

The meeting of the Board of Road Commissioners of the County of Calhoun was held Wednesday, June 20, 2007 at 9:00 a.m. in their office located at 13300 Fifteen Mile Road, Marshall, Michigan.

Present: Commissioner Chester E. Travis, Chairman  
Commissioner Charles E. Monaweck, Vice-Chairman  
Commissioner Scott A. Brown, Member  
Dennis Randolph, Managing Director  
Joanna Johnson, Assistant Managing Director  
Kevin Henning, Finance Director  
Pixie Coats, Human Resource Director  
Angela Kline, Assistant County Highway Engineer

Also Present: Tom Frank, Albion Township Supervisor  
Sharon Drumhiller, Tekonsha Township Supervisor  
John Neterer, Leroy Township Supervisor  
Tom Sprau, Bedford Township Supervisor  
Greg Purcell, Calhoun County Administrator  
Pam Kline, Calhoun County Finance  
Eusebio Solis, Calhoun County Commissioner  
Mike Rae, Calhoun County Commissioner  
Greg Moore, Calhoun County Commissioner  
Russ Wicklund, Preim Group, LLC  
Dave Veramay, Clarence Township Resident  
Joe Bramble, Convis Township Resident  
Gardy Berezonsky, Marengo Township Resident  
Dave Fisher, Rehmann Robson Auditor  
Tiffany Eichorst, Calhoun County Road Commission  
Steve Ball, Calhoun County Road Commission  
Paul Adams, Calhoun County Road Commission  
Robert Volkmer, Calhoun County Road Commission  
Paul Beardslee, General Counsel

Chairman Chester Travis called the regular meeting of the Board of County Road Commissioners to order at 9:02 a.m.

Moved by Commissioner Monaweck and supported by Commissioner Brown to approve the regular meeting minutes of June 6, 2007. Voice vote: Motion carried.

### **COMMUNICATIONS AND RESOLUTIONS**

- Received a Notice of Intent to establish a Condominium Project, Capital Park Condominiums at 4441 Capital Avenue SW, Battle Creek, MI, in Leroy Township.
- Received a memo from Kevin Henning, Finance Director regarding the 2006 Audited Financial Statement from Rehmann Robson.

- Received MDOT Contract 07-5302, for a center, left-turn lane and traffic signal work at the intersection of 11 Mile Road and Verona Road
- Received an application from the Michigan Department of Transportation for Engineering Reimbursement
- Received a memo from Lorraine Kincaid, Administrative Assistant, to the I-69 Recreation Heritage Route, requesting approval of the Prairie Restoration Landscaping and Design Bid.

### **UNFINISHED BUSINESS**

- Compost Center Agreement

Discussion:

Commissioner Brown stated that he received the information on the Compost Center and he feels that the overwhelming beneficiary is the City of Marshall. He asked if Solid Waste was under Public Works. Mr. Randolph stated that yes, it was, but the property belongs to the Road Commission. Commissioner Brown said the he didn't feel that we should spend road fund money for the compost center. He thought it should be brought under Public Works. Mrs. Johnson said that the reason it is under the Road Commission is because of the funding mechanism from the Road Commission and because it is Road Commission property. Although we can put it under the agenda for Public Works, there is no funding from Public Works to appropriately allocate funding for the Compost Center. Mrs. Eichorst stated that at this time, the Solid Waste Committee has no intentions of funding the compost center at all. Commissioner Brown said that he understands, but he isn't aware of any provisions in Act 51 that allows us to spend our money for a compost center.

Mr. Randolph said that what we have gotten out of it is not that we want a compost center, but we get material from the compost center. We get topsoil, woodchips, and we also allow citizens to bring concrete into our site. We make all of our gravel from the concrete that is brought into our site at half the cost of having to purchase it. The Road Commission uses the material from the compost center on our roads. We are paying for things such as address assignments and soil erosion and sedimentation control. We do use the materials from the site and that is part of the reason we allow Public Works to have this on our site.

Commissioner Brown said that he understands that we do get some benefit from the compost center but he has concerns because we are constrained and after reading some of the information from the audit, we need to be very careful to look at the legal side of things. He doesn't feel it's an appropriate expenditure of Road Commission funds.

Mr. Randolph stated that he understands Commissioner Brown's concern but we are audited every year and he didn't think this question had been raised. It's an indirect way to get material that we use.

Commissioner Monaweck asked Mr. Randolph if he had any kind of a measurement as to the materials that we have taken out and what that would have cost us compared to our investment there. Mr. Randolph said no, that he didn't have any comparisons. He said that one of the things that we have really struggled with is inventory management, but it has gotten much better since Mr. Henning has been here. Mr. Randolph said that he could have a good accounting estimate for the Board if they wanted to put it off a couple more weeks.

Mrs. Eichorst stated that the Solid Waste Committee said that if this didn't get support, then they would think about putting the compost center back on its original site. Normally, compost centers don't make money, they cost money.

Commissioner Monaweck said that he would like to see this tabled until they can receive some type of cost report. Mr. Randolph said that he would work with Mr. Henning to come up with the information for the next meeting.

**PRESENTATION: Dave Fisher, Rehmann Robson - 2006 Audit for Calhoun County Board of Road Commissioners, Calhoun County Board of Public Works, Calhoun County Parks Trustees Board.**

Mr. Fisher summarized the Board of Parks Trustees 2006 audit and management letter.

The financial statement for the Parks balance sheets shows the fund as having an operating deficit over the years. The unreserved fund deficit is \$113,765 as of December 31, 2006. This means there is a liability that is owed to the Road Commission component unit for \$113,765. There were expenditures of \$116,179, which were primarily golf course expenditures in its final year of operations. The program revenues which are the charges for services was \$91,000, so during the year there was a short fall of \$21,000 in the golf course fund. This was added to the beginning fund deficit which was restated as a \$45,000 increase in that deficit because we had to reverse a transaction that was done at the end of 2005 for the sale of property between the Parks and the Road Commission. This put the deficit at \$91,991.

Commissioner Brown asked if Mr. Fisher meant that the property was sold and then unsold. Mr. Fisher said yes, and the fund balance in the Road fund was higher by \$45,000.

The management letter that goes along with the audit states any disagreements that Rehman Robson may have with Calhoun County Road Commission management on the audit. In the attached accounting memorandum under comments and recommendations, it states the fund deficit of \$113,765 and we have recommended that the Parks Board look for ways to eliminate the deficit because the Parks Trustees should not have any deficits in funds in any governmental unit.

Commissioner Brown said he noticed that the Management Letter states that we are in violation of the State of Michigan compiled laws. Mr. Fisher said that it was a violation. Commissioner Brown asked what the risks were for being in violation. Mr. Fisher said that when there is a deficit, the Parks Trustees Board has to file a deficit elimination plan with the State of Michigan indicating how they are going to eliminate that debt.

Mr. Fisher summarized of the Board of Public Works 2006 audit and management letter.

In the Board of Public Works fund, the balance sheet shows that the activities are for both the Board of Public Works and Solid Waste. The management letter strongly urges the Board of Public Works to separate these activities. On December 31, 2006 there is a \$19,121 fund balance. There is a cash amount of \$678,000. There is a management letter regarding the amount owed to the Road fund. Rehman Robson recommends that the Board of Public Works liquidate the "due to", "due from". The program revenues for Solid Waste consist mainly of the host fees received from the landfill. We have expenditures of \$228,991. This leaves a fund balance of \$19,211, which is getting rather low for that fund. The debt that the Board of Public Works has is primarily service by the townships. The management letter does address the inter-fund loans. There is an amount that was advanced to the Board of Public Works for \$633,000, which is due from the Road Commission and on the Road Commission books there is a due from the Board of Public Works. If it's other than temporary, it's really not an authorized borrowing. Rehman Robson recommends that the Road Commission reduce the inter-fund balance by taking some of the cash and liquidating it so that there won't be any questions about this in the future.

Commissioner Brown said that the statement shows that this is an unauthorized use of State funds if the loans are other than temporary, and he understands that temporary is if the loans are paid back within the same fiscal year. Mr. Fisher said that the State of Michigan would agree with his statement of temporary, but this loan has existed since 2001. Mr. Fisher said that the loan was a lot less back then. It was around the \$100,000 range, but has continued to grow since then and should be paid back. Commissioner Brown asked Mr. Fisher if he thought this was a temporary loan. Mr. Fisher said no, this is not a temporary loan. Commissioner Brown said that this constitutes unauthorized use of road funds. Mr. Fisher said yes, it does. Mr. Fisher said that there is really nothing that allows Act 51 monies to be loaned to other funds if they're not for Road Commission purposes. A lot of this can be paid back by a transfer of cash, which will eliminate the "due to", "due from". This can be solved in 2007, since much of these funds went out of Public Works in anticipation of some preliminary expenses on the Duck Lake project, which is expected to be bonded in the future. The bond money will come in to provide more cash for this. Commissioner Brown said that he wanted to be clear on this. He asked if the transaction itself was an unauthorized use of funds and that we shouldn't be behaving in this fashion. Mr. Fisher said that he was correct and

that any fund of a governmental unit should not be used this way. There is no provision that Mr. Fisher has ever seen that allows the use of Act 51 money to be loaned for any other purpose.

Mr. Fisher summarized of the Board of Road Commissioners 2006 audit and management letter.

Mr. Fisher recommended that the Board take a good look at the management discussion and analysis area. He said that this would give them a better idea of why things happened the way they did and an outlook for the future.

The majority of the fund is the 201-operating fund. The total fund balance is \$2,742,546. The unreserved fund balance is \$1,892,000. No debt was added this year, which would help the future budget.

Mr. Fisher discussed the post retirement health benefits for retirees. He commented that all Road Commissions are going to be faced with reporting this differently. We are being asked to report this while the retiree is still working, rather than years later. Another comment was on the Ott Land Contract, which has a negative amortization. This means that the monthly interest gains are not covering the principal owed on it so that each year the principal balance keeps going up. The principal balance at the end of 2006 is \$279,533. In 2013 under the present payment schedule the principal balance will be \$367,000. It is recommended that they the Calhoun County Road Commission continue to determine options for reducing this burden, eliminate the negative amortization, and try to pay off this obligation before the balance grows any further.

The next matter discussed was internal controls. New standards have been imposed on auditors since the Enron fall. When looking at the payroll process, Calhoun County Road Commission now has to have one more person looking over the payroll register. The object is to get another look at the payroll, rather than having just one person involved in the process. Mr. Fisher said that the Calhoun County Road Commission needs a post employment benefit policy for health and life insurance to avoid any misunderstandings in the future. This needs to be created for both bargaining personnel and non-union personnel.

Commissioner Brown clarified that the original purchase price was \$175,000. Since 1998, the Road Commission has been paying \$600 a month and now we owe \$279,533. Mr. Fisher said that Commissioner Brown was correct.

Mr. Fisher stated that the other issue is the inter-fund loans, which have been addressed through the Board of Public Works. The Road Commission needs to explore ways to reduce the inter-fund loan balance and hopefully next year Rehman Robson wouldn't have to comment on this again. In the Road Commission fund, there is the Community Development fund with a balance of \$128,717 at the end of 2006. The Road Commission and the County Commission should determine equitable division of the fund balance in order to properly close this fund. We feel

that the fund balance has arisen by not recording all of the benefits and payroll charges to that fund. It is recommended that the fund balance be taken care of in 2007.

Mr. Purcell stated that he had a question that relates to Solid Waste and Public Works. He wanted to know if there was a way to separate this fund and if there was really a fund balance in it. Mr. Henning said that the only reason there is a fund balance of \$19,000, is because we did accrue fourth quarter host fees and we have not accrued fourth quarter host fees previously. We ended up with five quarterly payments in 2006 so that the fund would end with a positive fund balance. In separating those out, the \$17,000 from the 2006 fund balance will go to Solid Waste because they are the Solid Waste funds from the fourth quarter. The fund balance will be \$1,141 in the Public Works after they are separated. We did operate with separate activity numbers for Solid Waste and Public Works in 2006. The funds are also held separately at the bank.

Mr. Purcell asked about the \$633,000 loan. He understands that it is anticipated that it will be moved to a bond issue for Duck Lake improvements. If this does not happen for whatever reason, who is ultimately obligated to pay this? Is it the Board of Public Works or does it come back to the County's general fund?

Mr. Fisher said that Mr. Randolph should answer this. Mr. Randolph stated that the bulk of the receivables from Duck Lake would be paid off by the end of this year. The contract will run into next year in order for it to be completely closed out. We will start paying on that receivable in another month or so. Continuously, we will be paying back the loan for the rest of this year. In the past, when Mr. Boruszewski was the Director of Public Works and they had a number of Public Works projects going all over the county, the debts that he incurred ultimately went back to the County. That is just the historical perspective as to what has happened in the past. Mr. Randolph said that he has discussed this with Mr. Henning and they have a plan in place where the money is actually blocked out in the bond and in the EPA Grant. We see most of that being paid back yet this year. There may be some that roll into next year because of the way the construction will happen out there. We see this as a good year in terms of auditing purposes and in terms of addressing all of these issues. Mr. Purcell asked how much the bond issue was going to be. Mr. Randolph said that the bond issue would depend on the total cost of the project. This project has dragged on for over ten years and when we first got involved in this project, it was going to be temporary but it has taken far longer than we anticipated. Both the grant and bond money will pay for some of the expenses that have been incurred. Mr. Purcell asked if the prior expenditures going back that far would be eligible for the bond issue. Mr. Randolph said that there are some limits and these will need to be addressed.

Commissioner Brown asked if there was a provision in Act 51 that would allow Road Commission money to be used for non-Road Commission projects. Mr. Fisher said that there were provisions for non-motorized activities.

**NEW BUSINESS**

Moved by Commissioner Monaweck and supported by Commissioner Brown to approve the June 8, 2007 accounts payable for \$444,387.07. Voice vote: Motion carried.

Moved by Commissioner Monaweck and supported by Commissioner Brown to approve the June 5, 2007 payroll for \$3,229.51. Voice vote: Motion carried.

Moved by Commissioner Monaweck and supported by Commissioner Brown to approve the June 6, 2007 payroll for \$115,743.04. Voice vote: Motion carried.

Moved by Commissioner Brown and supported by Commissioner Monaweck to approve the 2006 Audited Financial Statements from Rehmann Robson for the Calhoun County Board of Road Commissioners, Calhoun County Board of Public Works, and the Calhoun County Parks Trustees Board. Voice vote: Motion carried.

Moved by Commissioner Brown and supported by Commissioner Monaweck to approve Resolution 2007-12 for a center, left-turn lane and traffic signal work at the intersection of 11 Mile Road and Verona Road. Voice vote: Motion carried.

Moved by Commissioner Monaweck and supported by Commissioner Brown to approve the application for Engineering Reimbursement. Voice vote: Motion carried.

Moved by Commissioner Brown and supported by Commissioner Monaweck to approve the Prairie Restoration Landscaping and Design Bid to DLZ Michigan, Inc. Voice vote: Motion carried.

Mrs. Johnson gave a brief explanation of the I-69 Prairie Restoration Project to the Board.

The Road Commissioners agreed to table the Compost Center Agreement and Quarterly Report until the next Board meeting.

**MANAGING DIRECTOR REPORT**

Mr. Randolph provided the Board with the following information:

We have a summer night crew that started this year and they have done some nice work and have saved us on overtime. They have been helping to address some of the complaints with potholes and have helped with the turnaround time for service requests.

We have been seal coating starting in Clarendon Township and working our way around the County. Our tar and chip crew are about a week ahead of the seal coat crew to make sure the holes are filled. We are very happy with the chip and seal product this year. Commissioner Monaweck asked if we were using the steel slag this year. Mr. Randolph said that we are only using the steel slag in Marengo Township and most of our work has been with the regular slag. Even though the product looks good, we are still adjusting stone

and oil combinations. We target 100 - 110 ton of slag per mile and .35 gallons per square yard of emulsion. We are up around .4 to .41 for emulsion and about 120 or 130 for stone. This has worked very well, in fact we are using a control chart, and we are right where we should be.

**Maintenance Work**

- Seal Coating
- Pothole Patching
- Seal Coat Prep
- Traffic Regulators
- Mowing Local Roads
- Sign Repair

**Grant Notifications**

- \$150,000 – Safety Project at McAllister and Pennfield Road
- \$120, 000 – Safety Project for 12 intersections around the county

**High Risk Rural Road Project (HRRR)**

- Shoulder construction
- Tree removal
- Tree trimming
- Headwall removal
- Pavement marking
- Signing

Mr. Randolph stated that Angela Kline received notice that she passed her FE exam. Also, she is getting very close to her PE because she has 2 - 3 years of creditable experience and she will be eligible to take her PE in April. She has done a nice job even though it's been hard work.

Mr. Randolph noted that we did start the Sheriff Work Program this week. The program was set up for 10 inmates. On Friday, we were told there would be only three but then on Monday only one showed up. We did put that person out with our patching crew. We are hoping the program will pick up. If they don't show up, then they go back to jail.

Mr. Henning said that we received the money from the County on Monday for the program and he was pleased that it was so quick.

**SUPERVISOR & PUBLIC OFFICIAL TIME**

Mr. Frank asked what the Ott Preserve was used for. Mr. Randolph said that it is a preserve for the plants and birds that are there. He also commented that it has unique glacier, but it's really restricted and used only for people to walk through.

Mr. Randolph said that we do get revenue for parks. We have about a half dozen weddings booked for Bridge Park this year.

Mr. Frank asked if the Ott Preserve was what we owed the money on. Mr. Randolph said no, that property is completely different. The Road Commission bought a piece of property between the Ott Preserve and Michigan Avenue. It was bought for the purpose of putting in a non-motorized trail. We bought this with Road Commission funds as an Act 51 activity that was authorized. He stated that we have to spend money on non-motorized transportation. The Ott Preserve belonged to Albion College and then was given to the County.

Mrs. Drumhiller said thank you for the nice job that was done on Jackson Drive. She stated that they were having problems with people dropping off tires around the township. She said there is a pile on J Drive South and she is hoping someone could come and pick them up.

### **CITIZEN TIME**

Mr. Bramble said that there was brush covering the stop sign on Q Drive and 16 Mile Road.

Mr. Veramay said to wait until this fall when people don't have anywhere to dump their tires because they can't take them to the landfill. We are really going to have problems with people dumping. He wanted to encourage the Board to not close the Division Drive site.

Mr. Berezonsky asked why the city residents don't have to pay for the compost center and the township residents do. Commissioner Travis said that the city residents pay taxes. Mr. Beardslee concurred that if city residents pay taxes then they should receive some benefits since the money is going into that fund. Mr. Berezonsky asked if the house was being rented and also wanted to know who holds the land contract on the property. Mr. Henning said that the George family holds the land contract and the house isn't being rented.

Mr. Berezonsky said that the Board never voted on the Sheriff's Work Program and he has a problem with liability.

Mr. Bramble inquired if anyone checked into the pine trees that were planted on Old 27 North. Mr. Randolph said that he has not had a chance to look into it yet.

Mr. Berezonsky said that the people on Green Street want to thank the Road Commission for filling all the holes.

The next meeting of the Board of Road Commissioners of the County of Calhoun will be Wednesday, July 18, 2007 at 9:00 a.m. There being no additional business before the Board, Chairman Travis adjourned the meeting at 10:45 a.m.

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Chester E. Travis, Chairman

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Pixie Ann Coats, Deputy Clerk