



COUNTY ROAD ASSOCIATION OF MICHIGAN

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To: Senate Transportation Infrastructure Task Force
From: John D. Niemela, Director
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Subject: Road Commission Administrative Reforms

In both 2011 and 2012, CRAM surveyed our membership on changes made to road commission operations in recent years. Sample administrative reforms from this survey are attached.

When asked what reform or efficiencies have been implemented to reduce administrative expenses, 70 county road agencies provided examples of health insurance reforms and 48 provided examples of pension reform.

At least 84% of county road agencies have implemented health insurance reforms and 58% have implemented pension reforms.

When asked if positions had been eliminated in recent years, 80 of 83 county road agencies replied that they have reduced staff levels; some by more than 50 percent.

At least 96% of county road agencies have reduced staffing levels.

County	Administrative Reforms Implemented in 2011 - January 2012 CRAM Survey
Alcona	We have a defined contribution plan, 457 plan, no defined benefit or retiree health care.
Alger	We have less full-time employees and more temporary workers
Allegan	We reduced the number of people in the office and offered a high deductible health care plan.
Alpena	We reduced retirement benefit for new hires, and have health care cost participation.
Antrim	We negotiated health care concessions with union and staff, and reduced our health care cost below the new law cap before it was passed.
Arenac	We have a cap on pension contributions and the union took over employee health insurance.
Baraga	We have changed health insurance plans several times, reducing premiums. We are also one of two counties to change to enhanced Microsoft Great Plains software system. We are in compliance with PA 152 of 2011.
Barry	We have zero OPEB liability and a defined contribution 401K.
Bay	We negotiated both the local union and administrative contracts last year. Each is paying a portion of their pension and has taken a healthcare plan that has higher deductibles and co-pays.
Benzie	Our wages have been frozen for 3 years. We require a 20 percent contribution to our health insurance from all employees.
Berrien	We recently experienced a reorganization of management which resulted in the elimination of two positions.
Branch	We continue to work with a reduced administrative staff, from 8 to 6 employees.
Calhoun	We require a cost share on insurance premiums and have not filled vacancies.
Cass	Our employees pay 20 percent of health care premiums. We have moved retiree health care to a yearly stipend, and eliminated early retirement option for employees hired after 2000.
Charlevoix	We are using part time office help rather than filling vacant positions.
Cheboygan	We have reduced administrative staff. When CCRC had a payroll clerk resign, we did not fill from outside but moved an internal position to fill the need, as well as the clerk picking up more duties.
Chippewa	We restructured the health insurance plan for administrative personnel, increasing costs passed on to the employees by 500 percent.
Clare	Clare CRC has capped insurance costs and employees pay anything above the cap. Employees pay 5 percent toward pension. The full-time workforce has been downsized, and we acquired the ability to use part-time employees with less restrictions. Contractors are being utilized more often. We have also installed a new high-efficiency lighting system, and made boiler upgrades for increased efficiency.
Clinton	We use electronic time keeping, have less administrative staff, and new hires have less post-retirement benefits (DC plans and and retiree health insurance).
Delta	Benefit levels are decreasing with partial employee contributions. We have also reduced retirement benefit levels for new hires.
Dickinson	We had to layoff one staff person, and hired a new manager-superintendent at a reduced salary. We have also reduced insurance levels for new administrative staff hires.
Eaton	We are using a Health Reimbursement Account in conjunction with a medical insurance plan with higher deductibles and co-pays to help control health care costs. Dental and prescription insurance have been seperated from the BCBS health insurance and is shopped annually for cost savings. Retiree health insuranace was seperated from the active employees plans for an estimated savings of over \$360,000 over the next three years.

County	Administrative Reforms Implemented- 2011-12 CRAM Survey
Lapeer	Lapeer CRC has made changes in negotiated contracts: pay increase tied to increase in MTF with a cap percent; eliminated lifetime healthcare to retirees; and added a deductible to health insurance.
Leelanau	Our operations are bare bones now. We have a manager/superintendent; engineer, clerk, and deputy clerk. We eliminated the assistant manager position in 2007.
Lenawee	We reduced health insurance benefits in Feb 2011 contract negotiations with union and reorganized administrative positions to reduce staffing levels.
Livingston	We have changed to a B-1 for new employees and implemented caps on health care.
Luce	eliminated health insurance for retirees upon becoming medicare eligible. Using HRA for employee health insurance
Mackinac	We have implemented PA 152.
Macomb	For employees hired after 1/1/12: increased vesting period from 8 to 15 years; no spouse medical benefits after retirement; increased minimum retirement age from 50 to 55; and must be employed 20 years to get medical coverage upon retirement.
Manistee	All new hires are required to contribute 5 percent into MERS.
Marquette	Employees are contributing more to MERS; we are continuing to administer health care plan through high-deductible/co-pay plan with HRA in place to maintain negotiated benefit level.
Mason	Revised benefit packages to existing employees reducing benefits.
Mecosta	We have implemented significant changes with no wage increases since 2008; B2 retirement-MERS; have required cost share for health care since pre-1997; no dental or vision; and we have combined positions and not replaced office staff.
Menominee	MCRC changed health insurance plans several years ago. The current plan provides premium rates for up to four years in advance, this allows the CRC improved cost projections for the organization. In addition, the current health plan offers more cost efficient rates than our previous plan. A wage freeze was in effect for all employees in 2009 and 2010. In 2011, a lump sum payment was given to employees in lieu of any increase in wages.
Missaukee	We have had no wage increases and adjusted insurance programs.
Monroe	We have reduced the administrative and engineering staff by 13 employees saving more than \$1,000,000 annually. We negotiated cheaper health insurance including implementing a prescription drug advantage plan that saved more than \$200,000 annually both for the actives and retirees.
Muskegon	Since 1992, MCRC has had a defined contribution plan for our health, dental, life, and short term disability insurances. Employees are responsible for all costs in excess of our contribution.
Newaygo	We have implemented an HRA plan. This allowed us to continue to provide a good health insurance plan for our employees while saving money. All new hires effective 6-1-10 have a significantly reduced benefit level for pension and health insurance.
Oakland	RCOC has implemented many changes including sharing of staff: traffic safety shifts to maintenance for winter months and maintenance shifts to traffic safety for summer months (re-lamping program); construction has shifted inspectors around to assist other departments during winter months and when not working on construction projects during summer months. We have increased co-pays, and decreased retirement benefits.
Oceana	We now have Priority Health (HSA).

Reforms or Efficiencies Implemented to Reduce Administrative Expenses

Alcona: The Alcona CRC implemented several changes including: freezing salaries for the last two years and anticipated to continue for 2011; reducing travel expenses and increasing online training to reduce remote site training; and eliminating road commission participation in prescription drug co-pay for all employees.

Alger: The Alger CRC creatively managed health care benefits with third-party administrators to modify deductibles, while maintaining coverage. They have increased the number of temporary employees used for peak operations, while refraining from hiring full-time employees.

Allegan: The Allegan CRC reduced their engineering department from three to two people; more work will be done by consultants.

Alpena: The Alpena CRC's recent contract changes will reduce retirement and health care costs.

Antrim: The Antrim CRC made changes to healthcare, including using an HRA and increasing the co-pays to employees.

Arenac: The Arenac CRC capped pension costs and moved to Teamsters health insurance with fixed costs for a four-year contract.

Baraga: The Baraga CRC changed their health insurance plan several times to reduce premiums; and they are one of two counties that changed to enhanced Microsoft Great Plains Software System.

Barry: The Barry CRC has reduced staffing by 20 percent. Reforms were implemented many years ago to reduce/eliminate post-employment benefit costs.

Bay: The Bay CRC is currently in negotiations with both of their unions. Health care and pension cost-sharing are possibilities. The Road Commission also cut one engineering position from administration through attrition which provided a savings.

Benzie: The Benzie CRC's current contract calls for a three year pay freeze and 20 percent contribution towards health care premiums. They also use an HRA. New hires have a different benefit package than current employees. Effective July 1, 2011, any new employees are not eligible for post employment benefits. They reduced seven management positions to five; and in general, continue to reduce their workforce through attrition.

Berrien: The Berrien CRC closed two maintenance garages in three-years to reduce two foreman positions and the fixed costs of a garage. Berrien CRC has also replaced their dedicated weather service with internet-based reports.

Branch: The Branch CRC shares engineering staff with other road commissions, and information technology staff with county offices. They will likely increase the employee share of benefit costs in the next labor agreement renewal.

Genesee: The Genesee CRC has implemented a variety of changes including: increasing co-pays for employees; and maintaining both premium plans and self-insured plans to decrease costs.

Gladwin: The Gladwin CRC is doing more design work for federal/state aid projects and other locally funded projects in house using the manager and county highway engineer to reduce costs of hiring private consultants. Employee cost participation in health care has increased over the past number of years, and retiree healthcare was eliminated with the last contract negotiations. The elimination of retiree healthcare applies to employees hired after July, 2009.

Gogebic: The Gogebic CRC made several changes to reduce administration expenses including: health care and defined contribution changes with the union and administration working together on cost-reduction options; combining positions and duties – for retirement of administration employees; and cross-training administrative staff to efficiently handle more tasks.

Grand Traverse: The Grand Traverse CRC recently went to a high deductible medical plan and defined contribution pension plans. The number of administrative staff positions has decreased by over 20 percent in the last nine years and everyone left is doing more with less. Grand Traverse CRC recently terminated an engineering position and has created a seasonal snowplow driver/construction technician position. Co-pay reimbursements have been eliminated for administrative staff and union negotiations should yield more cost savings in terms of benefits.

Hillsdale: The Hillsdale CRC switched to high deductible health insurance using an HRA. Employees have also voluntarily agreed to bank winter overtime for time off in summer at 1.5 times. This choice is voluntary at the option of the individual for each day worked.

Huron: The Huron CRC implemented several changes to enhance administrative efficiency including:

- Providing no wage increases or benefit improvements through 2010;
- The County Highway Engineer also serves as the Deputy Drain Commissioner. As such, the Drain Commission shares facilities, administration and all clerical functions with the road commission;
- Huron CRC also manages the Huron County Memorial Airport and the Huron County Park System for the County of Huron. Obvious extensive savings in equipment, facilities and manpower are the result of this venture; and
- Huron CRC road budget is approximately \$14 million, park is over \$41 million, airport is approximately \$100,000, and the drain office budget is several million. All administrative functions for these four departments are handled by only four clerical people, the Finance Director, Park Superintendent, Road Commission Secretary-Manager and Engineer/Deputy Drain Commissioner. By consolidating these operations with the Road Commission, the associated expenses of four separate departments within the county are eliminated.

Ingham: The Ingham CRC froze wages in 2010 and 2011. They are negotiating to cap the employer's costs for health care and retirement. Fewer people are doing the same amount of work.

Luce: The Luce CRC eliminated health insurance for retirees after they become Medicare eligible. They are also using an HRA for employee health insurance.

Mackinac: The Mackinac CRC switched healthcare providers saving \$150,000 each year; and they continue to shop for best value benefits. They have also reduced the number of administrative staff from five to three and set a policy that all new hires including administrative positions get current bargaining unit benefits (defined contribution vs. defined benefit, also reduced medical).

Macomb: The Macomb County Roads Division changed their health care plan and modified the retirement age.

Manistee: The Manistee CRC changed health insurance and pension to require a match from all new hires.

Marquette: The Marquette CRC implemented health insurance reforms saving the Road Commission over \$325,000 per year over the last three years. Administrative employees are contributing more for their retirement benefits and this is currently being negotiated in the bargaining unit contract. Staffing levels have been reduced and they are using third-party administrators and an insurance agent.

Mason: The Mason CRC is using consultants more; and puts examples from other road commissions to use.

Mecosta: The Mecosta CRC's administrative pension and benefits are the same as the union. All employees pay a portion of their health care premiums. The Road Commission offers opt-out for those who have coverage through a spouse.

Menominee: The Menominee CRC changed health insurance plans several years ago. The current health insurance plan provides premium rates up to four years in advance which allows the CRC to improve cost projections. In addition, the current plan offers more cost-effective rates than the previous plan. A wage freeze was in effect for employees in 2009 and 2010.

Midland: The Midland CRC, like most road commissions, has reduced pension benefits, overtime activity, and health care benefits. They also provided no raises for 2011; reduced administrative staff from ten to eight employees over the last five years; and reduced benefits for new employees.

Missaukee: The Missaukee CRC has a defined contribution pension; has not provided raises; and has tried to be as creative as possible with their insurance (reimbursements, deductibles).

Monroe: The Monroe CRC has negotiated cheaper health insurance for retirees over age 65, and reduced the cost of health insurance for regular employees by receiving a greater share from employees.

lighting, reducing energy costs. The Road Commission also installed new furnaces that are more efficient.

Roscommon: The Roscommon CRC changed their health care provider, but still has 100 percent coverage through H.S.A.

Saginaw: From 2008-2010, the Saginaw CRC implemented a variety of cost-saving administrative reforms which yielded \$1,665,950 in annual savings including:

- The elimination of 6 management positions (2 IT Personnel, 1 Surveyor, 1 Construction Foreman, 1 Assistant Manager, 1 Assistant Engineer) and 5 union positions (1 Rodman, 3 Inspectors, 1 Stock Clerk) resulting in **annual net savings of \$968,000**;
- Modified health care plan without reducing benefits resulting in **anticipated savings of \$450,000 annually**;
- Reduced opt-out pay for health care by 50 percent for an **annual savings of \$16,800**;
- Eliminated 15 cell phones for an **annual savings of \$7,200**;
- Eliminated vehicles driven by four full-time and three part time employees for an **annual savings of \$136,000**;
- Reduced travel expenses by 42 percent for an **annual savings of \$11,000**;
- Reduced office supply expenses by 45 percent for an **annual savings of \$8,450**;
- Expanded Automatic Vehicle Location (AVL) system by including Mosquito Control and the City of Saginaw for an **annual savings of \$2,000**;
- In-house production of annual report for an **annual savings of \$6,000**;
- Substantially increased efforts in billing for property damage (signs, guardrail, road surfaces) which brought in **\$25,000 in 2010**; and
- The following minor changes saved an **accumulated \$15,000 annually**:
 - Eliminated P.O. Box and Delivery Service;
 - Reduced advertising costs by enhancing the website;
 - Eliminated the dedicated weather service (now done with internet);
 - Eliminated the music service for the phone system (now done in house);
 - Consolidation and changes within the IT department including changing phone service, eliminating lines, changing internet service, eliminating copiers and printers, changing modem service for GPS and Foreman wireless connection, and eliminating programming software.

Sanilac: The Sanilac CRC made changes to their employee and retiree health care plans. This has brought their 2010 total cost back down to 2005-2006 levels. They have also centralized equipment maintenance.

Schoolcraft: The Schoolcraft CRC implemented more efficient office procedures; utilize spreadsheets for better inventory control; and reduced staffing in the engineering department. Employee pay has been frozen since 2007. The Road Commission has changed health insurance carriers; and is currently undergoing an energy analysis for a district-wide heating co-op utilizing a bio-mass heating plant. They installed a waste-oil furnace and insulation at a satellite garage to reduce heating expenses.