2013 MAC Annual Conference:
Is Road Commission Consolidation Right for Your County?

Calhoun County Case Study

Kelli Scott
County Administrator/Controller
September 16, 2013

Before Nov.1, 2012

County

- Elected Board of 7, partisan and by district
- Appointed Administrator/Controller
- 550 Employees
- 9 Unions
- $40M operating budget
- Property Taxes are primary revenue source

Road Commission

- Appointed Board of 5, nonpartisan and all “at large”
- Appointed Managing Director
- 58 Employees
- 2 Unions
- $14M operating budget
- Act 51 Gas and Transfer Taxes are primary revenue source

New Legislation Allowing Consolidation

- Public Acts 14 and 15 of 2012 (Feb. 2012)
  - Amended state laws to give counties the option to dissolve Road Commissions and transfer powers, duties and functions to the Board of Commissioners
  - Possible Benefits: reduce administrative costs, eliminate 1 layer of government, direct accountability of elected County Board
  - Requires 2 Public Hearings
  - Requires majority vote of Board of County Commissioners
  - To reverse, requires vote of county-wide electorate

Questions to Explore

1. How good are your roads and bridges?
2. What shape is your Road Commission in?
3. How much support are you getting from townships?
4. Will consolidation increase transparency and accountability?
5. Are you willing and able to make changes?

Calhoun County Road Commission Task Force:

Timeline

Last Revised: November 2, 2012

- **May 17, 2012** — Task Force: Resolution to Engage Rehmann Robson for "Due Diligence Report"
- **Jun.7, 2012** — Task Force Meeting
- **Jun.22, 2012** — Task Force Meeting
- **Jul.10, 2012** — Task Force Meeting
- **Jul.24, 2012** — Task Force: Unanimous Vote to Recommend to Move Forward
- **Aug.2, 2012** — BOC: Decided 6/1 on Intent to Move Forward; Resolution Establishing Public Hearing Dates Required by Public Act 14 of 2012.
- **Aug. 16, 2012** — BOC: 1st Public Hearing
- **Sep.6, 2012** — BOC: 2nd Public Hearing
- **Sep.13, 2012** — Task Force: Reviewed and Supported Draft Transition Plan
- **Sep.20, 2012** — BOC: Resolutions Necessary to Transfer Powers, Duties and Functions of CCRC to BOC
- **Nov.1, 2012** — Effective Date of Transfer

Commissioners Art Kale (Chair), Steve Frisbie, & Blaine Van Sickle were part of the Task Force

How Good Are Your Roads and Bridges?

Condition of Our Roads

(2010 Analysis)

PASER Rating	Primary Miles	Local Miles	Total		
10 Excellent	2	0	2	0%	
9 Excellent	11	1	12	1%	
8 Very Good	80	6	86	7%	
7 Good	10	17	27	2%	
6 Good	5	33	38	3%	
5 Fair	38	66	104	8%	
4 Fair	73	155	228	17%	
3 Poor	79	176	255	19%	
2 Very Poor	176	354	530	40%	62%
1 Failed	18	18	36	3%	
	492	826	1318	100%	

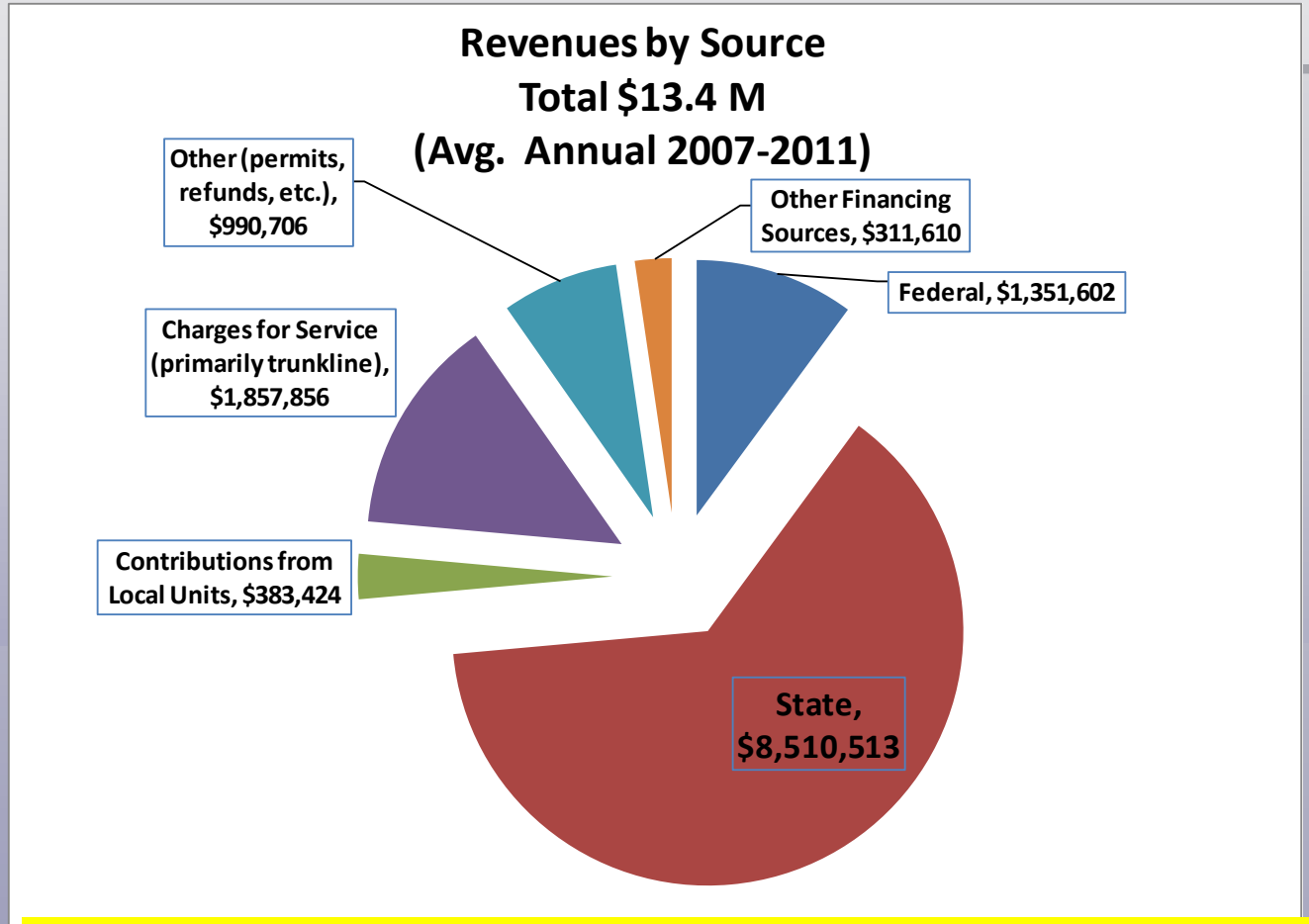
County Road Jurisdiction

- Counties are responsible for 75% of Michigan's road system
- Calhoun:
  - 488 Miles Primary Roads
  - 829 Miles Local Roads (152 or 12% gravel)
  - 458 Miles MDOT Road Contract
    - 1775 Total
  - 87 Bridges (22 of which are deficient)

Pothole patching vs. capital expenditures

- Calhoun's average investment in structural road improvements is 15% of total budget, compared to 31% spent by our peer counties *(source: Rehmann Robson 2012)*

Road Funding



63% of our revenue base comes from state transportation funding through Public Act 51—primarily from fuel taxes and vehicle registration fees.

What shape is your Road Commission In?

Governance, Management, Operations, Finances, Culture

Task Force Due Diligence

- Attorney White Paper
- Document Review—policies, procedures, contracts, Act 51 reports, etc.
- Financial Analysis
- Rehmann Robson Study Phase I
- Employee Survey
- Public Comments at Open Meetings
- Discussions with stakeholders

Financial Stats

(as of 2011 audit)

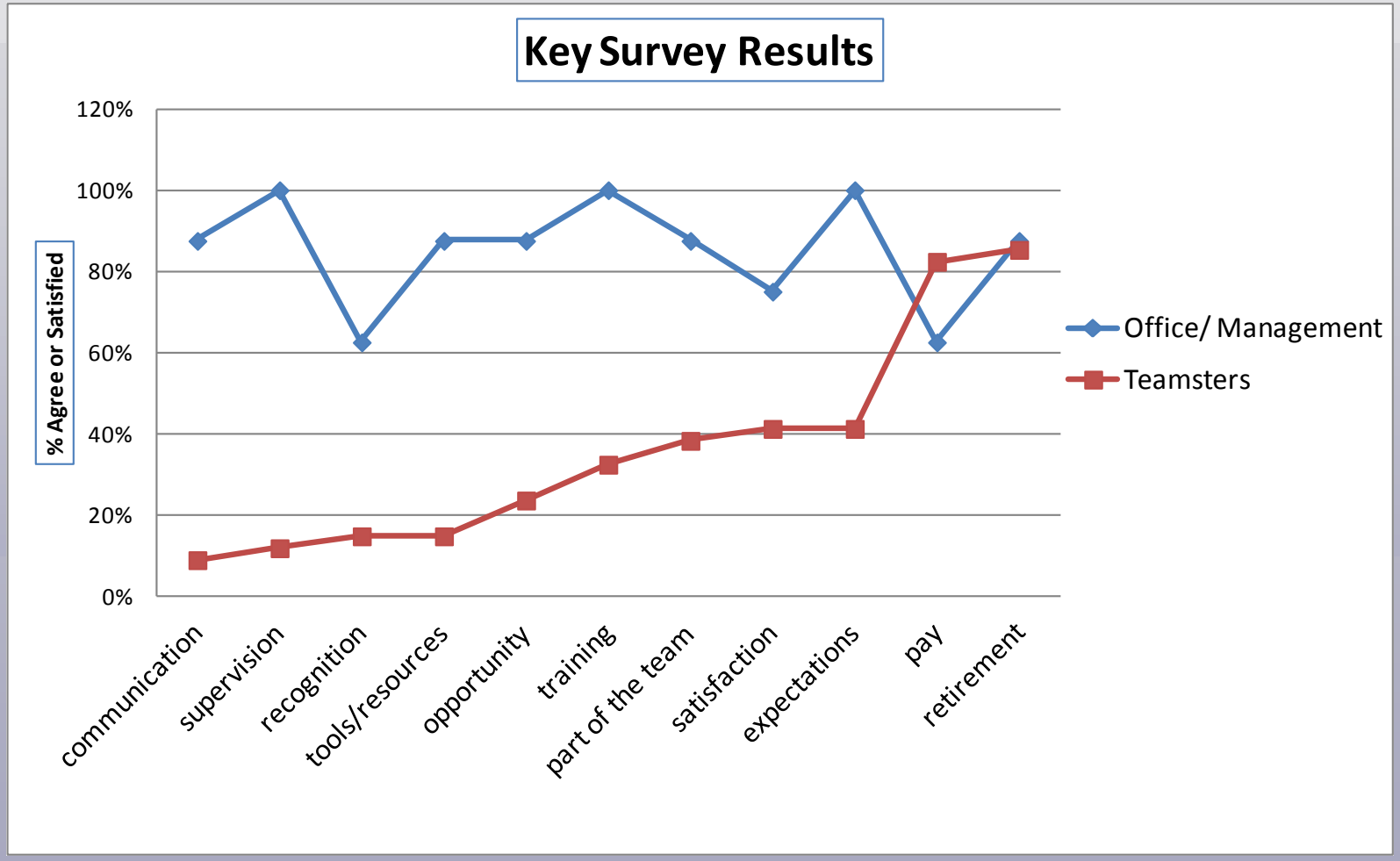
- Approx. $14M annual budget
- -$183,000 spendable road fund balance
- Tight cash flow
- 68 employees, down from 122 in 1997
- Fringe benefit rate is 89% of wages
- Pension plan is 58% funded; $7M UAL
- Unfunded retiree health & life insurance liability (OPEB) = $10.8M

Some Key Concerns

- Poor Condition of Roads, Bridges
- Funding for Roads Very Inadequate
- Negative Spendable Fund Balance, trend of overspending
- Unsustainable OPEB
- High level of A/P
- Documented opinions that suggest poor management of operations
- Low Employee Morale

Employee Survey

July 2012



Employee Survey
July 2012

Comments from the road workers…

- "Enjoy working on the roads, but they don't let us do our jobs to the best of our ability."
- "I feel like I'm wasting my time every day."
- **"We can't keep going the way it is."**
- ***"I will do whatever it takes to help you make the Road Commission better."***

How much participation from Townships?

Township Participation

- Only 3 out of 19 townships within Calhoun County have road improvement millages
- Only a handful were participating in 50%/50% local road match program
- Attendance dwindled at monthly township supervisors meetings hosted by Road Commission
- *"We are not willing to invest a dime until we are confident in how it is managed."*

Increased Transparency and Accountability?

Transparency and Accountability

- Our conclusion…YES!
- People already believe you are in charge of Road Commission operations.
- Sample campaign statement: "I want to run for county commissioner for two main reasons—to control spending and fix the roads."
- With consolidation, every resident throughout the county is represented by one county commissioner who is directly accountable
- One less layer of government

The Transition

- Calhoun County was the 2nd in the state to dissolve the Road Commission.
- Effective November 1, 2012, now dba Calhoun County Road Department
- …best practices still being created!

Our Process

- Reinvented Ingham's wheel
- Lots of due diligence and stakeholder input
- Decided on Open Meetings
- Requested Road Commission NOT make long term financial commitments

Our Process (cont'd.)

- Board Resolutions:
  1. Proceed with Public Hearings
  2. Dissolve Road Commission Board (also Parks Trustees and Public Works Boards)
  3. Create Road Department; transfer staff; assign Managing Director to County Administrator/Controller
  4. Transfer of Administrative and Signatory Authority

Our Process (cont'd.)

- Board Resolutions:
  5. Budgets, Staffing Authorization
  6. Merging Policies
  7. Honor terms of union contracts and non-union employment agreements
  8. Assumed only contracts identified and listed
  9. Transfer Pension Plan Assets, Designating Employer

Labor Considerations

- Most difficult issues!
- Varying legal advice
- Unresolved grievances, litigation
- Front line Management are key
- Separate road commission software vs county HR system
- Employee Communication—no email, night shift, etc.
- Job security, uncertainty
- Expectation for Change may be HIGH, patience low
- Employee motivation and engagement…it's all about the people!!

Labor Considerations

what we did

- Transferred all 58 employees
- Honored terms of union agreements
- Nonunion employees transferred to “at will”
- HR oversees hiring, discipline, benefits administration
- Benefits consolidated with County’s
- Overhauled Work Rules

First 9 Months: Accomplishments

- ✓ New Union Contracts
- ✓ Improved cash and reserve balances, vendor payments timely
- ✓ Addressing Long-term Unfunded Liabilities
- ✓ New Purchasing Teams
- ✓ Employee Roundtables
- ✓ Better Morale

First 9 Months: Accomplishments

- ✓ New Managing Director
- ✓ Reorg. Workers and Supervision
- ✓ Reorg. Front Office, Customer Service
- ✓ Increased Attendance at Township Supervisor Mtgs.

Cost Savings, Efficiencies

2013 ROAD DEPARTMENT BIDS & SAVINGS

RFB#	*PROJECT*	*ESTIMATED ANNUAL SAVINGS*	*CONTRACT TERM*	*TOTAL ESTIMATED SAVINGS*
101-13	Cutting Edges (Plow Blades)	$ 1,000	1 yr	$ 1,000
102-13	Tandem Axle Truck & Dump Bodies	$ 18,000	one time	$ 18,000
109-13	Sodium Chloride	$ 50,000	1 yr	$ 50,000
111-13	Signs & Posts	$ 6,400	1 yr	$ 6,400
114-13	Rest Area Maintenance	$ 3,500	2 yr	$ 7,000
no #	Fleet Fueling (re-neg. current County contract)	$ 20,000	3 yr	$ 60,000
		$ 98,900		**$ 142,400**

ADDITIONAL SAVINGS IDENTIFIED:

- Collective Bargaining: at least $25,000 per year achieved
- Outside legal fees: $25,000
- Road commissioner pay & benefits: $37,200
- Dental insurance: down $10,000 for 2013 with same benefits
- Benefits consulting: saving $16,000 per year
- Sale of unused vacant land: netted $46,000 in additional revenue for 2013
- Property/Liability insurance: premium dropped by $35,000 for 2013
- Indirect cost allocation to Road Department will partially offset savings, but increase revenue to County General Fund

Reality Check

What Went Well

- Open meetings for Task Force
- Lots of due diligence before decision
- Employee support
- More cost savings than expected
- Negotiating new labor agreements without outside counsel
- Commissioner persistence

Not so Much

- Timing of consolidation date
- Merging employee benefits
- Winter/year-end with no managing director; finance director
- Retiree Health benefits OPEB liability
- Impact on County Management/workload

Still Working On…

- Long-term budget
- Long-term asset management plans
- Reviewing Local Road Match Policy
- Updating Software, IT systems and support
- Jackson County Collaboration

Are you willing and able to make changes?

“Why would we want the headache??”

Commissioner Involvement

- Field questions, listen to and forward to Managing Director concerns in person, phone, emails, social media
- Pass on updates from Administrator/Controller regarding road department
- Attend township board meetings, township supervisor meetings
- Avg. 3-5 items per month on Board meeting agendas
- Attend CRAM events and training if they want to
- Same phone calls, emails but now can address them
- Commitment to SUCCESS!!!

Why Consolidate?

"Should you find yourself in a chronically leaking boat, energy devoted to changing vessels is likely to be more productive than energy devoted to patching leaks."

--Warren Buffett

Read more: http://business.time.com/2010/03/01/warren-buffetts-boring-brilliant-wisdom/#ixzz2EJ3Ue0uf

Info on our websites

- Task Force contact list, agendas, minutes, videos
- Rehmann Robson studies
- Policies
- Resolutions
- Employee Survey
- Transition Plans
- List of Documents Requested

www.calhouncountymi.gov
www.calhouncountyroads.com

Questions?

Kelli Scott

County Administrator/Controller

Office 269.781.0966

Cell 269.841.6853

kdscott@calhouncountymi.gov

THANKS!

MAC