

RETHINKING THE STATE TRUNKLINE MAINTENANCE CONTRACT



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Understand the **CONTRACT TERMS**

The state trunkline maintenance contract terms provide for reimbursement of Road Commission direct costs plus **8.5%** for overhead. Direct costs include: direct labor, benefits, equipment depreciation, equipment operating and maintenance costs, and any material and supplies associated with work on the highways.

CONTRACT ASSESSMENT

Every State Trunkline Maintenance County has their own unique relationship with MDOT. A contract assessment should include all the revenues and expenditures associated with performing maintenance services for MDOT. The overall budget, labor, and equipment needs are all key components of the assessment.



OCRC ASSESSMENT

State Highway Maintenance

- Allocated State Highway Maintenance Revenues
 - OCRC Staffing Levels
- Winter Maintenance Routes on the State Highway System
 - Reimbursed OCRC Labor – Winter & Non-Winter

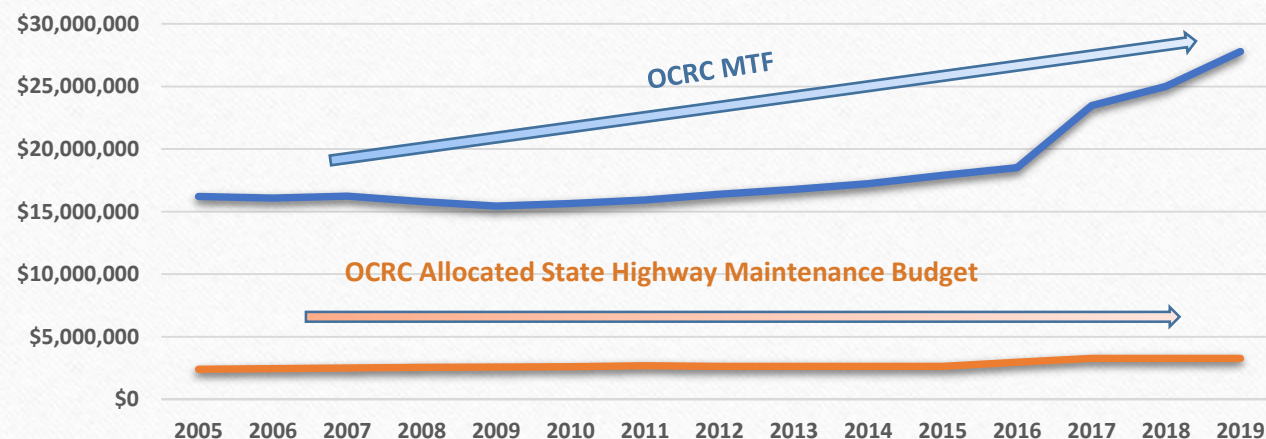


STATE HIGHWAY MAINTENANCE BUDGET

FY 2018 OCRC Highway Maintenance Budget

\$1,759,163	Winter
\$809,527	Non-Winter
<u>\$711,310</u>	Supervision, Leave & Benefits, Insurance
\$3,280,000	Total Budget

State Highway Maintenance Budget vs. MTF
2005-2018





STAFFING LEVELS

Maintenance Work Force





Winter Routes

MDOT and OCRC Systems

Winter Routes

26 on MDOT System
49 on County Roads
75 Total Routes

2018 Route Breakdown

MDOT System

24 OCRC Road Crew
1 MDOT Employee
1 Contract Employee

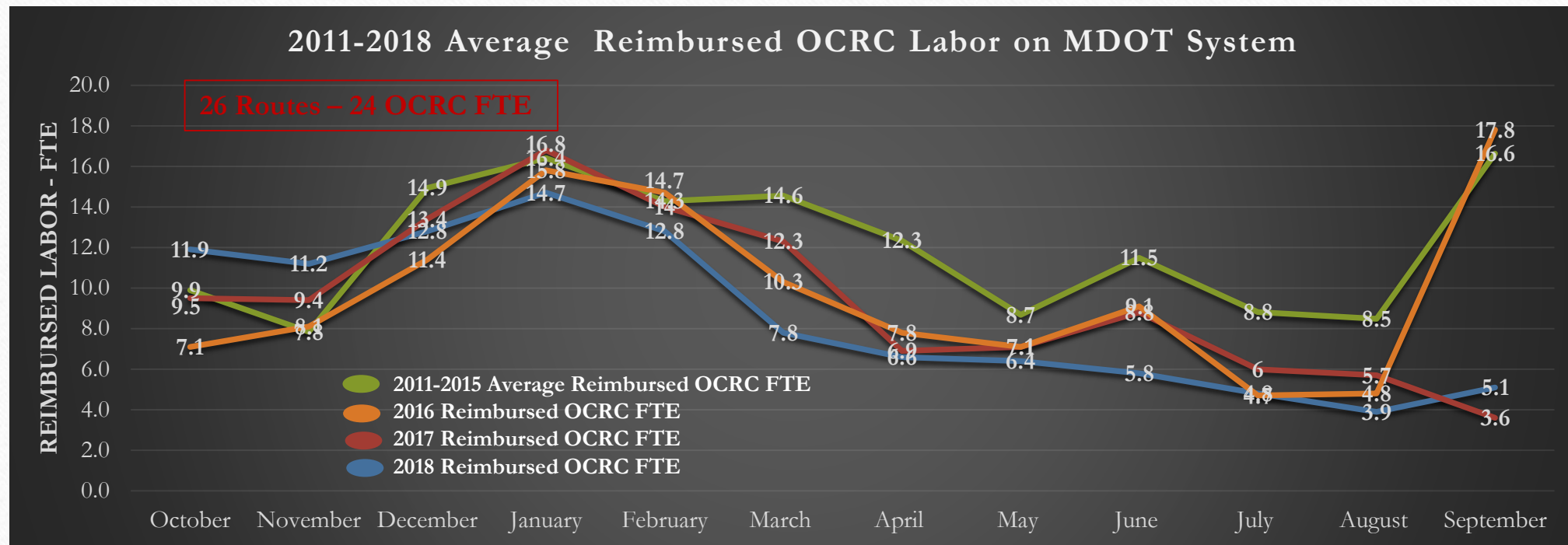
OCRC System

23 OCRC Road Crew
5 Retirees
5 Contractors
5 Contract Employees
11 OCRC
Mechanics/Sign Shop



REIMBURSED LABOR

MDOT System





OCRC CONCLUSION

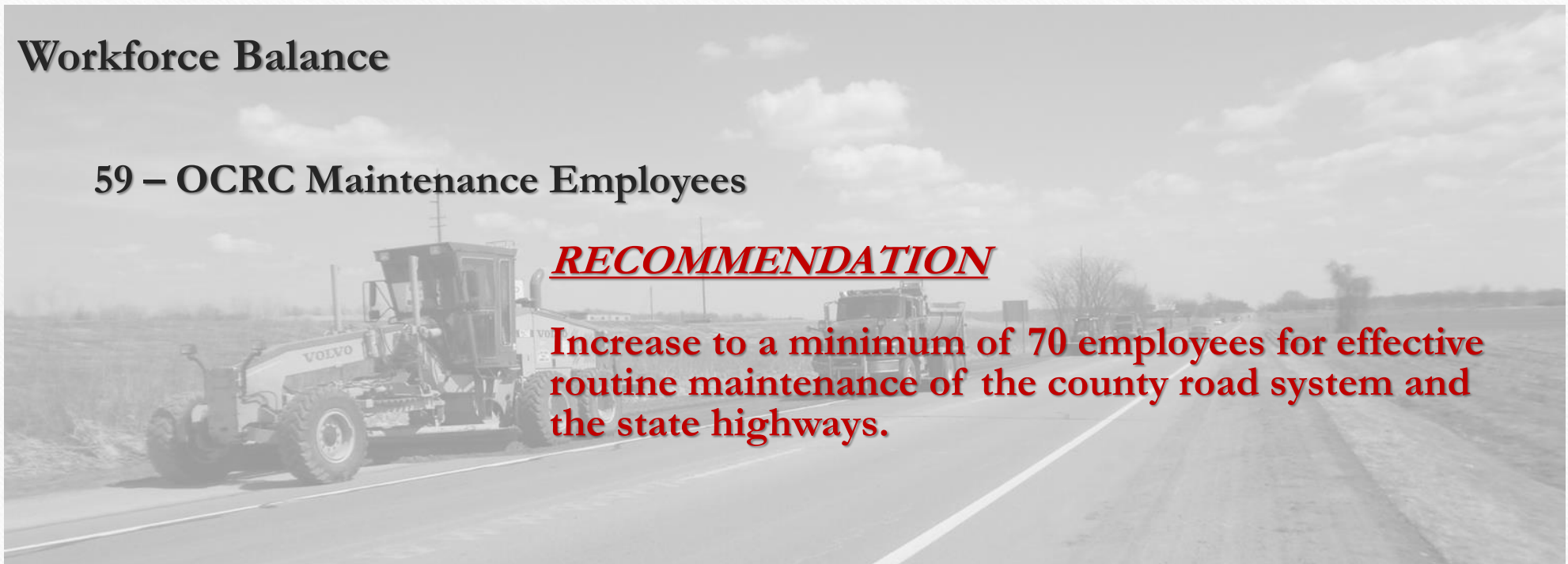
Performing State Trunkline Maintenance

Workforce Balance

59 – OCRC Maintenance Employees

RECOMMENDATION

Increase to a minimum of 70 employees for effective routine maintenance of the county road system and the state highways.





OCRC CONCLUSION

Performing State Trunkline Maintenance

Average Labor Reimbursement

*Average MDOT
Reimbursement, 2011-2018*

Summer	Winter
7.2	12.1

Winter Allocated FTE for MDOT vs Average MDOT Reimbursement			
24 Allocated FTE/Month for MDOT	=	\$955,046.40	Cost
12.1 MDOT Avg. Reimb. FTE/Month	=	\$566,473.60	Revenue
Summer Allocated FTE for MDOT (winter) vs Average MDOT Reimbursement			
24 Allocated FTE/Month for MDOT	=	\$940,684.80	Cost
7.2 MDOT Avg. Reimb. FTE/Month	=	\$322,006.40	Revenue



OCRC CONCLUSION

Performing State Trunkline Maintenance

Local Politics vs. Economic Decision

Board Concerns:

- * Hire 10+ Employees – **take on all the liabilities (salary, benefits, etc.)**
- * **State trunkline maintenance funding levels remain flat**
- * **Disparity between winter and non-winter work levels**
- * **“September Crunch” not very cost-effective**



OCRC CONCLUSION

Performing State Trunkline Maintenance

Local Politics vs. Economic Decision

Contract Benefits

- 8½ % Overhead
- ≈\$230,000 Annual Funding for Pension Liability
- ≈\$120,000 Annual Funding for Health Care Costs

Benefits without the Contract

- ≈\$700,000 Annual Savings
Employee and Equipment Savings
- Gained County Road Maintenance Efficiencies
Winter and Summer



TEMPORARY SOLUTION

Performing State Trunkline Maintenance

Negotiating with the MDOT Grand Region Office

MDOT will provide 8 qualified limited-term employees that will be assigned to designated OCRC facilities, between November 1 and March 31. Additional provisions include:

- *OCRC will participate on the interview panel and will have input in the selection of the 8 individuals.*
- *MDOT will directly pay limited-term employee salaries and these salaries will not affect or come out of the OCRC state trunkline maintenance budget.*
- *Limited-term employees will work 40 regular hours per week plus any necessary overtime and holidays at the designated OCRC facilities, under the supervision of the OCRC.*
- *OCRC will provide equipment and materials for the MDOT limited term employees and charge to MDOT through the state trunkline maintenance contract.*



TEMPORARY SOLUTION

Performing State Trunkline Maintenance

Negotiating with the MDOT Grand Region Office

MDOT will increase the FY2020 state trunkline maintenance budget by \$260,000 (8%) and shall provide in writing the overall starting fiscal year OCRC state trunkline maintenance budget within the first week of the fiscal year.

MDOT (Grand Region and Muskegon TSC) and OCRC will commit to more deliberate coordination and planning of non-winter activities with a focus on regional utilization.

MDOT (Grand Region) and OCRC will continue efforts with legislators and MDOT administration to increase state trunkline maintenance budgets and additional TWA projects to sustain year round routine maintenance work on the state trunkline system.

So, where do we go
from here?

To remain a contract agency with MDOT, it is purely an individual decision.

Monroe County Road Commission made the decision to terminate their contract with MDOT.

Ottawa County Road Commission negotiated with MDOT to address their concerns and decided to remain a contract agency.

What's new and on the horizon?

MDOT has new leadership in place.

- Paul Ajegba, P.E. - Director
- Tony Kratofil, P.E. - Chief Operating Officer and Chief Engineer

What's new and on the horizon?

Some CRA Board and Negotiating Committee members met with both the Director and COO.

Negotiating members discussed the general feeling that the partnership has been deteriorating between the two agencies for some time now.

What's new and on the horizon?

Prior to this meeting, the CRA Negotiating and MDOT committees discussed starting negotiating early to look at some language changes that will be time consuming.

With MDOT leadership on the same page, “thinking outside the box”, this could be a good opportunity for some language changes to improve the partnership.

What's new and on the horizon?

With negotiations beginning in October the Negotiating Committee requested the top 1-3 issues/concerns contract agencies have with the current STL Maintenance Contract.

What's new and on the horizon?

Not a lot of feedback as of yet. From the feedback we have received the issues are as follows:

- Funding:
 - Imbalance of winter vs non-winter staffing
 - Guarantee of non-winter work
 - Not enough funds to properly maintain STL
- Privatization of routine work

What's new and on the horizon?

MDOT has reviewed the Maintenance Budget and has proposed a \$50,000,000 increase for the FY2020.

Justification for this request is as follows:

- Surface Maint./Pothole repair – 3X's current average annual expenditure
- Labor Adjustment – Reconcile labor rate from 10 years ago
- Salt Costs – Reconcile for last years increase ~ 50 %
- Salt Sheds – Additional Capital investment
- Cable Median Barrier – Inclusion of average annual repair cost
- Surface and Underground Drainage - Adjustment

Negotiating Committee's mission statement for this round of negotiations.

Through a collaborative partnership, develop a consistent year to year budget, to provide a prescribed level of service for the motoring public.

Biggest overall bang for the buck.

RC's pride themselves on providing the best possible service to the motoring public in a cost effective manner. For contract agencies, that applies to the STL as well. The importance of re-establishing the needed partnership is not just an issue for RC's and MDOT, it is most important to the motoring public we all serve.

QUESTIONS?

Thank you for time and attendance.



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