force

Questions from Members to Managing Director and/or Board Chair

For the July 10, 2012 Task Force Meeting

1. **Financial Review of last 5 years: a. EOY Cash position; b. EOY General Fund; c. Spent roughly \$2.3 million more than revenues...justification? d. Sustainability of benefits, ie, retirement (18%), retiree healthcare, etc.?**
2. **Whether the Road Commission has had the vision to see this and what if anything has been, or is in the process of being done to put the "financial house" in order.**
3. **Has there been strategic planning of operations, including planned service delivery methods considered with declining revenues/increasing costs?**
4. **Why has the RC decided to go into deficit spending?**
5. **What is your plan to match revenue and expenditures going forward?**
6. **Why have they not addressed unfunded liabilities for retirees? If they have addressed the issue, then what is the plan?**
7. **Is there currently any investigation taking place by the State for alleged "mis-management"?**
8. **Has the Board of Road Commissioners considered bankruptcy, chapter 7, 11 or 9?**
9. **Has this Road Commission Board considered raising taxes or fees within the county & townships to make up for the short-falls?**
10. **Has the Road Commission Board considered "restructuring" its management and operating protocols to move toward a balanced budget and eliminate the deficit?**
11. **Is the Road Commission currently engaged in a "policy" of returning paved roads back to gravel in an attempt to cut expenses?**
12. **What is the RC's capital equipment replacement plan?**
13. **Review of past 5 years capital purchases- effectiveness, cost, bidding/ acquisition methods used**

Appendix H



June 27, 2012

Chris Vreeland, Chair
Calhoun County Road Commission
13300 15 Mile Road
Marshall, MI 49068

RE: Road Commission Task Force

Dear Chris:

Following up on Richard Lindsey's e-mail to you on Monday, June 25, 2012, as Chair of the Road Commission Task Force I am formally requesting that you be present at the Task Force meeting scheduled on July 10, 2012, at 8:00 a.m. in the Board of Commissioners Chambers at the County Building. I am also requesting that Managing Director Kevin Henning be present. It is my understanding that he has already confirmed via e-mail with Mr. Lindsey that he is planning to be at that meeting.

I have enclosed a list of questions which Mr. Henning (and you) will be asked to address at the meeting. There may be other questions which may arise depending on the answers given so neither you nor Mr. Henning should view this as an exhaustive list.

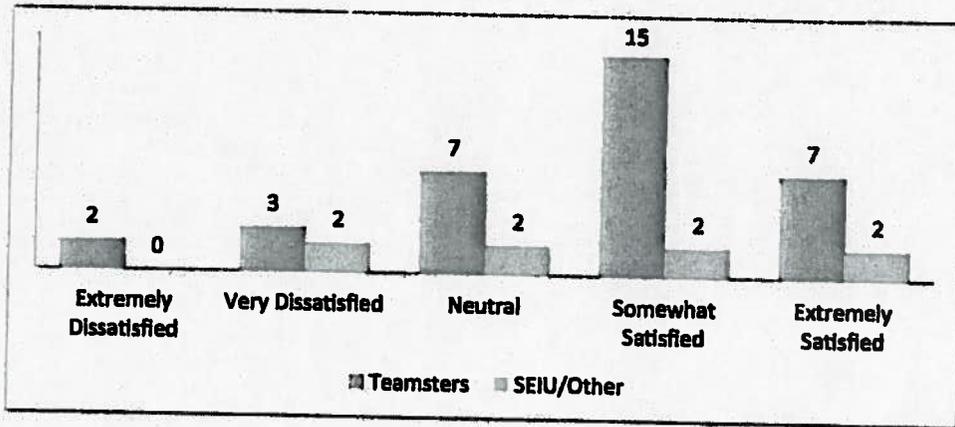
This is open meeting and other Road Commission Board members are welcome to attend along with other staff from the Road Commission. I would appreciate it if you could confirm your attendance in writing (via e-mail is fine) and we look forward to seeing you and Mr. Henning on July 10th.

Sincerely,

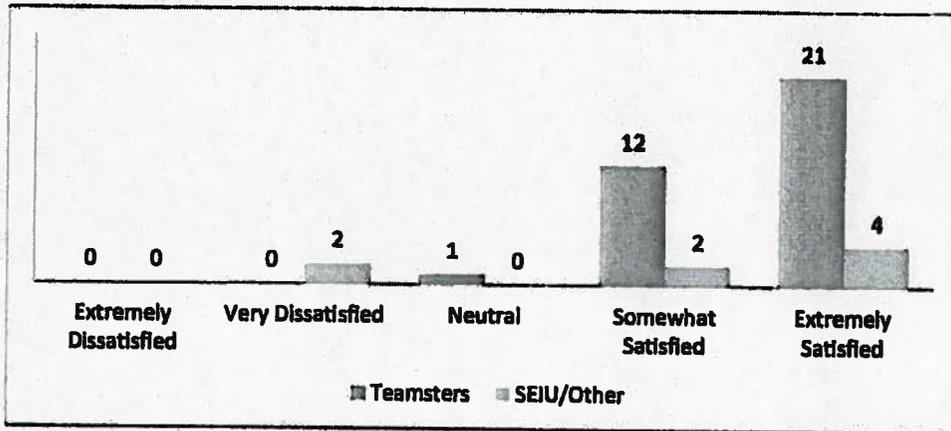
A handwritten signature in black ink, appearing to read "Art Kale".

Art Kale, Chair
Calhoun County Board of Commissioners

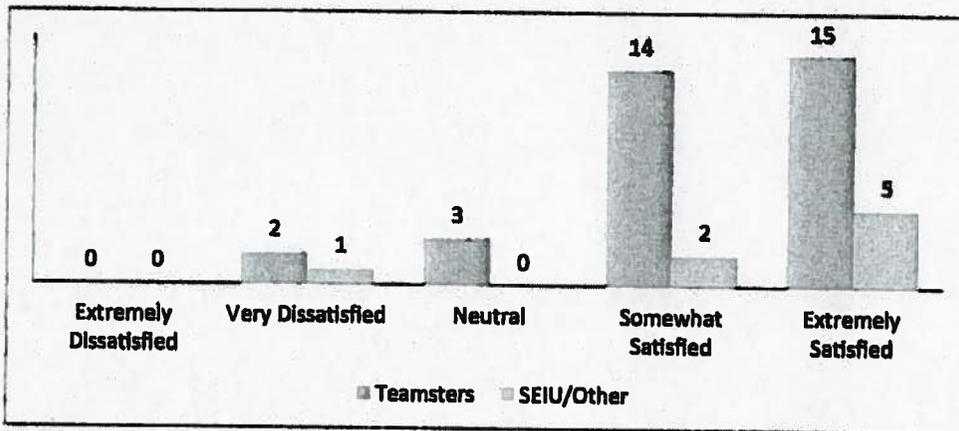
25 Your annual raise?



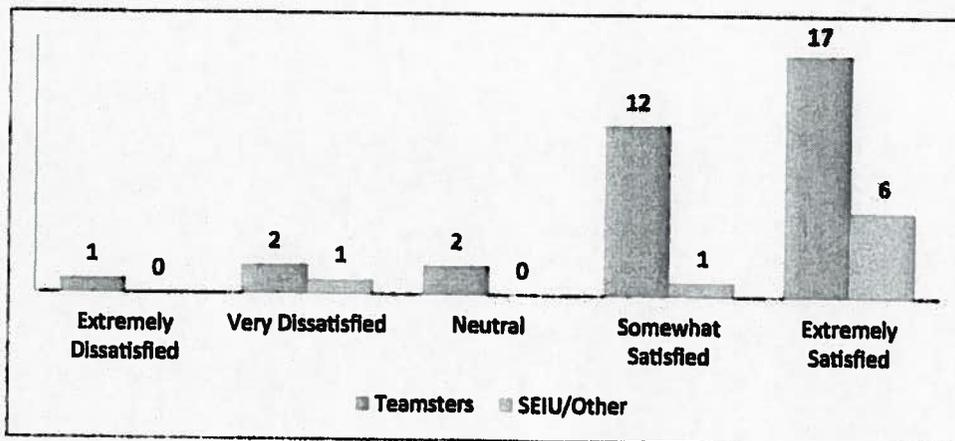
22 The vacation time you receive?



23 The retirement plan?



24 Your medical insurance?



35. Did RC supervisors and other employees use RC equipment and work time last May to cut firewood and transport cut wood to their home(s)?
 36. Why does the RC issue quad cab 4x4 pickups to all their supervisors and managing director?
 37. Why do the RC Managing Director and supervisors utilize their pickups to travel to and from work? How many supervisors are on-call at one time?
 38. Do you have a log of mileage where the supervisor vehicles were used for business and personal use? Were any personal miles reimbursed by the supervisors/Managing Director?
 39. How many office staff were included in the July 2011 staffing report and what were their functions?
 40. Do you have 2 full time I.T. personnel? If so, why?
 41. Why do you employ 2 Lead Mechanics out of a staff of 4 total?
 42. How long did the RC employ their Engineer without that person having the proper/required credentials? Was there any loss in revenue from the State as a result, and if so, how much? How much money did it cost to have prints sealed by a qualified engineer as a result?
-

- 1) **ALLEGED EMPLOYEE CONCERN:** The correct oil and stone was used in the durapatchers for about the first year. Since then management has used the wrong oil and stone. Therefore, the result is a failed patch. Is this true? Add chip & seal, and pothole repair material to the statement regarding inferior materials.
- 2) **ALLEGED EMPLOYEE CONCERN :** After the May 2011 storm, management had a prison crew of 10 to 15 individuals, rented equipment, and other employees out on a local road cleaning trees out of ditch lines which posed no hazard to the public when management should have had them on primary roads where traffic could not pass through due to debris. Is this true?
- 3) **ALLEGED EMPLOYEE CONCERN :** Employees who speak in favor of RC elimination or speak with Doug Wildt/County Commissioners feel they are singled out and retaliated against. Are they in fact retaliated against? What have Commissioners and Managing Director done to prevent that from happening?
- 4) **ALLEGED EMPLOYEE CONCERN :** Last year several employees report they were ordered to utilize defective cold patch (someone forgot to put binding agent into the mix) and fill potholes with nothing more than oil-coated stone. It was also reported the cold patch without binding agent required a dike to be constructed when the oil ran across the parking lot. Please speak to this.

-
1. **OBSERVATION:** The Calhoun County Road Commission train company has a full complement of passengers, is spending nearly all of its revenue on paying people to ride. Very little monies left to repair the tracks or maintain the train. Please speak to this.
 2. **OBSERVATION:** The primary task of the CCRC is to preserve the road infrastructure for the residents of Calhoun County.....there simply is not enough revenue projected to do that with nearly 90% of every \$ being used for pensions and benefits!!! Another way of seeing that, perhaps is to say that 1\$ out of every 10\$ is spent on road infrastructure for the Calhoun County Residents....or.....9 \$ out of every 10 \$ is spent on the Road Commissioners, pensions and benefits.
 3. **OBSERVATION:** The primary evidence, is that the Road Commission Board and Management (past and present) has spent its' vast revenues on preserving & Growing the Road Commission entity!!!



CALHOUN COUNTY ROAD COMMISSION
PUBLIC WORKS • PARKS • SOLID WASTE
13300 15 Mile Road • Marshall, Michigan 49068
(269) 781-9841 • (800) 781-5512 • (269) 781-6101 FAX
www.calhouncountyroads.com

TO: Arthur Kale, Chairman, Calhoun County Board of Commissioners
FROM: Christopher B. Vreeland, Chairman, CCRC Board
DATE: June 11, 2012
RE.: Your communication dated June 27, 2012

Please allow this memorandum to respond to your correspondence dated June 27, 2012 but received electronically on July 3, 2012. Thank you for sending us the list of questions, comments and observations compiled by the Task Force.

The CCRC staff has spent considerable time and resources compiling information responsive to all requests received, and, as you and Mr. Fisher have publicly acknowledged, our staff has done an excellent job of providing the Task Force and Mr. Fisher with any and all documentation requested. Mr. Fisher indicated at our last board meeting that he did not require any further information from anyone at the CCRC.

We, as a board, are not opposed to sitting down with you, other task force members or other county commissioners to assist you in understanding the information that has been provided to you. We would submit that a public forum is the preferable mechanism for doing so except when prohibited by law or when a closed session would be appropriate to facilitate business operations at the CCRC.

Unfortunately, many of the questions, concerns and observations forwarded appear to be suggestive in nature and not truly fact-finding questions. For instance, one question appears to assume that the CCRC is legally capable of enacting a tax to fund road maintenance, a function which, of course, only the county board, a township board, or the voters can undertake. Other questions make factual assertions that appear to be wildly at odds with reality such as "\$9 out of every \$10 is spent on the Road Commissioners, pensions and benefits."

Reality is that, out of every \$10 spent at the CCRC, somewhat less than half a penny is spent on Road Commissioners and approximately \$5 goes toward paying people to plow snow, patch potholes, maintain roads, and reconstruct roads (i.e. employee wages, benefits and pensions). The remainder is spent on equipment and materials (e.g. gas, hot mix, equipment, etc.). As an entity whose primary function is the provision of service to the motoring public, it would seem rather obvious that a significant portion of our budget would be spent on the people who provide the service.

The level of involvement by members of the Task Force with certain employees of the CCRC has created a politicized workforce and has hampered effective operations at the road commission. Interference from the task force, such as requesting that we make no big decisions or long-term contracts, has hampered this board's ability to continue to correct the previously ineffective road commission which we inherited from past management. Nevertheless, we will respond in writing to each question as we deem appropriate after making due diligence inquiries to avoid incurring any liability and diverting scarce resources that would otherwise be used on the roads of Calhoun County.

If you would like a quicker response which may help to focus the task force on the issues at play, please feel free to have the individual task force member asking any particular question contact any board member to gain some perspective. To date, no Task Force member has contacted any road commissioner other than possibly Commissioner Wildt to ask anything as simple as "Hey, why did you do X?" A simple phone call or two would be a step forward in generating factual discussions that would greatly assist the Task Force in understanding the functioning of the CCRC and, not so incidentally, avoid the appearance of a process with a preordained outcome.

If you, or any Task Force member or other county commissioner would care to discuss the particulars of any question with any of our board members, we would be happy to give you our individual perspectives as members of our board. If the point of the Task Force is to actually gain an understanding of the operations of the CCRC to assist the Board of Commissioners in making an informed decision, we are more than willing to help out.

Appendix I

RESOLUTION TO PROCEED WITH PUBLIC HEARINGS ON WHETHER TO TRANSFER THE POWERS, DUTIES AND FUNCTIONS OF THE BOARD OF THE CALHOUN COUNTY ROAD COMMISSION TO THE CALHOUN COUNTY BOARD OF COMMISSIONERS

WHEREAS Public Acts No. 14 and 15 of 2012, effective February 21, 2012, permit the Calhoun County Board of Commissioners, prior to January 1, 2015, by resolution, to transfer the powers, duties, and functions of the appointed board of the Calhoun County Road Commission to the Board of Commissioners and dissolve the Board of the Road Commission; and

WHEREAS the Board of Commissioners on April 10, 2012, created a Road Commission Task Force whose members were to gather information and make a recommendation relative to the issue of whether the Board of Commissioners should take action to assume the powers, duties and functions of the Board of the Road Commissioner; and

WHEREAS the Road Commission Task Force, over the course of multiple meetings, received public comments including those from multiple Road Commission employees, gathered and reviewed numerous Road Commission documents relating to its governance, management, and operations, engaged Rehmann Robson to prepare Phase I and II of Due Diligence Reports summarizing financial indicators and potential consolidation savings, conducted an employee survey, and submitted follow up questions to the Road Commission Managing Director and Chair to which they did not respond with answers; and

WHEREAS the Road Commission Task Force met on July 24, 2012, and unanimously (5 - 0) voted to recommend to the Board of Commissioners that it move forward with dissolving the Board of the Road Commission, with the Task Force members citing as key areas that must be addressed in the best interest of Calhoun County citizens: 1) responsiveness to the public and a governing board accountable to those who elect them; 2) sound long-term management of finances in spite of limited revenues; 3) leadership that maintains high employee morale and is responsive to employee opinions and suggestions; and 4) planning and execution of best practices that focus on improving the condition of the roads and infrastructure in Calhoun County as the paramount priority; and

WHEREAS pursuant to Public Act 14 of 2012, before adopting a resolution to dissolve the Road Commission Board and transfer its powers, duties and function to the Board of Commissioners, the Board of Commissioners shall conduct a minimum of two properly noticed public hearings;

NOW THEREFORE, IT IS RESOLVED that the Calhoun County Board of Commissioners hereby sets public hearings for August 16, 2012, at 7:00 p.m. and September 6, 2012, at 7:00 p.m. in the Board Chambers at 315 W. Green Street, Marshall, MI to hear any interested persons on the issue of the dissolution of the Calhoun County Road Commission and the transfer of the powers, duties, and functions of the Board of County Road Commissioners to the County Board of Commissioners.