

Antrim County Road Commission
2012 Annual Report to the
Antrim County Board of Commissioners

July 11, 2013

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INTRODUCTION

Today the Antrim County Road Commission (ACRC) maintains 210 miles of primary county roads and 663 miles of local county roads. Also, the Michigan Department of Transportation (MDOT) contracts with the ACRC to maintain 98 miles of state trunkline (M 32, M 66, M 88, US 31 and US 131). In the county system, approximately 700 miles are maintained year round; 556 miles are paved, 144 miles are gravel, leaving 173 miles of seasonal roads (not open to public travel for the months of November through April).

The ACRC's primary responsibility is to provide safe roads for the motoring public. As will be shown in detail in this report, we also work to provide improvements where the townships desire to provide better roads for their constituents. In more recent years, townships are shifting money to preventive maintenance to preserve the investments they have made in these improvements. In an ideal world, there would be enough money provided to the ACRC through user fees so that the townships would not have to contribute to this preventive maintenance.

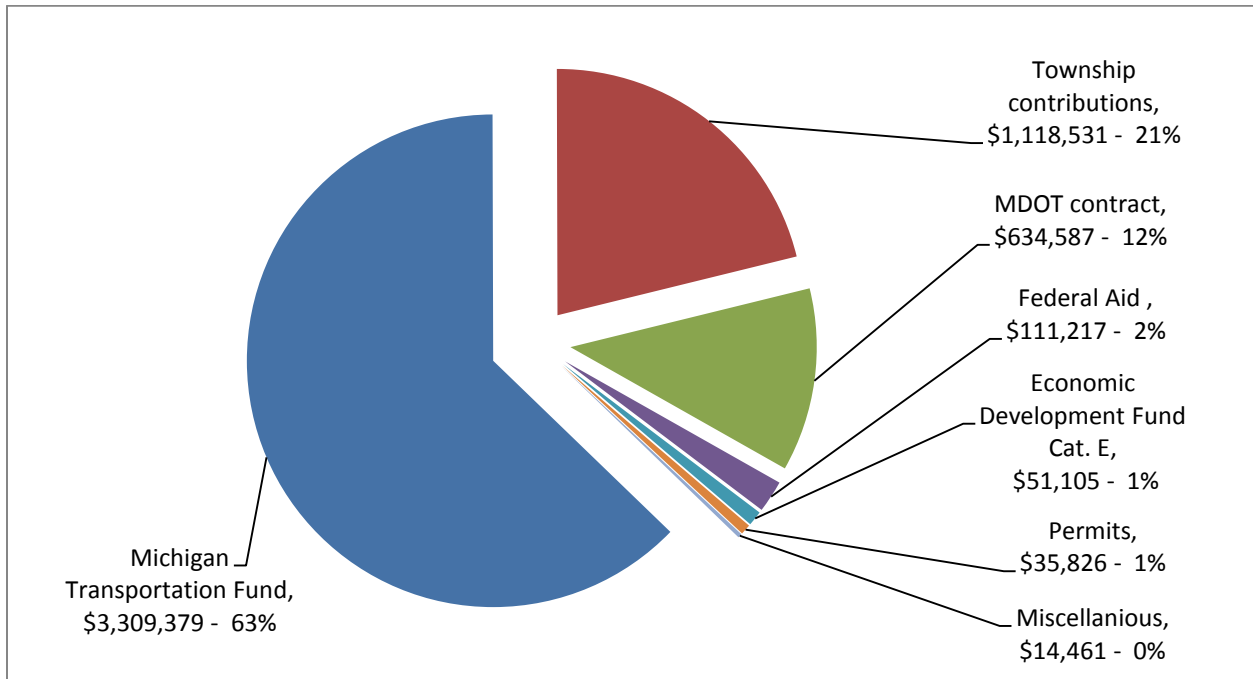
This report will expand on and discuss some of the major financial items that are reported through either audits or other mandated reporting. A short discussion on jobs completed during the year along with the current status and needs of our roads, equipment and facilities.

The revenue and expense information provided in the following pages can also be found in the Annual Financial Report that is filed with the MDOT as required by Act 51, Public Acts of 1951, as amended. This report is included as Appendix A. Also included in this report, as Appendix B, is the Basic Financial Statements for Year Ended December 31, 2012 (audit).

REVENUES

96% of all revenues, over \$5 million are received from the following three main sources: 1) Michigan Transportation Fund (MTF); 2) Michigan Department of Transportation maintenance contract; and 3) township contributions. Federal Aid funds accounted for 2% of revenue with the remaining 2% from the Economic Development Fund, permits and miscellaneous sources. The revenues received in 2012 by the ACRC are shown in Chart 1 below.

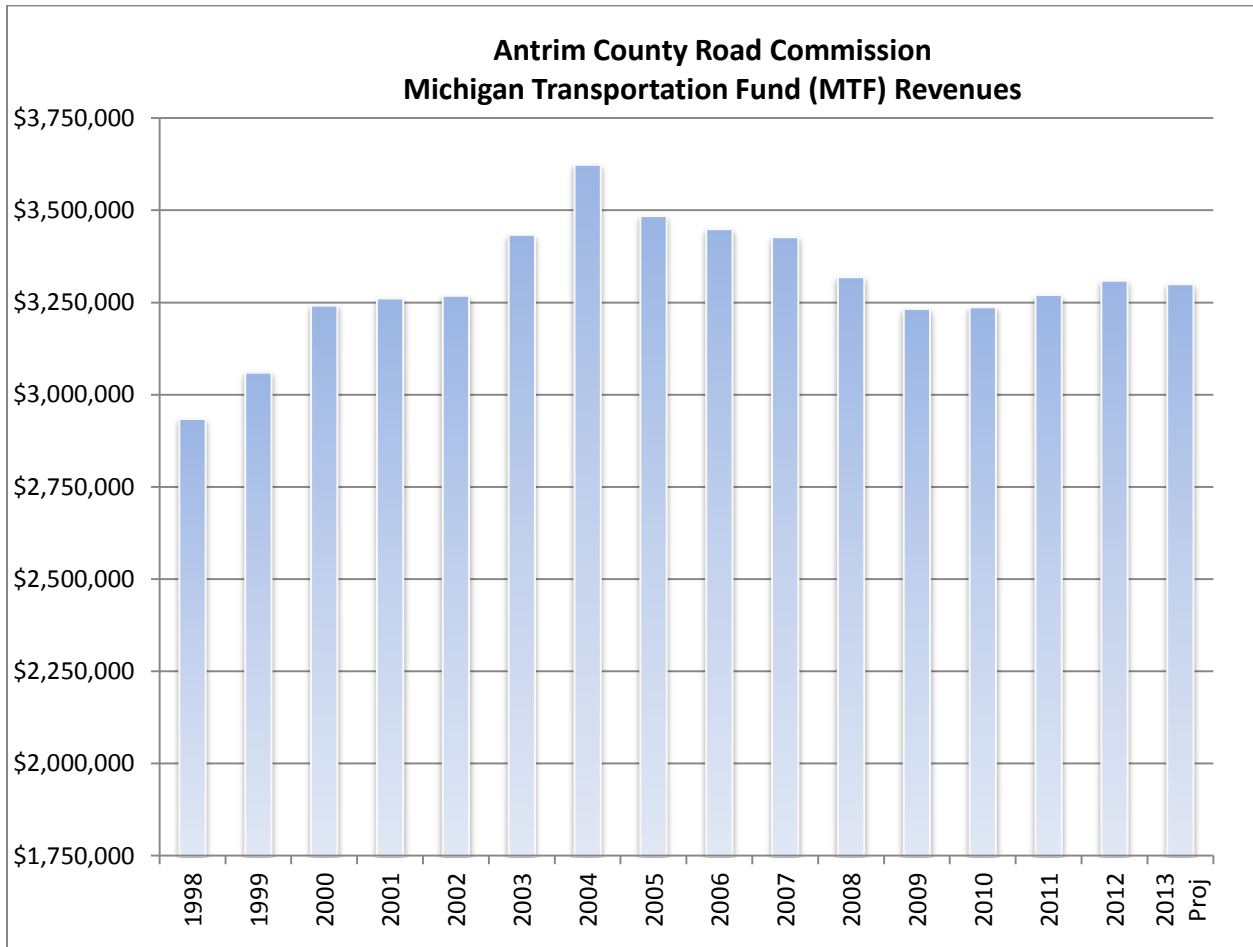
Chart 1 – 2012 Revenues



The MTF is the primary source of funding for all road agencies in Michigan. Revenues from gasoline tax, diesel fuel tax and vehicle registration fees make up most of the MTF which totaled over \$1.885 billion in 2012, up 0.9% from the previous year's collection. The MTF declined almost 11% between 2004 and 2009 and has leveled off since. The ACRC collected \$3,625,000 in 2004 which was the highest MTF year. Had MTF revenue remained at 2004 levels, the ACRC would have collected an additional \$2.2 million. Chart 2 below shows MTF revenues received by the ACRC since 1998.

Total township contributions in 2012 amounted to \$1,118,531 as shown on Chart 1. The details of improvements will be outlined in the following sections. There are now fourteen of the fifteen townships with road millages. Torch Lake Township was successful in adding a millage in 2012. It is estimated that these millages will generate approximately \$1,300,000 each year at current taxable values.

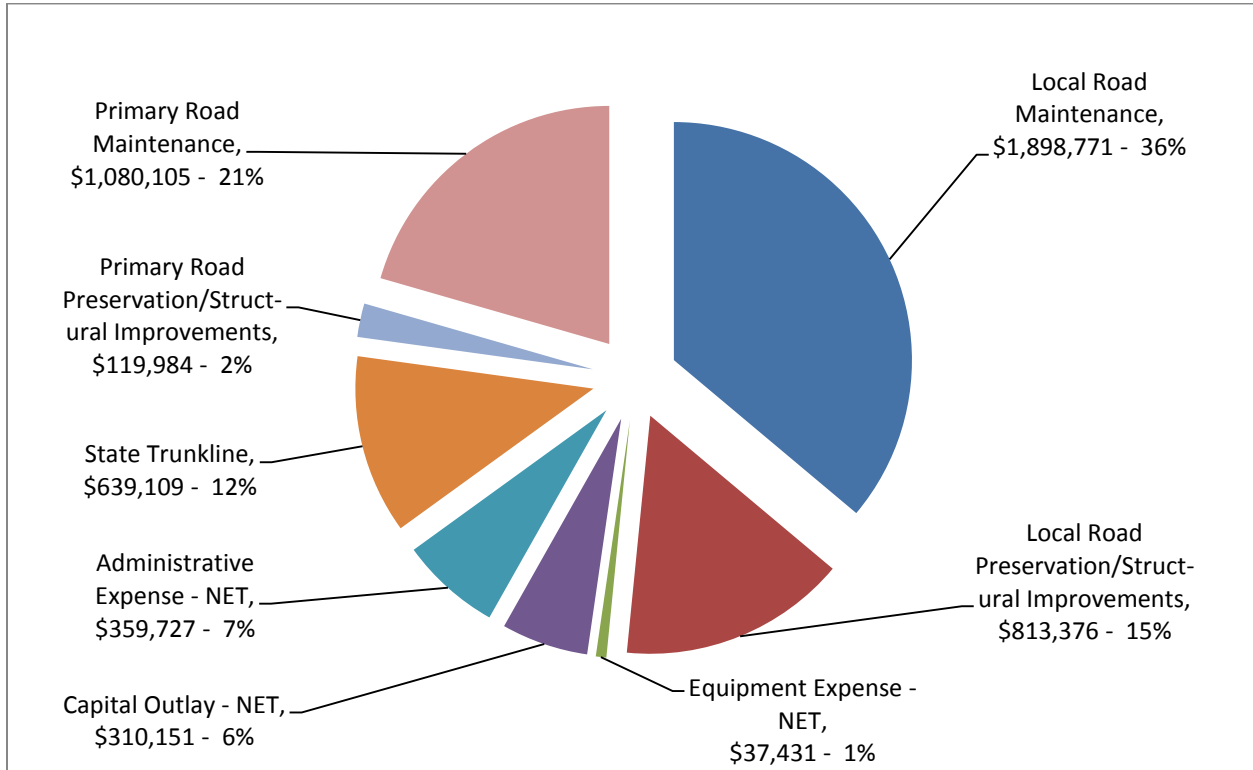
Chart 2 – Michigan Transportation Fund Revenues, 1998 – 2013



EXPENSES

Total expenses for 2012 were \$5,258,655. Chart 3 shows the breakdown of major expense items.

Chart 3 – 2012 Major Expense Categories



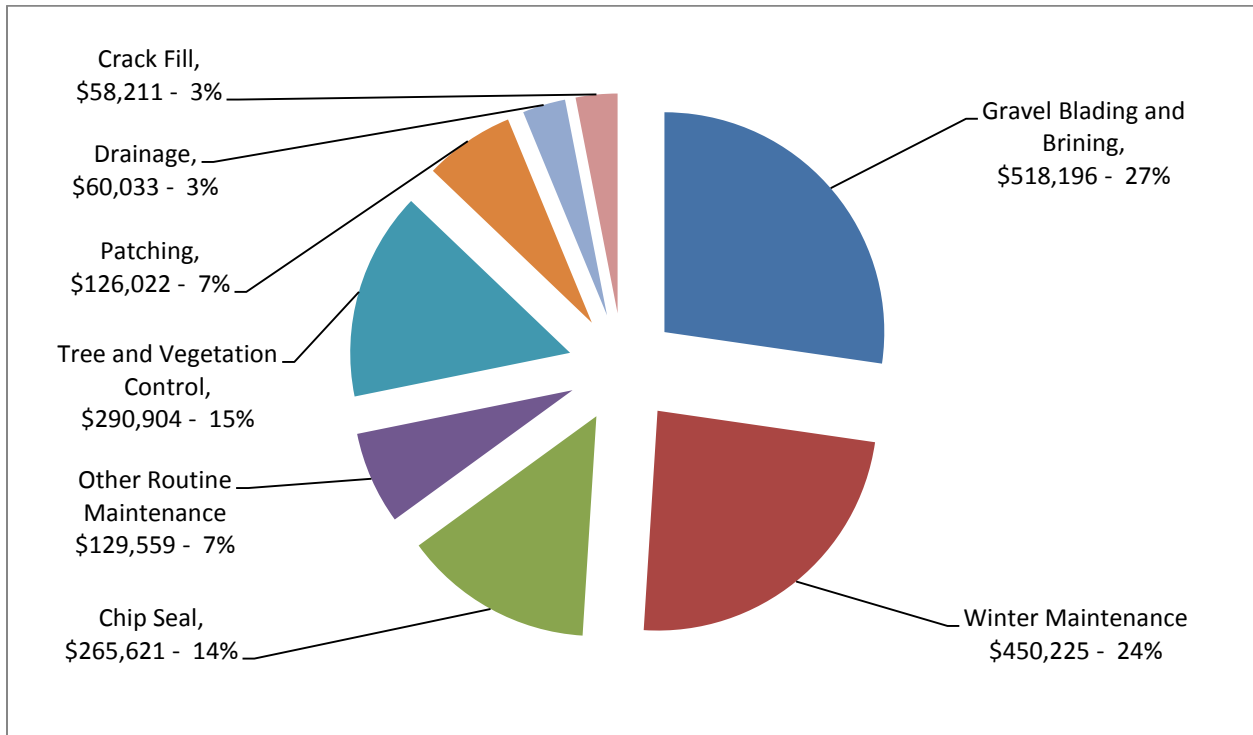
Primary and Local Road Maintenance includes routine maintenance such as winter snow and ice control, pot hole patching, gravel road grading and dust control, roadside mowing, etc. Pavement preventive maintenance is included in this category and include such treatments as crack filling and chip sealing. Preservation/Structural Improvements include paving gravel roads, hot mix overlays thicker than one and one half inch, three inches or more of aggregate on a gravel road, etc.

The detailed definitions of these categories can be found in Appendix A which is taken from the Uniform Accounting Procedures Manual for County Road Commissions. The full copy of this manual can be accessed on the internet using the following link: http://www.michigan.gov/documents/roadcomm_3003_7.pdf. Normally, crack filling and chip sealing would be considered preservation. To maintain uniformity with Act 51 reporting and road commission audits, the definitions from the accounting manual will be used for this report.

Local Road Maintenance

The total expenses amounted to \$1,898,771 for all local road maintenance. The two largest expenses within this major category are winter maintenance and gravel road blading and brining, which account for half of the expenditures, over \$968,000 combined. Chip seal and crack fill operations total 17%, or just under \$324,000. These two work items were township requested projects and 90% of this amount paid for by the townships involved. Chart 4 shows the Local Road Maintenance category in more detail.

Chart 4 – 2012 Local Road Maintenance Expenses



Local Road Preservation/Structural Improvements

The total for this category was \$813,376 as shown in Chart 3. In 2012, all work in this category was township requested projects. In accordance with current ACRC policy, funding for these projects is 10% ACRC and 90% townships. At year end, accounting procedures spread a prorated portion of overhead to all of these projects which amounted to \$30,836. This overhead is not charged to the townships when projects are completed and invoiced. Table 1 is the list of all projects in this category.

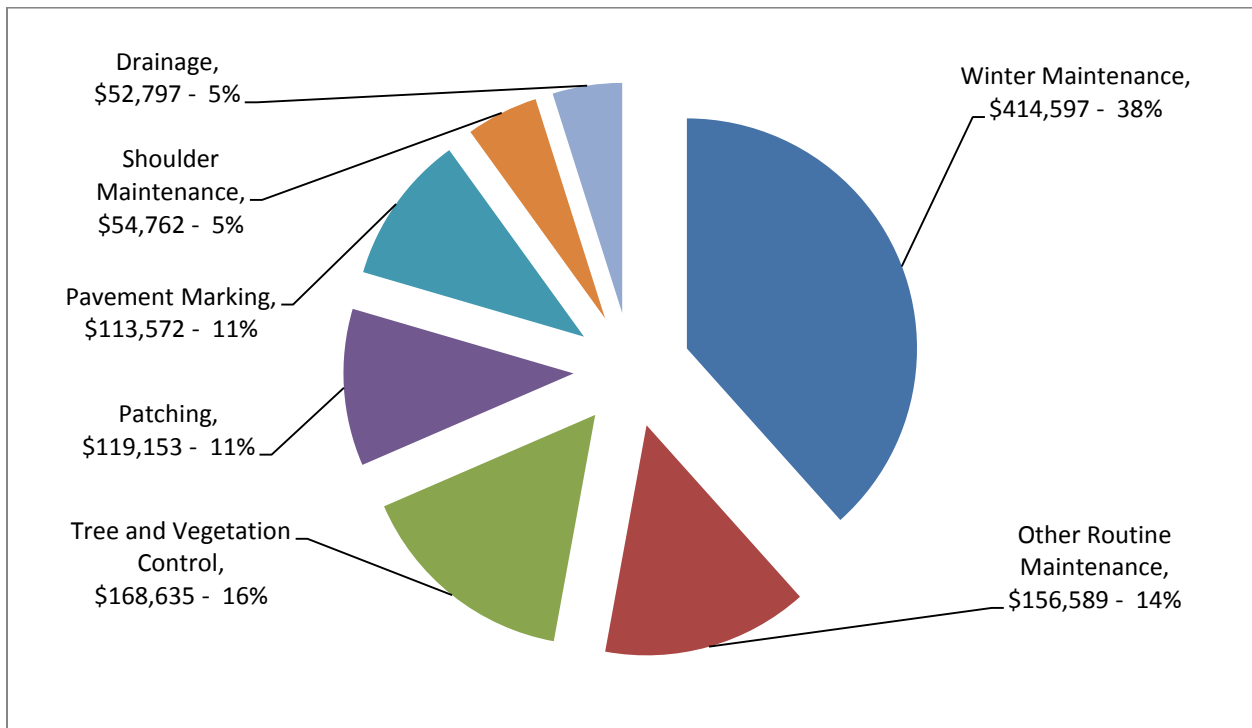
Table 1 – Local Road Preservation/Structural Improvements

Banks Township		
Pleasant Hill	HMA overlay	\$59,648
Lakeshore Dr	4" Afton stone	\$34,533
Central Lake Township		
Meggison	HMA paving	\$48,648
Echo Township		
Vance	HMA overlay	\$84,331
Helena Township		
Cemetery - south	6" Afton stone	\$71,175
Jordan Township		
Hejhal	HMA overlay	\$71,407
Mancelona Township		
Soderquist	4" Afton stone	\$108,135
Milton Township		
Hickin	HMA overlay	\$178,799
Star Township		
Snowridge	HMA overlay	\$76,859
East St	HMA overlay	\$13,924
Selected areas Lakes of the North	Base repair/stump removal	\$17,257
Warner Township		
Marker	4" gravel	\$17,823
Overhead not charged to projects		\$30,836
Total		\$813,376

Primary Road Maintenance

Looking at Chart 3, the total expenses for this category was \$1,080,105. Winter maintenance makes up 38% of the total of primary road maintenance and is the largest of all primary road items. All other items are routine (reactive) maintenance and there was no planned preventive maintenance done on the primary system. Pavement marking was funded with \$111,217 of Federal Aid funds. The remaining \$2,355 was funded by road commission funds for those primary roads that are not eligible for Federal Aid. Chart 5 shows the major expenses for this category.

Chart 5 – 2012 Primary Road Maintenance Expenses



Primary Preservation/Structural Improvements

Again referring to Chart 3, this category of expense was \$119,984. The only primary road work done in this category was on Williams Drive in Elk Rapids Township. This road was pulverized and repaved at the request of and paid for by the township. The total cost of this project was \$114,589. The remaining balance in expenses was \$4,473 in overhead and \$922 from previous years Federal Aid jobs.

State Trunkline

In Chart 3, this item totaled \$639,109. The MDOT contracts with the ACRC for all routine maintenance needs on the state trunklines in the county. The majority of this work, like in the county road system, is winter maintenance. ACRC also provides patching, shoulder

maintenance, tree and vegetation control and other routine or reactive work. All work is paid for monthly as incurred and is audited to actual cost after the fiscal year.

Administrative Expense – NET

This category amounts to \$359,727, as shown on Chart 3. The actual total is \$429,689 with \$69,445 being charged to state trunkline maintenance as overhead and \$517 in purchase discounts. These expenses are detailed on page 17 in Appendix A.

Equipment Expense – NET

In Chart 3, the net expense of this item is \$37,431. Referring to Appendix A, page 8, the total cost for the operation and maintenance of all ACRC equipment was \$1,534,444. Some these costs include: fuel and lubricants - \$341,000; parts and repair - \$259,000; mechanics wages and fringes - \$174,000; depreciation - \$248,000; indirect expenses - \$443,000 (page 16, Appendix A). All but \$37,431 was charged to various operations and projects through equipment rental charges. Ideally, this would be zero and we set our rental rates at the beginning of each year with this in mind.

Capital Outlay – NET

This amounted to \$310,151 as shown on Chart 3. The details on page 13 of Appendix A show a total expense of \$633,068. Depreciation accounted for \$320,444 reduction of capital assets.

The ACRC purchased a piece of property abutting the Central Lake facility at a cost of \$61,000. This purchase will allow for more flexibility in the future for replacement of that garage.

Almost \$550,000 was spent on new equipment. One truck was replaced at over \$200,000 and one loader at \$134,000 with a trade in price of \$57,000 for a net price of almost \$77,000. A used semi tractor and double dump trailer was purchased for better efficiency in moving large amounts of aggregates at a cost of about \$70,000. Two patch trailers were replaced along with one brush chipper. One pickup was also replaced.

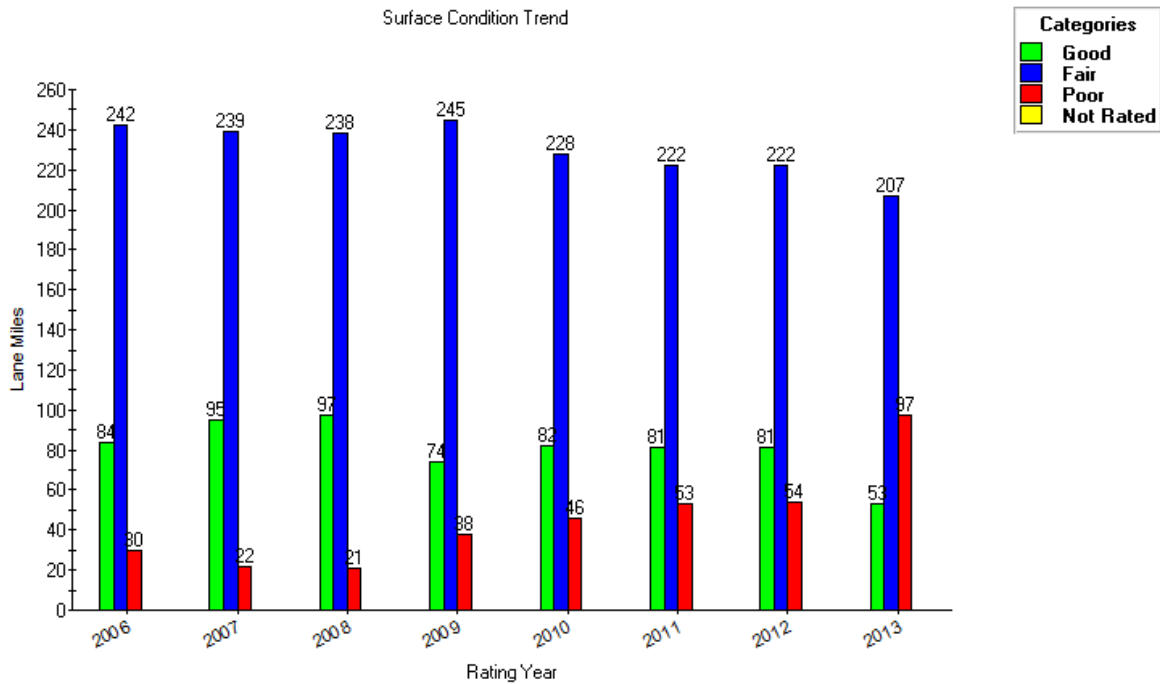
The entire county radio system was upgraded primarily to comply with the Federal Communications Commission narrow banding requirement that took effect January 1, 2013. Along with this upgrade, GPS capability was installed and is currently in use.

COUNTY ROAD PAVEMENT CONDITIONS

The State of Michigan passed legislation that requires the use of an asset management system for public paved road maintenance. The Asset Management Council was established as a result of this legislation. Michigan is recognized nationally as leader in pavement asset management.

Since 2003 we have been evaluating and rating our Federal Aid eligible paved road system in Michigan. Since the start, the ACRC has been involved in this annual rating on the county primary roads and the state highway systems. Chart 6 shows the Federal Aid eligible county primary road pavement condition trends for years 2006 through 2013.

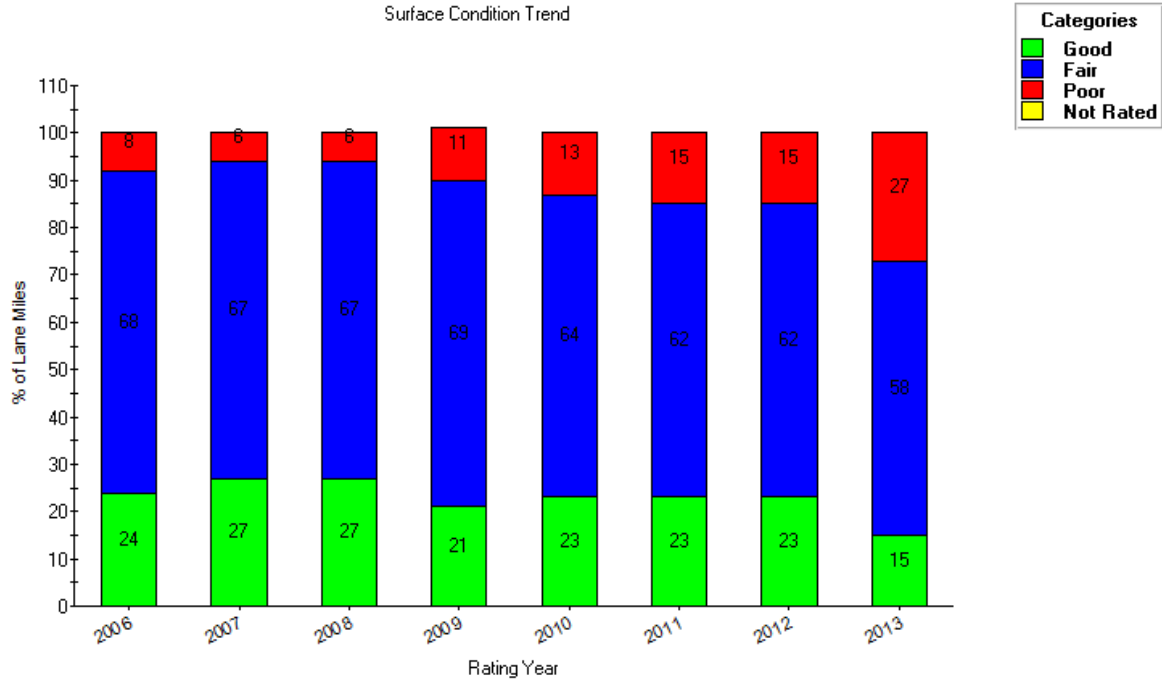
Chart 6 – Federal Aid Eligible Primary County Road Surface Condition Trend



Note: this chart is in lane miles of roads, not centerline miles.

Chart 7 is the same information except it graphs the percentage of good, fair and poor lane miles rated.

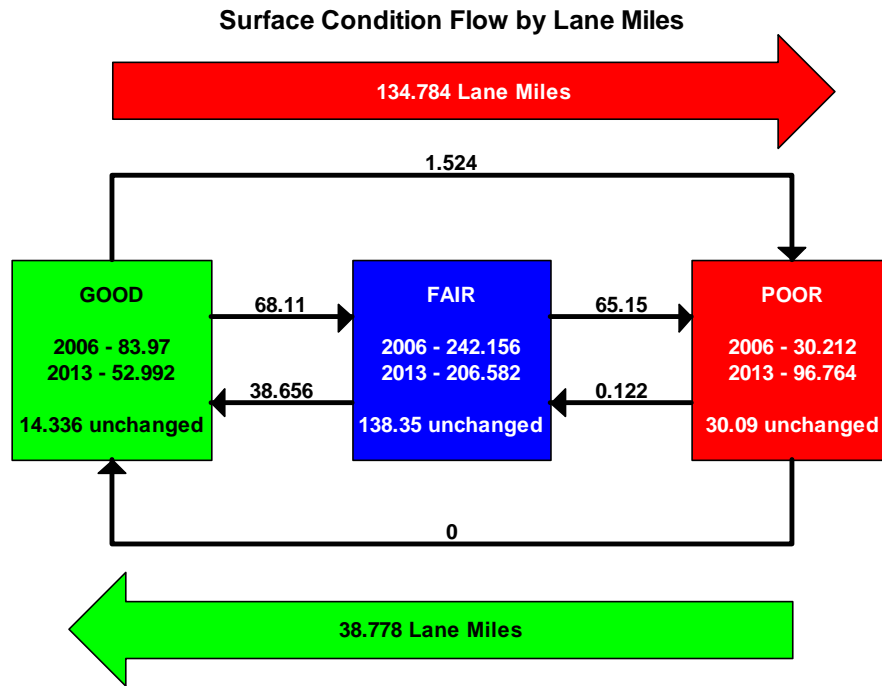
Chart 7 – Federal Aid Eligible Primary County Road Surface Condition Trend



For several years, the good condition has remained fairly consistent, but the poor condition has been increasing since 2008. There has been a significant jump of miles in poor condition and a corresponding decrease of the good and fair condition from 2012 to 2013. It is very likely that this trend could continue to accelerate over the next few years if we do not invest more money in roads.

Chart 8 shows the lane miles that have changed from each rating, good, fair or poor, to the next either up or down.

Chart 8 – Federal Aid Eligible Primary County Road Surface Condition Flow



The large red arrow at the top shows the number of lane miles of roads that have dropped in condition between the years 2006 and 2013. About 67 miles of primary county roads have deteriorated while we have only upgraded less than 20 miles, as shown by the large green arrow at the bottom. The smaller arrows show the exact changes from the different condition ratings. The number of miles in the poor category has increased by over 33 miles in the same period. It is very evident that this trend cannot continue for long before all of our roads will be in poor shape.

COUNTY ROAD NEEDS

The latest estimate of cost for improving all paved roads in Antrim County to a good condition is over \$30 million. The primary system would require over \$17 million and the local system about \$13 million. This does not begin to address the need on the gravel roads. These estimates only consider the pavement for the most part and do not include roadside maintenance. Some examples would be: replacing deficient road name and warning signs; tree clearing and brush removal; drainage maintenance and improvements; culvert replacements; etc.

Currently, the ACRC is allocated approximately \$450,000 in Federal Aid funds each year and another \$78,000 in State Economic Development funds for a total of about \$528,000. This is for work on only those roads that are Federal Aid eligible which is all but 30 miles of the primary county road system. With a \$17 million need, it would take over 32 years to complete the amount of work that is needed today. Obviously this amount would increase tremendously over that period since the need today is based on the current condition of the pavement. Each year more miles will fall into poor condition faster and it will take much more than \$17 million to recover to good condition.

On the local road system, with about \$1.4 million available, almost \$1.3 million from townships, it will take almost 10 years to complete the work. Again, this is impossible since this is considering current conditions only and not taking into account that these roads will deteriorate faster than funds will be available to make the needed improvements.

EQUIPMENT STATUS AND NEEDS

The ACRC was able to purchase and put into service one new fully equipped plow in both 2012 and 2013. These are the first new trucks purchased since 2006. Two new trucks have been ordered and will be put into service by January of 2014. This is a much needed improvement to the truck fleet and has had a major impact on our serviceability. Each of these trucks cost about \$220,000. Two trucks should be purchased each year. We continue to equip these trucks with the latest technology for snow and ice control and for use year round. This technology helps us to improve efficiency and the safety of our drivers, thus improving our service to the motoring public.

A replacement loader was purchased in 2012. Bringing the loader fleet into good shape, with another replacement will not be needed until 2017. There are four front end loaders in the fleet.

We are currently in need of replacing two of our three graders. One of these is used year round and must be a dependable machine. At this time, we are evaluating the use of graders for snow removal work and the feasibility and/or cost effectiveness of contracting these snow removal routes. A new grader costs about \$250,000.

There is need for other special equipment and pickups that varies from year to year.

FACILITY NEEDS

The ACRC maintains garages in Mancelona, Central Lake and Kewadin. The administration offices are located at the main garage in Mancelona.

There continues to be a need to replace the truck storage garage in Central Lake. The current estimate for replacement is over \$1 million. There is no definite schedule for this replacement.

All other facilities are in good shape and we continue to perform routine maintenance to keep them in good shape.

STAFF

The ACRC currently employs 32 full time people. The Engineering Technician position is currently vacant as the former technician was promoted to Superintendent. He is covering both positions at this time but will not be able to when Federal Aid projects are being constructed. Currently there is a slow period in between these projects that has allowed us to hold off on hiring a replacement.

There are 25 truck drivers, equipment operators and mechanics. Non union employees include three in administration and four in supervision. Four part time truck drivers were used during the winter of 2012-2013 at various times depending on conditions. The current union contract will allow a part time employee to work up to 89 calendar days within any 12 month period.

It is possible that two or more union employees may retire within the next year. Replacing any retirees will be evaluated at that time. Other options for providing services will be explored as part of this evaluation.

The 25 union employees are represented by Teamsters. A three year contract was settled in June of 2011 and the negotiated health care coverage premiums remain under Act 152 of 2011 mandated hard caps. This contract was settled before Act 152 had passed either the House or Senate and therefore does not apply until the current contract expires. There were no wage increases for the life of this contract.

WORKERS COMPENSATION

Unfortunately there were two employees with on the job injuries that required surgery and recovery time. Both returned to work before winter. The ACRC experienced a long period of injury free work, therefore benefitting by a reduced workers compensation premium. Our reduction of premium cost is not as significant, but we still benefit from a reduction for the good safety record we have worked hard to maintain over the last several years. We continue to train employees in safety and look for other loss control practices that will help ensure a safe work place for our employees.

SUMMARY

The ACRC continues to stretch its limited resources to provide the best possible level of service to the motoring public. It is getting increasingly difficult to keep this level of service where it has been. As road conditions continue to deteriorate, the resources available will not be enough to keep up. In next few years, road conditions are going to fall into poor condition faster than ever before. As the ACRC spends more time and money on keeping poor roads in a relatively safe condition, there will be less time and money available for planned preventive maintenance. Reactive maintenance will consume all our resources.

The townships of Antrim County continue to step up and help fill the funding void that the legislature repeatedly delay acting on. Although this is not the most efficient way of funding roads, it is helping. Many townships have adopted a planned preventive maintenance program to preserve the investments they have made in the paved local road system. This needs to be recognized and those townships should be congratulated for this effort. It is a very daunting task. As pointed out in this report, the needs far exceed available money.

ACRC staff continue to remain vigilant in pursuing better, more efficient ways of providing the best level of service possible to the motoring public. Our mandate is not to improve seasonal roads for plowing or pave gravel roads, it is to maintain the system of roads that we have. Funding for this routine maintenance alone is deplorably inadequate in Michigan. The low hanging fruit has been plucked, there are no more major cuts to be made. Any cuts now will only result in the severe reduction in level of service. It is well past time for everyone in the State of Michigan to step up and provide an adequate level of funding for roads.