The regular meeting of the Board of Calhoun County Road Commissioners was held on Wednesday, June 20, 2012 at 5:30 p.m. in their office located at 13300 Fifteen Mile Road, Marshall, Michigan.

**PRESENT:**
- Commissioner Christopher Vreeland, Chairman
- Commissioner Hugh Coward, Vice Chairman
- Commissioner Scott Brown, Member
- Commissioner Eric Johnson, Member
- Commissioner Doug Wildt, Member

**ALSO PRESENT:**
- Kevin Henning, Managing Director
- Mary Jo Crumpton, Board Clerk
- General Public

Chairman Vreeland called the regular meeting of the Board of Calhoun County Road Commissioners to order at 5:30 p.m. and led the Pledge of Allegiance.

**Motion made by Commissioner Johnson and supported by Commissioner Coward to approve the Claims Payable Listing ending June 13, 2012 for $639,005.06.** **Roll call vote:** Johnson-Yes; Wildt-Yes; Coward-Yes; Brown-Yes; Vreeland-Yes. Motion carried.

**Motion made by Commissioner Johnson and supported by Commissioner Coward to approve the June 6, 2012 regular meeting minutes.**

Commissioner Wildt stated that the June 6, 2012 regular meeting minutes were incorrect. He believes that the conversation with Mr. Henning on page 3, "Other", under the Managing Director's report is not accurate regarding the night crew and material used. Commissioner Wildt believes that Mr. Henning stated that normally the night crew uses hot patch, but that evening they were on the far side of the county so they were using cold patch.

Mr. Henning disagreed and asked that this correction by Commissioner Wildt be checked against the recording of the June 6, 2012 regular meeting. Commissioner Coward also disagreed with Commissioner Wildt and stated that he believes the minutes to be correct.

**Motion withdrawn.**

**Motion made by Commissioner Coward and supported by Commissioner Johnson to approve the June 6, 2012 regular meeting minutes with the exception of page 3, "Other" under the Managing Director's report until the audio recording is checked to verify the conversation. Voice vote: Motion carried.**

A review of the audio recording of the June 6, 2012 regular meeting minutes of the Board of Calhoun County Road Commissioners revealed the following:

- **Commissioner Wildt:** "Speaking about the pothole patching, do we still have a night crew?"
- **Mr. Henning:** "Yes, sir."
- **Commissioner Wildt:** "Okay. How many we got on that now, do you know?"
- **Mr. Henning:** "Four. We have one durapatcher that’s running and we have, with two employees, and two employees in a patch truck. The durapatcher is on E Drive South in Leroy Township tonight and the patch truck is doing service requests in Sheridan Township."
- **Commissioner Wildt:** "Patch truck’s using hot mix or cold mix?"
Mr. Henning: "I believe its cold patch – I would have to double check. Used to be they would grab the patch, they come in at 4:00, so they would get their orders, they would go grab some hot mix before the plant closed. But with them being in Sheridan tonight, I don't think they went to Michigan Paving in Jackson and grabbed hot mix. I don't think they did."

Commissioner Wildt: "So they usually do use hot mix, though? They don't use cold mix?"

Mr. Henning: "They, only for their first load, you know, they work 4:00 to 2:00 so..."

Commissioner Wildt: "So they can get one load of hot mix before they...?"

Mr. Henning: "Depending on where they're patching. Again, tonight they probably weren't going to Springfield when their orders were in Sheridan. They probably just grabbed some cold patch and headed out."

Commissioner Wildt: "Okay."

SUPERVISOR, PUBLIC OFFICIAL, AND CITIZEN COMMENTS regarding agenda items only

Mr. Art Kale, Chairman, Calhoun County Board of Commissioners, announced that the next Road Commission Task Force meeting is this Friday at 7:30.

County Commissioner Kale also referenced agenda item 15. “Recess for Closed Session for discussion of the Managing Director’s Evaluation/Employment Contract” and reiterated that he sent a letter out, as Board Chair and Chair of the Task Force, asking the Road Commissioners to not sign any long term agreements (personnel, materials, or equipment) until the Task Force review is completed. County Commissioner Kale asked that the Board honor the Road Task Force request and his letter as Board Chair.

2011 AUDIT PRESENTATION – Road Commission, Board of Public Works, and Parks Trustees

Mr. David Fisher of Rehmann Robson presented the 2011 Audit of the Calhoun County Parks Trustees Fund (a component unit of Calhoun County), the Calhoun County Board of Public Works (a component unit of Calhoun County), and the Calhoun County Road Commission. He noted that the audits are for the year ended 12-31-11. Mr. Fisher stated that they independently audit these books and render their opinions on the financial statements included within the audit reports, as well as look at the internal controls of various operations.

- Calhoun County Parks Trustees Fund: Mr. Fisher noted that there is not a lot of activity in this fund. He referenced page 1 that is a clean opinion on the financial statements, and page 4 that is a summary of expenditures and revenues. There was an excess of revenues over expenditures for the year in the amount of $8,411 and the fund balance at the end of the year was $93,494.

- Calhoun County Board of Public Works: Mr. Fisher noted that the Board of Public Works is a component unit of Calhoun County. Pages 1-2 are the clean opinion on the financial statements. The Board of Public Works is responsible for servicing the debt from water and sewer construction projects on behalf of various municipalities and townships in Calhoun County. He noted the summary of activities on page 12 for the Board of Public Works Fund 520. There was an excess of revenues over expenses of $17,608 during the year with a fund balance of $72,262 at the end of the year. Most of the activity during the year is a result of federal funding (EPA grants), essentially reimbursable expenditures. There were no big construction projects in 2011.

Mr. Henning asked Mr. Fisher how many years he has been auditing the financial statements. Mr. Fisher replied it has been 15 years or so. Mr. Henning asked Mr. Fisher if there was any time that the Parks Fund was in a deficit situation, while he was the auditor for the Parks Fund. Mr. Fisher replied there was a time period under previous management, and Mr. Henning added that at that time, the Parks Trustees were required to file a deficit elimination plan with the State of Michigan. Mr. Fisher
noted that one instance many years ago was when the Parks Trustees became involved with a museum in Battle Creek, and costs were incurred before funding was secured. That in and of itself led to a deficit situation. Discussion took place on the time period being in 2006 when Mr. Henning began employment with the Road Commission as the Finance Director and began to separate the funds into proper fund accounting.

Mr. Henning asked Mr. Fisher the same questions for the Board of Public Works (BPW). Mr. Fisher has audited the BPW for the past 15 years or so, the BPW had been in a deficit situation, and the BPW was required to file a deficit elimination plan with the State of Michigan.

It was noted that during the fieldwork of an audit, certain testing is completed to ensure that invoices and time cards are being posted to the proper fund. It was agreed that perhaps over the past 15 years or so, as invoices and time cards were tested for accuracy in posting that this fund deficit in Public Works, a component unit of Calhoun County, continued to grow. Mr. Henning stated that this organization recently wrote off a $250,000 receivable from the County because it was considered to be null and void and the Road Commission would not recoup $250,000 of PA51 monies or other Road funds that were used on Public Works. Mr. Fisher stated that there was cash used from the Road Commission to finance the Duck Lake project because Public Works didn’t have the cash. The receivable continued to grow and it ended up with the Road Commission writing off the receivable because the County did not reimburse the Road Commission. Mr. Henning added that the BPW was under an administrative consent order by the DEQ to carry out repairs to the system.

Mr. Henning clarified that currently both the Parks and BPW funds have a positive fund balance.

- **Calhoun County Road Commission:** Mr. Fisher mentioned that Rehmann Robson is doing an independent financial analysis of CCRC at the request of the County’s Road Commission Task Force. He added that they are using historical data and other road commissions in the southern Michigan areas as a basis for comparison. Commissioner Brown asked how the decision was made to compare geographically this road commission to other road commissions, rather than basing it on total lane miles and population which is what Act 51 actually uses to determine what our funding is. Mr. Fisher responded that there was no scientific method involved and the road commissions were randomly selected. It is strictly comparing this road commission with other road commissions in southern Michigan – some are smaller, some are larger. Selection was also based on the ease of obtaining financial information from the other road commissions because Rehmann Robson conducts their audits.

Mr. Fisher referenced pages 1-2 as the clean opinion on the financial statements. He noted that pages 3-9 are Management’s Discussion and Analysis that is prepared by management and is a requirement of the audit. He reviewed the statement of assets, liabilities, and fund balance on page 11 and noted that the total fund balance was $452,290 as of 12-31-11. The summary of revenues and expenditures for 2011 on page 15 shows the actual numbers. Mr. Fisher explained that the lion’s share of the revenues received is from the State sources and includes the MTF distribution. In a normal year, MTF distributions account for about 65% of the total revenues. This was not a normal year because over $2.3 million dollars was recorded as revenue and also under expense from the Enbridge contribution to roadways. Mr. Fisher stated that there was also an EPA grant for approximately $670,000 that passed through CCRC to the sub recipients.

Mr. Fisher noted that the MTF revenues received in 2011 are about the same amounts that were received in 2000; however, the cost of fuel, petroleum based products, labor, and fringe benefits have significantly increased. He noted that CCRC is in the same boat as many road commissions in Michigan with cash flow problems. Mr. Fisher added that road commissions do not receive their MTF distributions for November and December until January and February of the following year.

Commissioner Vreeland stated that when he came on the Board in 2009, CCRC had over $2 million in accounts payable and we were about six months behind in payments. He believes that about 1 ½
years ago we were current on our accounts payable. Mr. Fisher responded that he would have to check the audit reports and added that different things can affect the cash flow such as a large equipment payment, but the trend has shown a decrease in cash flow.

Mr. Fisher pointed out the OPEB obligation that CCRC has and explained this is the health benefit for retirees. He noted that it has spiked up due to changes made to the retiree health insurance benefits a few years back when surviving spouses were added. This has doubled the long-term liability. This liability is reported on page 26 of the audit report. Mr. Fisher noted that CCRC is not the only entity that has this pending issue, but added that eventually the costs will have to come out of the operating budget.

Commissioner Vreeland asked if the recommendation is to tweak and cut some benefits. Mr. Fisher replied that is an option, as well as increasing revenue and reducing costs. Commissioner Brown commented that he is not a fan of cutting public employee benefits, especially those of retirees who have already put in their time. He asked Mr. Fisher what other road commissions are doing besides cutting benefits. Mr. Fisher responded that many are considering cutting staff and reducing benefits. Mr. Henning added, and Mr. Fisher agreed, that many road commissions had a better financial status at the beginning of this funding crisis. Commissioner Coward noted that there are a lot of factors that influence the actuarial report and the number is just a number. He suggested sitting down with the actuarial to review real-time numbers. Discussion continued.

In addition to the financial audit presented tonight, Mr. Fisher explained that CCRC was subject to the Single Audit Act in 2011 because over $500,000 in federal revenues (EPA grant) was received and passed through CCRC to other municipalities.

Commissioner Coward clarified that for the last several years during the audit presentation, Mr. Fisher has recommended that the $450,000 loan from the Road Commission to the Board of Public Works be taken off the books. Mr. Fisher agreed, and noted that this was finally done. Commissioner Coward noted that it was taken care of, but at about 30¢ on the dollar.

Commissioner Vreeland asked the meaning of a “clean” opinion. Mr. Fisher responded that this refers to the audit report and that CCRC's accounting meets General Accepted Accounting Principles and is reasonably presented in accordance with current audit standards.

Commissioner Vreeland noted that he received a copy of Mr. Fisher’s financial analysis phase 1 report provided to the Road Commission Task Force. Mr. Fisher explained that he is acting as a consultant to the Task Force by completing an independent financial analysis of operations and comparing it to other road commissions and trends.

Commissioner Vreeland asked if Mr. Fisher had all the information from CCRC to complete his analysis. Mr. Fisher replied that he did.

Commissioner Coward asked if the Board could hire Mr. Fisher as a consultant for information and recommendations on making adjustments to address the concerns discussed tonight. Mr. Fisher replied yes.

Mr. Fisher thanked the Road Commission and staff for their excellent cooperation in gathering information.
COMMUNICATIONS AND RESOLUTIONS
Mrs. Crumpton read the communications as follows:

a. Received a staff recommendation and corresponding Traffic Control Order (TCO) 12-180-002 regarding Pennfield Township’s request for “No Commercial Trucks over 10,000 pounds” on several roads within the township
b. Received correspondence from the Battle Creek Area Transportation Study (BCATS) regarding the FY2013 Local Funding Resolution
c. Received communication from Eckford Township regarding the 2012 Local Road Program

MANAGING DIRECTOR’S REPORT

Approve the Voting and Alternate Delegate for MCRCSIP’s Annual Business Meeting: Mr. Henning informed the Board that the Michigan County Road Commissions Self Insurance Pool’s (MCRCSIP) Annual Business Meeting is coming up in July. They have a couple of bylaw revisions that they are asking counties to consider. Mr. Henning noted that he would bring those revisions to the Board at their next meeting at which time the Board can determine how they would like to vote. Mr. Henning asked for Board approval to authorize Jill Forshey as voting delegate and Mary Jo Crumpton as alternate delegate to vote on behalf of the Board.

Motion made by Commissioner Coward and supported by Commissioner Johnson to approve Jill Forshey as voting delegate and Mary Jo Crumpton as alternate delegate for MCRCSIP’s annual business meeting. Voice vote: motion carried.

Approve Traffic Control Order (TCO) 12-180-002: Mr. Henning informed the Board that Pennfield Township is concerned that many of their roads will be impacted due to the long detour route being posted by MDOT for the M-66 Bridge replacement project. The township has requested “No Thru Truck” routes on several of these roads. The staff recommendation at this time is to only post the local roads as “No Thru Truck” routes. Even though some of the primary roads being requested are in bad shape, they were built as all season roads and if federal dollars were used they cannot be restricted. Mr. Henning requested Board approval of TCO 12-180-002.

Motion made by Commissioner Johnson and supported by Commissioner Coward to approve Traffic Control Order 12-180-002 designating Huntington Road from M-66 to Pine Lake Rd; 8 Mile Road from T Drive North to Baseline Road; Baseline Road from M-66 to 7 Mile Road; and R Drive North from M-66 to 6 Mile Road in Pennfield Township as “No Thru Trucks over 10,000 pounds”.

Commissioner Coward stated that he supports the TCO and understands Pennfield Township’s concerns as he lives in that area and knows the condition of the roads. He asked if we had any control over enforcement. Mr. Henning replied that enforcement is always the issue but without the TCO and restriction there is no enforcement at all. He added that we do have a good relationship with the Michigan State Police Motor Carrier and they have assisted us in the past, if their time permitted. Commissioner Coward asked that if the TCO is passed tonight, staff contact the appropriate parties.

Commissioner Brown asked what primary roads are being requested as “No Thru Truck” routes. Mr. Henning replied Pennfield Road and Pine Lake Road. Discussion took place on the inability to restrict primary roads if federal dollars have been spent on them. Mr. Henning noted that it is not always clear, but he would not recommend restricting these primary roads and he added that our recommendation must be consistent with how we have handled detour routes in other townships. Commissioner Brown requested that staff research Pine Lake Road and get feedback from Pennfield Township to determine if it could be restricted.

Voice vote: Motion carried.
Approve the 2012 Construction/Preventative Maintenance Program: Mr. Henning referred to information from the last meeting that he provided on the 2012 Construction/Preventative Maintenance Program including the local road program, local regravel, federal aid projects, and primary road projects. He updated the Board on the township resolutions he has received to date for the local road program. Mr. Henning is asking for Board authorization of the local road program expenditures at an increased level, up to the $524,000 stated on the handout. He is also recommending holding off on the primary road projects at this time. Chip and seal on local roads would commence in August. Prep work will continue for patching and any culvert replacements that are needed.

Motion made by Commissioner Brown and supported by Commissioner Coward to authorize up to $524,765 for local road program match for the 2012 construction season.

Commissioner Brown clarified that Tekonsha has pulled the 17 Mile Road project, but Mr. Henning is asking for authorization up to $524,000 in the event other townships wish to participate. He also clarified the specific work that would be done on some of the local projects to ensure that tree removal, ditching/drainage, etc. would be done.

Roll call vote: Wildt-Yes; Johnson-Yes; Coward-Yes; Brown-Yes; Vreeland-Yes. Motion carried.

Other: Mr. Henning reported that brining on gravel roads should be completed within the next week. He noted that he would be providing the Board with a summary of the information he received at the conference he recently attended.

NEW BUSINESS

Request from the County’s Road Commission Task Force: Commissioner Vreeland informed the Board that the Road Commission Task Force has requested his and Mr. Henning’s attendance at their meeting on June 22, 2012 at 7:30 a.m. He noted, however, that we are no longer on the agenda. Mr. Henning stated that he was previously contacted regarding the meeting and about questions from the Task Force. He asked for the questions in writing, in advance of the meeting, but has not received them. Commissioner Vreeland commented that we have been “knocking on the door” to participate with the Task Force, but have been rebuffed.

Commissioner Vreeland informed the Board that he has prepared a letter back to County Commissioner Kale regarding his original letter asking our Board not to enter into any long-term agreements. The letter states that while we intend to comply with the spirit of his letter, we do have an ongoing business to manage. Commissioner Vreeland added that he is not enthusiastic about taking more staff time to attend a meeting that seems to already have a preordained outcome. Commissioner Johnson agreed.

Commissioner Vreeland offered to send the letter under his signature to Commissioner Kale, pointing out that we have not received any contact from any Task Force member; however, he is aware that individual Task Force members are reaching out to a select few CCRC employees. Commissioner Vreeland would ask that all employees and Board members have the opportunity to provide input. In order for all to be on the same page, Commissioner Vreeland would ask that the Task Force contact the Board and staff prior to announcing in a public meeting that CCRC would be invited.

Permit Process: Commissioner Vreeland received a telephone call from a contractor that was unhappy with the time frame to receive a driveway permit. It was found that the application had been submitted by the contractor to the wrong agency. Regardless, staff was able to process the permit in a timely manner. Commissioner Vreeland stated that he would like to discuss issuing conditional permits prior to inspection under certain circumstances. Mr. Henning commented that we would be leery to authorize a driveway permit prior to inspection, but we may be able to revamp the right-of-way permit to accommodate certain situations.
Commissioner Wildt commented that he believes that this option should be open to all situations, as it would be difficult to determine who should and who shouldn’t get a permit. It was suggested that this be discussed at a future meeting.

SUPERVISOR AND PUBLIC OFFICIAL COMMENTS

County Commissioner Art Kale stated that Commissioner Vreeland’s public statement that the Task Force decision is preordained is not factual. He added that he does not want to burden the County with an operation that is not fair to the citizens of the county. Commissioner Kale emphasized that he has never said this is a closed deal or automatic. He has always said that they will do the review, as you would for a business, and make a decision that makes sense for the citizens. He does not want to burden our county residents with an operation that may be so far removed from what we are trying to address that it doesn’t make sense. They are going to do what makes sense. Commissioner Kale stated that Commissioner Vreeland’s comments about preordained are not accurate and are not fair.

County Commissioner Kale agrees that CCRC has a business to run and doesn’t expect the Board to do things that will impact their business. He stated that the letter he sent regarding long-term commitments is prudent and typical in business reviews. Commissioner Kale noted that CCRC employees are reaching out to the Task Force. As for the meeting on June 22nd, Commissioner Kale was told that Mr. Henning was asked to attend, but was not available.

CITIZEN COMMENTS

Mr. Tommy Miller, CCRC employee, stated that about a week ago he ran the durapatcher for a day and wanted the Board to know that we have a lot better stone than we had before and the oil was pretty good. He also commented that he doesn’t understand why two different shifts get sent to the same road with two different materials.

COMMISSIONER TIME

Commissioner Coward asked for insight regarding the request to Mr. Henning to attend the June 22nd Task Force meeting. He noted that he did not receive any information on this. County Commissioner Kale replied that he believes Mr. Lindsey’s email was to Mr. Henning requesting his attendance. Commissioner Coward clarified that the Road Commissioners did not receive the email.

Commissioner Vreeland extended kudos to Mrs. Erin Cummings for her quick response on the permit issue. He also extended kudos to Mrs. Crumpton for doing an exit interview with a CCRC employee that recently left employment and that he appreciates the employee’s feedback. Commissioner Vreeland reiterated that he would send the letter previously discussed to the Task Force. He added that he noticed that Mr. Kale appeared to be recording what he was saying and that perhaps there was a campaign speech in there.

RECESS FOR CLOSED SESSION

Motion made by Commissioner Brown and supported by Commissioner Coward to enter Closed Session for discussion of the Managing Director’s Evaluation/Employment Contract. Roll call vote: Coward-Yes; Johnson-Yes; Wildt-Yes; Brown-Yes; Vreeland-Yes. Motion carried.

The June 20, 2012 regular meeting of the Board of Calhoun County Road Commissioners was reconvened at 8:30 p.m.

REPORT/ACTION FROM CLOSED SESSION

Motion made by Commissioner Brown and supported by Commissioner Coward to extend Mr. Kevin Henning’s Employment Agreement for a period of one (1) year from the date of its scheduled expiration of June 30, 2012.
Commissioner Wildt stated that he doesn’t agree and believes it should be a 6-month contract.

Commissioner Brown stated that he believes that this is a compromise aimed at working with the County, as normal employment agreements are for three (3) years. The County sent a letter asking for no long-term contracts. Road commissions do not enter into any contracts shorter than one (1) year. Contracts we award for asphalt, salt, etc. are for at least one (1) year. Even our Collective Bargaining Agreements are over multiple years. Since the County was not specific, he believes that logically short-term would mean no longer than any other contracts that we enter into.

Commissioner Vreeland agreed with Commissioner Brown and believes the one (1) year contract is an appropriate response to Commissioner Kale’s request.

Roll call vote: Coward-Yes; Brown-Yes; Wildt-No; Johnson-Yes; Vreeland-Yes. Motion carried.

ANNOUNCEMENTS

The next Regular Meeting of the Board of Calhoun County Road Commissioners will be held on Wednesday, July 11, 2012 at 5:30 p.m. This is the 2nd Wednesday due to the 4th of July holiday.

There being no additional business before the Board, Chairman Vreeland adjourned the meeting at 8:33 p.m.

Submitted by:

_____________________________  ____________________________
Mary Jo Crumpton, Board Clerk  Christopher B. Vreeland, Chairman