

CALHOUN COUNTY ROAD COMMISSION TRANSITION PLAN

DRAFT 2 (With Changes Highlighted)

October 3, 2012, K.Scott

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 8 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 was held on 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 voted to dissolve the Road Commission. A copy of the resolution is attached as Appendix J.

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. The County's Executive Administration Team, including Assistant County Administrator Brad Wilcox, Corporation Counsel Richard Lindsey, and HR/Labor Relations Director Kim Archambault, have also been meeting regularly to discuss the transition, and have created detailed transition task lists with input from Road Commission staff and others. Staff from the County and Road Commission are updating these lists regularly as the transition progresses.

X. Meeting with Ingham County Management

County Administrator/Controller Kelli Scott met on September 26 via phone conference with Ingham County Administrator Mary Lannoye 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. Ms. Lannoye indicated that Ingham County's consolidation went very smoothly but did offer a few "lessons learned" that are being factored into our decisions.

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. When this transition takes place in Calhoun County, current plans are to rename the resulting organization the **Calhoun County Road Department**, which will be 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. **The County is preparing an information letter to go to CCRC employees in the next few days** regarding the Transition and activities already taking place. County administration is scheduled to attend on **October 17 an all-employee Road Commission meeting**, to update the CCRC employees on the status of the Transition and what they should expect.

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. **Corporation Counsel Lindsey is reviewing these policies with input from Managing Director Henning, and is preparing a Board of Commissioners Resolution to incorporate such policies, expected to be presented for adoption on October 18 or November 1.**

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. **Administrator/Controller Scott and Managing Director Henning have begun to discuss the Winter Maintenance plans that are already underway.**

Non-union Employment Agreements

The CCRC's Managing Director and Assistant Managing Director currently have Employment Agreements with the Board of Road Commissioners. In contrast, county department heads do not have formal employment agreements with the County Board of Commissioners, but rather received employment offer letters and have compensation rates and benefits that are set forth in county non-union policies, pay scales and resolutions. **The County has discussed with outside legal counsel options for working with these two agreements at the Nov. 1 transition date, and will schedule discussions with each to discuss the County's plans for the terms of their employment.**

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. **For the transition, the County plans to honor the terms of both current Collective Bargaining Agreements—SEIU's expires 12/31/12, and Teamsters' expires 5/31/13.** HR/Labor Relations Director Archambault is in the process of scheduling meetings with union representatives to determine whether to initiate labor negotiations over certain items prior to the scheduled November 1, 2012 transition date.

Physical Location of Offices and Staff

We do not anticipate any staff relocations will take place immediately on November 1 or soon thereafter. County and Road Department management are committed, however, to begin to have more detailed discussions and analyses of possible streamlining and reconfigurations that may impact staff location and duties after November 1.

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. This is anticipated to take several months to complete.

Budget 2012 and 2013

County Administration is preparing for Board of Commissioners' adoption on October 18 or November 1 a Resolution adopting a Road Department 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. The CCRC does process its own payroll and accounts payable checks, and so County Administration is working with the County Treasurer's Office to change signatory authority by November 1 and verify banking access, so that the new Road Department can continue to process checks with proper internal controls in place.

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. **Although not planned for November 1,** it is expected that sometime after the transition date 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 and a plan deductible year beginning January 1. The County's benefits plan year and deductible 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 has sought pricing from both AON, our Benefits Consultants, and CIC Benefits Consulting Group, which represents the Road Commission, and is in the process of determining whether it makes sense to negotiate for the January 1, 2013 plan year the 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. The outcome will either be for CCRC employees to remain on their existing health insurance plan past January 1, 2013, and subject to future collective bargaining, or for there to be relatively quick agreement for them to move to County insurance plans, scheduled for open enrollment in November. **This condensed timeline has made this item a top priority for decision making within the next few weeks.**

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. **Plans are underway to make this required switch seamless by November 1.**

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 Road Commission 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. **There are no changes being planned to take place on November 1 for currently participating CCRC retirees**, as the County intends to honor the terms of their current program as part of the transition. For those who have not yet retired, changes to future retiree health insurance benefits and related costs will be considered in accordance with legally available labor relations options.

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. It is expected that for current CCRC employees, all of their earned service credit with MERS will carry forward with the County as the new employer of record.** The divisions will be tracked separately as far as funded ratios and employer contributions, so that all costs will appropriately be charged against transportation funds.

Legal Counsel

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

Property and Liability Insurance

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

MMRMA, and the County has submitted the necessary information to MMRMA to ensure proper coverage 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 subject to FY13 budget appropriations within the County's IT department, and as such, no transition is expected to occur until well after the beginning of 2013.

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. Corporation Counsel Lindsey is preparing a Resolution for the County Board of Commissioners to adopt to appoint members to a new Parks Trustees Board on October 18 or November 1.

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 2012 oil spill impacting the Kalamazoo River and surrounding land. **We are currently exploring the idea of separating the functions within environmental services and parks management from the new Road Department, and instead integrating them into a County Department that may better leverage planning and related functions.**

Public Works

Corporation Counsel Lindsey is preparing a resolution relative to the Public Works Board and meeting schedule for the remainder of 2012, to be presented to the Board of Commissioners on October 18 or November 1.

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. **Administrator/Controller Scott and Corporation Counsel Lindsey are planning to attend the regularly scheduled October 8, 2012 meeting of the Solid Waste Advisory Committee to discuss the Road Commission transition and its implications on the Committee, and also the possible relocation of Solid Waste management functions to a department separate from the new Road Department within the County.**

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). **Managing Director Henning is preparing necessary communications to the Department of Environmental Quality (DEQ) in order to ensure Municipal Separate Storm Sewer System (MSP4) and Transportation Unit permits are transferred to the County effective November 1. The DEQ will also help us determine whether the County Ordinance**

02-1 relating to Public Works and the County Road Commission as Enforcing Agency needs to be amended following the November 1 transition.

Transportation Planning

Administrator/Controller Scott met on October 1 with Patricia Karr, Executive Director of the Battle Creek Area Transportation Study (BCATS), which has been designated as our regional Metropolitan Planning Organization (MPO) to receive federal transportation planning funds. BCATS has a Policy Committee and a Technical Committee to guide long-term transportation planning and specifically approve urban road improvement plans and direct federal funding for eligible road projects. The Technical Committee meets monthly on the 2nd Wednesday at 1:30 p.m., and the Policy Committee meets monthly on the 4th Wednesday at 1:30 p.m. The BCATS Policy Committee has in its by-laws two board member seats appointed by the County Board of Commissioners—one of which has been designated for a Road Commissioner. **The County Board of Commissioners will need to appoint another individual to fill this seat on the BCATS Policy Committee**—ideally someone who can represent the county from a road project capital needs perspective. A major initiative coming up is the preparation of the required 4-year programming document entitled the **Fiscal Year 2014-2017 Transportation Improvement Program**.

The County Board of Commissioners also passed a resolution in September 2012 to support the **newly reorganized Southcentral Michigan Planning Commission** and appointed Commissioner Kathy-Sue Dunn to represent the County on this 5-county Board. The first meeting is scheduled for **Thursday, October 18, 2012, at 4pm** at the County Building in Marshall. MDOT has requested that this new SMPC be operational and designated as our regional planning organization, in order to accept state transportation planning funds specifically designated for rural area roads (as opposed to BCATS, which is the designated planning organization for urban roads).

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 as opposed to 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.