

OFFICE OF THE COUNTY EXECUTIVE ROCKVILLE, MARYLAND 20850

Isiah Leggett

County Executive

MEMORANDUM

January 16, 2018

TO: Hans Riemer, President, Montgomery County Council

FROM: Isiah Leggett, County Executive Siel Taysett

SUBJECT: Recommended FY19 Capital Budget and

Amendments to FY19-24 Capital Improvements Program (CIP)

In accordance with the County Charter, I am pleased to transmit the County Executive's Recommended FY19 Capital Budget and Fiscal Year 2019-2024 Capital Improvements Program (CIP). This CIP, my last as County Executive, balances the goal of fiscal prudence with meeting the facility and other capital needs of a rapidly growing and changing population.

The Capital Improvements Program is intended to be a document that helps map out much of the future of the County. A CIP should communicate the priorities of the community while ensuring that the fiscal health of the County government is sustained. I believe my Recommended FY19-24 CIP accomplishes both of these important objectives.

As in the past, my recommendations continue to prioritize funding for education, economic development, critical transportation projects, affordable housing, and core infrastructure. In this CIP, I am recommending a six-year total of \$4.521 billion which is within the Council's approved Spending Affordability Guidelines for General Obligation bonds, leverages significant non-County resources, and recognizes constrained current revenue resources which would directly compete with funding for the Operating Budget.

During my 11 years as County Executive, we have worked closely to ensure that our common priorities and shared values become realities in the form of schools, libraries, roads, parks, and other County facilities that make Montgomery County a desirable place to live and work. I look forward to continuing our productive partnership in serving the residents and businesses in Montgomery County.

Capital Budget Context

In October, the County Council agreed with my recommendation that General Obligation bond borrowing should be gradually reduced. This adjustment to our bonding levels is necessary to maintain required reserves, improve our operating budget flexibility over time, and, at the same time, maintain a capital program that meets our community's needs. As a result, the assumed annual General

Obligation bond issuance was reduced over the next four years from the current \$340 million a year to \$300 million a year, representing a net six-year reduction of \$198 million in General Obligation and Pay-As-You-Go (PAYGO) funding. General Obligation debt service alone is equal to 10.8 percent of general fund revenues. Given other inflexible budget components, such as Montgomery County Public Schools (MCPS) and Montgomery College Maintenance of Effort requirements, and pension and related health benefits, the Council agreed that the County needed to improve its ability to weather future economic downturns. Reductions in General Obligation debt will also be critical in maintaining our AAA bond rating, which allows the County to borrow inexpensively, ensuring that our taxpayers are well-served.

The wisdom of our decision to slow the growth of our debt service payments was highlighted in November when actuals and revised operating budget revenue projections showed a significant reduction (\$216 million) for FY17, FY18, and FY19. Reports from other jurisdictions in the State and the Comptroller of Maryland staff indicated that changes in taxpayer behavior related to anticipated changing federal policies appear to be largely responsible for reductions in capital gains related income taxes.

At the same time, the projected growth of recordation tax and impact tax revenues was adjusted downward, reflecting lower than expected revenues in both categories. This adjustment results in a reduction of \$47.6 million in FY19-22. The largest reductions were related to Recordation Taxes and Schools Impact Taxes (\$41.3 million) - two important funding sources for Montgomery County Public Schools capital projects.

Significant uncertainty remains as we look ahead to developing the FY19 operating budget. As a result, I have postponed many recommendations on increased requests for current revenue until they can be considered in the context of other operating budget needs. In addition, I have reflected the proposed current revenue related savings plan CIP amendments in my Recommended FY19-24 CIP.

Children Prepared to Live and Learn

In November 2006, when I first was elected County Executive, enrollment in Montgomery County Public Schools was 138,520 students. Today, estimated enrollment for the 2017-18 school year stands at 161,546 students - an increase of over 23,000 students or 16.6 percent. Changing demographics primarily related to increases in students with low-incomes, students with disabilities, or students for whom English is a second language, have led to educational initiatives and facility requirements designed to ensure that all students maximize their potential and are prepared for future educational and career opportunities.

For these reasons, I am recommending a \$1.751 billion capital budget for the Montgomery County Public Schools. Despite significant reductions in General Obligation bonds, school impact taxes, and recordation taxes, this budget increases Montgomery County Public Schools funding \$7.5 million above the Amended FY17-22 CIP. If approved, the recommended funding level represents the highest funding ever provided to Montgomery County Public Schools. Under my Recommended CIP, funding for Montgomery County Public Schools will have grown by \$577.8 million, or 49.2 percent over the prior 12 years.

During the last 11 years, over 21,000 classroom seats have been added in six new schools, 44 additions, and 27 schools that have had major renovations and expansions. Given our limited resources and enormous needs, I support the new approach the Board of Education and Superintendent are taking to the Montgomery County Public Schools Renovation/Expansion program. This new initiative parallels an approach we have taken with libraries and a number of general government buildings and has proven an effective way to deliver more timely, efficient facility improvements.

The Recommended FY19-24 CIP assumes \$355.2 million in State Aid. Last year, State Aid was \$59.2 million - a \$19.2 million, or 48 percent, increase over the State Aid approved in FY07. We will need to maintain our collective efforts with our State delegation, the Board of Education, and Parent Teacher Associations to maximize State Aid for school construction.

I recommend a total FY19-24 six-year CIP of \$281.2 million for Montgomery College. This includes an increase of \$4.9 million in the first four years of the CIP, despite diminished County resources. In addition, \$21.3 million has been added for a new project to renovate the College's Rockville, Takoma Park/Silver Spring, and Germantown libraries; funding to begin construction for the Germantown Student Services Center is included; and a \$1.5 million increase to the Collegewide Physical Education Renovations project has been recommended to address cost increases in the project. During the six-year period, the Germantown Science and Applied Studies Phase 1 Renovation, the Rockville Student Services Center, and the Takoma Park/Silver Spring Math and Science Center projects will also be completed, and previously approved funding for the College's level of effort projects are assumed.

My Recommended CIP assumes \$68.7 million in State Aid - including \$10.7 million for the library renovation project. The recommended budget has assumed a delay in the library renovation project to allow the College the opportunity to pursue State Aid funding and to address affordability concerns.

This year's CIP continues my legacy of support for the College capital program. For example, the Germantown Bioscience Education Center (\$93.1 million), the Rockville Science West (\$35.3 million) and the Rockville Science East (\$29.1 million) projects have all been completed in recent years. Other large College projects completed during my tenure include: the Takoma Park Cultural Arts Center, the Rockville Science Center, the Rockville Parking Garage, and the Science and Applied Studies project. The County also facilitated the financing of an administrative building which has allowed the College to reduce leasing costs.

A Strong and Vibrant Economy

The Recommended FY19-24 CIP includes continued support for critical economic development initiatives that support transit-oriented development of some of the County's most important job hubs. These CIP projects will also leverage significant private investment. Funding to support relocation of the Marriott Corporation's new 700,000 square feet Class A corporate headquarters to Bethesda and construction of a new 230-room adjacent hotel has been maintained. The County's support for the project leveraged \$22 million in State incentives and \$500 million in capital investment and will house upwards of 3,500 permanent employees or equivalent contract workers.

County investment in critical White Flint area transportation projects has led to the fully designed and partially constructed White Flint Western Workaround, as well as the completion of the first suburban separated bike lanes. The Western Workaround road realignments and the new Conference Center parking garage have been key to moving forward with the redevelopment of White Flint. This redevelopment has been a shared priority and will significantly increase the County's tax base. In the past two years, additional site plans have been approved for Pike and Rose and East Village, and another site plan is under review for North Bethesda Center. At Pike and Rose, over 850 new residential units, a new hotel, and over half a million square feet of commercial development has been delivered, resulting in the transformation of a suburban retail center into a thriving, walkable, mixed-use neighborhood. A new 300,000 square foot office building is currently under review.

Even with this significant development, growth in the White Flint Special Taxing District's assessable base has been slower than projected. As a result, it is likely that an increase to the special tax will be needed to support the district's infrastructure needs, and some projects not designated by the Council for advanced funding will need to be delayed. Further analysis of this issue is planned in the coming months, and I will provide the Council with recommendations at that time.

Construction has also begun on the Wheaton Redevelopment project with work on the new Maryland-National Capital Park and Planning Commission (M-NCPPC) headquarters building underway. Offices for the Department of Permitting Services, the Recreation Department, the Community Use of Public Facilities, and the Department of Environmental Protection, as well as other County functions will be co-located with M-NCPPC - fostering operational synergies and reducing County leasing costs. All of these uses, coupled with the new Town Square and public garage, are expected to spark additional daytime business activity near the Wheaton Metro Station. The County's private partner in the project will also redevelop the Silver Spring site of the current M-NCPPC headquarters building once the Wheaton project is completed - creating further economic growth.

White Oak Redevelopment funding is included to implement the White Oak Science Gateway Master Plan vision of housing, retail, and a hub for medical and life-sciences research adjacent to the U.S. Food and Drug Administration headquarters. The proposed development will expand the County and State tax base, transform formerly industrial property to a mixed-use employment hub for the eastern part of the County, and link to job centers in other parts of the State. The County's development partner has started development entitlements for the entire 280-acre project. Sketch plan approval was obtained in December 2017, and preliminary plan submission to M-NCPPC will occur this spring.

The Smart Growth Initiative has succeeded in moving many County industrial uses off valuable property adjacent to transit facilities to leverage private transit-oriented development in the Shady Grove area of the County. The Liquor Control Headquarters and Warehouse, the Public Safety Headquarters, the 1st District Police Station, the Equipment Maintenance and Transit Operations Center, the Montgomery County Public Schools Food Facility, the Public Safety Training Academy, and most recently, the MCPS &

M-NCPPC Maintenance Facility have all been completed. These facilities provide for improved operations and avoid significant renovation costs of outdated and undersized facilities.

Redevelopment of the west side of Crabbs Branch Way, Westside at Shady Grove Metro, is underway with completion of the first mixed use residential-retail building and a portion of the first phase of townhomes. Plans are in process to issue a Request for Proposals for redevelopment of the old Public Safety Training Academy site. Collectively, we have not reached agreement on an option for the relocation of the Montgomery County Public Schools bus depot operations. Until an alternative site or approach is approved, the remaining phases of the Smart Growth redevelopment have been delayed. While County staff continue to analyze possible options, my budget recommends reductions in the Montgomery County Public Schools Bus Depot and County Radio Shop projects. Failure to ultimately resolve this issue will result in land uses that are inconsistent with transit-oriented development and the Shady Grove Sector Plan that the M-NCPPC, the Council, and I all supported. I hope that in the future we can bring this issue to final closure.

Affordable Housing in an Inclusive Community

One of the accomplishments I am most proud of during my time as County Executive is the progress we have made in increasing and preserving the availability of affordable housing. Since 2008, we have invested over a billion dollars to preserve or create more than 63,000 affordable housing units. Included in these numbers are 16 new senior housing projects with over 1,900 senior rental units.

The Recommended FY19-24 CIP provides an additional \$33 million for the Affordable Housing Acquisition and Preservation program, exceeding by \$110 million the County's goal of providing \$100 million in funding for public-private partnerships to maintain and grow the stock of affordable housing for low-income residents, including the growing senior population.

In addition, the County has made in-kind contributions in support of affordable housing through below-market land sales which allow for the creation of affordable housing units. The estimated land value of these contributions is \$37.8 million.

An Effective and Efficient Transportation Network

The Recommended CIP provides for a balanced, well-designed transportation network which contributes to economic development, efficient mobility, public safety, and public recreation - all factors that are important to our community's quality of life.

Mass Transit and Pedestrian and Bicycle Facilities

- Maintain support for the Purple Line light rail project and the related Bethesda Metro Station South Entrance, Capital Crescent Trail, and Silver Spring Green Trail projects.
- Construct the first phase of the Bus Rapid Transit (FLASH) System on Route 29 and continue to plan for the MD355 corridor.
- Purchase 40 replacement buses in FY19
- Integrate pedestrian and bicycle facilities into all County roads projects.
- Construct new sidewalks and a pedestrian bridge on Good Hope Road and new sidewalks on Oak Drive/MD27 to address
 safety concerns and provide safe access to a nearby recreation center, park, school, and adjacent neighborhoods.
- Construct protected bicycle lanes in Downtown Bethesda to be known as the "Bethesda Circle."
- Complete construction of the Metropolitan Branch Trail, including a grade-separated bridge over Georgia Avenue.
- Complete construction of the Franklin Avenue Sidewalk, Frederick Road Bike Path, MacArthur Boulevard Bikeway
 Improvements, MD355 Crossing (BRAC), MD355-Clarksburg Shared Use Path, and the Metropolitan Branch Trail projects.
- Maintain funding for Bicycle-Pedestrian Priority Area Improvements and increase funding for Bikeway Program Minor Projects as part of the Vision Zero initiative.

Bridges, Roads, and Traffic Improvements

- Replace the failing Beach Drive Bridge over Silver Creek and rehabilitate the Brighton Dam Road Bridge to enhance safe travel and the integrity of the dam. The Brighton Dam project will be funded in part by contributions from Howard County and the Washington Suburban Sanitary Commission (WSSC).
- Complete construction of the Dennis Avenue and Gold Mine Road replacement bridges.
- Begin design of the Montevideo Road and Zion Road bridges and provide funding for emergency renovations to culverts on River Road, Belfast Road, Falling Creek Drive, and to repair 25 other failing culverts.
- Acquire land and begin construction of a new Dorsey Mill Road Bridge to provide an east-west connection between Century Boulevard on the west side of I-270 with Observation Drive on the east side of I-270.
- Existing facility planning funding will be used to conduct a study of travel time and reliability improvements along Route 29
 between Tech Road and downtown Silver Spring. This study will include an assessment of alternatives such as managed lanes,
 dedicated bus lanes, and intersection improvements.
- Provide \$165.4 million in White Flint road and traffic improvements to support redevelopment.
- Complete construction of Montrose Parkway East to improve traffic in the White Flint area.
- Complete construction of the Snouffer School Road, Snouffer School Road North, East Gude Drive, and Seminary Road Intersections Improvements projects to reduce traffic congestion and improve safety.
- Continue partnerships with developers to support development in the Clarksburg area through the Clarksburg Transportation Connections, Subdivision Roads Participation, and State Transportation Participation projects.
- Continue funding Goshen Road South to support the Gaithersburg/Montgomery Village area.
- Begin funding for design for Observation Drive Extended, a north-south road extension connecting north Germantown to Clarksburg.
- Replace approximately 26,000 streetlight fixtures with light-emitting diodes (LED) now that the Maryland Public Service Commission has revised its tariff structure to facilitate cost-effective energy savings contract financing.

Vision Zero

The multi-department Vision Zero Initiative expands upon the existing Pedestrian Safety initiative to address all traffic-related injuries and fatalities. Under the Two-Year Vision Zero Action Plan, the County will focus on County roads and continue working with the state of Maryland to reduce injuries and fatalities on state roads. The goal is to reduce severe and fatal traffic-related injuries by 35 percent by 2019 with an ultimate goal of eliminating severe and fatal collisions in Montgomery County by 2030. The following projects have received increased funding in my Recommended CIP for Vision Zero activities: Bikeway Program Minor Projects, Intersection and Spot Improvements, Pedestrian Safety Program, Traffic Signals, Good Hope Road Sidewalk, Oak Drive/MD27 Sidewalk, and Bethesda Bikeways. All transportation projects going forward will support the Vision Zero program goals.

Highway Maintenance

While these new transportation projects are important, it is just as critical to maintain existing roads and infrastructure. That is why my Recommended CIP includes an \$18.1 million increase in FY19 funding for Permanent Patching: Residential/Rural Roads, Residential and Rural Road Rehabilitation, Resurfacing: Residential/Rural Roads, and Resurfacing: Primary/Arterial Roads projects, and a \$34.4 million, or 18 percent, increase in overall Highway Maintenance project funding. Last year's approved budget for FY19 was inadequate to address residents' many road repair requests, and my recommended funding levels will begin to address this issue. For the period from FY08 to FY19, funding for Primary/Arterial and Residential/Rural road repairs would increase to \$93 million and \$213 million, respectively, under the Recommended CIP. This constitutes a \$54 million increase in Primary/Arterial road repairs and a \$198 million increase in Residential/Rural road repairs when compared to the prior 12 years.

The Recommended CIP also maintains significant funding for level of effort projects related to maintaining other key

components of our transportation network such as bridges, traffic signals, transportation management systems, bus stops, sidewalks, curbs and gutters, parking lots, street trees, and guardrails.

Safe Streets and Secure Neighborhoods

My Recommended CIP also makes significant progress in providing modern public safety facilities. An internal review identified a series of improvements needed in our leased Public Safety Communications Center (PSCC) facility to improve redundancy in electrical and heating and air conditioning systems to ensure ongoing center operations. Furthermore, under the current lease terms, the County can exercise its right to purchase the facility in FY18 with a closing date in FY19. I do not believe this mission-critical function should be housed in a leased facility. As a result, I am sending under separate cover a PSCC supplemental to fund these upgrades and to purchase the current PSCC building. This makes operational and financial sense as the lease savings would exceed debt service costs within four years.

The Recommended CIP also includes funds to finally build the long-planned 6th District Police Station. As you may recall, land was acquired, plans were designed, and then the project was indefinitely postponed due to affordability constraints. I have included funds to complete the project. Lease savings will be realized upon completion of the 6th District project.

The station will join the new 1st, 2nd, and 3rd district stations, the new Public Safety Training Academy, and the Animal Services and Adoption Center as modern, state of the art police and animal shelter facilities which we have completed over the last 11 years.

My Recommended FY19-24 CIP provides \$113.7 million for Fire and Rescue projects the largest of which provides \$49.0 million to replace aging fire apparatus. Total costs to complete the new White Flint Fire Station No. 23 in FY23 (\$29.3 million) and the new Clarksburg Fire Station in FY22 (\$30.6 million) are also included. I am pleased to report that we have also worked with the WSSC to secure \$2,533,200 in funding to help bring sewer to the Clarksburg historic district. I am sending an FY18 supplemental for the Clarksburg Fire Station project to begin this sewer work, and my Recommended CIP assumes some acceleration of the Clarksburg Fire Station project to complete the project more expeditiously. Again, completing this project will allow the County to begin realizing lease savings, and will make it less costly for private property owners to connect to sewers as aging septic systems fail.

In addition to the Kensington (Aspen Hill) Fire Station No. 25 Addition which will be completed in the coming year, these new Fire and Rescue facilities will add to the new and upgraded facilities that were completed over the last 11 years: Kingsview Fire Station No. 22; Milestone Fire Station No. 34; Burtonsville Fire Station No. 15 Addition; Takoma Park Fire Station No. 2; East Germantown Fire Station No. 34; Travilah Fire Station No. 32; Wheaton Volunteer Rescue Squad; Cabin John Park Volunteer Fire Station No. 10; and Glenmont Fire Station No. 18 Replacement.

Progress has been made on two Department of Corrections and Rehabilitation projects as well. The Pre-Release Dietary Center Renovation project will begin construction in winter of 2018 with the State funding nearly 50 percent of the project costs. Completion is anticipated in FY20.

In addition, County and State executive and judicial branch agencies have worked in partnership to identify an option to replace the existing Montgomery County Detention Center that could better serve the growing population of offenders with mental illness and/or substance abuse disorders. In concept, the facility would provide: 1) a Restoration Center to deflect and divert such individuals in contact with law enforcement when appropriate; and 2) a Central Processing/Detention component to process new arrestees and detain remanded individuals. The expanded scope results in a very expensive facility with significant operating cost implications. This approach requires substantial support from multiple State agencies, as well as Federal agencies and private partners, to proceed. The Recommended FY19-24 Capital Improvement Program provides placeholder funding for design while the feasibility of assembling sufficient outside support is determined.

The Public Safety System Modernization (PSSM) project is nearing completion. The Computer Aided Dispatch system went live in April 2017; the Fire Station alerting system has been rolled out; and the radio system project successfully completed the County's acceptance testing. Work continues to ready 22 new and existing radio system antenna sites, with planned completion by the end of FY19. The law enforcement records management system (LE-RMS) project team has identified key business processes and requirements in order to define the project scope and acquire a solution. I recommend a \$32,000 supplemental to allow volunteer fire

departments to contribute funds to support PSSM components in their stations.

Healthy and Sustainable Communities

This Recommended CIP includes \$11.75 million to create a new Child Care Renovations project to replace aging modular facilities and make Americans with Disabilities Act improvements in child care facilities and playgrounds. Funding has also been maintained to construct a replacement Avery Road Treatment Center through a public-private partnership with assistance from the State, and planning funds have been added for a High School Wellness Center at John F. Kennedy High School.

Commercial revitalization activities are ongoing in Burtonsville and the Colesville/New Hampshire Avenue corridor. These projects facilitate smaller scale revitalization by providing assistance to older local, neighborhood retail centers to enhance their viability. Project elements include gateway signage, pedestrian lighting, acquisition of facade easements, and other streetscape and landscaping elements.

My Recommended CIP includes over \$217 million in funding for M-NCPPC projects, which is a \$32.5 million, or 17.6 percent, increase in funding compared to the Amended FY17-22 CIP. The Recommended CIP complies with the Spending Affordability Guidelines (SAG) for General Obligation Bonds and M-NCPPC Bonds, which were approved by the County Council at a lower level than assumed in M-NCPPC's request. To provide M-NCPPC with maximum flexibility to prioritize the use of these funds, I have recommended general reductions that incorporate feedback from M-NCPPC staff and reflect affordability constraints. Consistent with the priority I have placed on the Vision Zero initiative, I fully support M-NCPPC's efforts to improve safety at road-trail intersections. Furthermore, M-NCPPC's "refresh" approach to park renovations is consistent with the approach we have taken with libraries and other County Government projects. I believe it is a more responsive and appropriate approach to meeting community needs. I am also pleased that with most of the needed appropriation in place, the Cricket fields at the South Germantown Recreational Park and the Josiah Henson Historic Park will proceed in the early years of the CIP.

Since FY08, Montgomery Parks has added over a dozen new or renovated parks including: Woodstock Equestrian Park, the County's first equestrian park with 870 acres; Urban parks such as Germantown Town Center, Kemp Mill, and Western Grove Urban Parks (in progress); as well as Woodlawn Barn Visitors Center; Greenbriar Local Park; Darnestown Heritage Park; Elmhirst Parkway Neighborhood Park; and Warner Circle Special Park. Other new M-NCPPC facilities include: Matthew Henson Trail (4.2 miles of hard surface trail); Black Hill Trail Extension (1.2 miles of hard surface trail); Rock Creek Trail Pedestrian Bridge over Veirs Mill Road; King Dairy Barn Mooseum at South Germantown Recreational Park; and synthetic turf ballfields for Blair Local Park, Martin Luther King, Jr. Recreational Park, and Fairland Recreational Park.

A healthy environment is also critical to maintaining the health of the community. Montgomery County has been a leader in the State and in the nation in protecting and improving water quality. Currently, staff from the Department of Environmental Protection are assessing their significant progress in achieving our current permit goal of treating 3,778 acres of impervious surface, and they are also in talks with the Maryland Department of the Environment regarding specific future permit requirements. As a result, the CIP is likely to include amendments this spring to reflect updated information about the County's progress towards meeting current and future requirements.

The CIP was developed with the intent of limiting increases in the Water Quality Protection charge. As a result, the Department of Environmental Protection will pursue low-cost Maryland Water Quality Revolving Loan funds, and I have deferred any decisions about adding new costs to the Water Quality Protection Charge until the full operating budget context and State stormwater management requirements are known. Funding for level of effort storm drain projects also contributes to improving the quality of local streams.

Improvements to the Gude Landfill are also funded in the Recommended CIP. These improvements will provide remediation of low-level environmental contamination at the landfill, required by the Maryland Department of Environment, while addressing concerns raised by the adjacent community and allowing planning for potential future uses of the property.

Vital Living for All of Our Residents

The Wheaton Library and Recreation Center will be completed in 2019. This modern, co-located facility, will be the fourth new recreation center completed during my time as County Executive - complementing the programs and recreational facilities provided by the Mid-County, White Oak, and North Potomac Community Recreation Centers.

As part of my FY09-14 CIP, I initiated upgrades to a number of our smaller neighborhood recreation centers. Renovations of the Plum Gar and Ken Gar Neighborhood Centers were completed in 2013; the Scotland and Ross Boddy Neighborhood Recreation Center renovations were completed in 2014 and 2016, respectively; and the Good Hope Neighborhood Recreation Center renovation will be completed in 2018.

Aquatics facilities are also prioritized in my Recommended CIP. I am recommending funding for a new Martin Luther King, Jr. Indoor Swim Center Renovation project. This project is needed to provide an orderly replacement of the pool's roof, HVAC, pool filtration, and pump systems to avoid extended unplanned emergency repairs. In addition, the pool's dive tower will be repaired to address the structural degradation and concrete erosion issues that have resulted in the closure of the dive tower. The previously approved South County Regional Recreation and Aquatic Center and the Kennedy Shriver Aquatic Center Building Envelope Improvement projects are expected to have cost increases and schedule adjustments. The Housing Opportunities Commission is determining final South County project costs. Once costs are finalized and a General Development Agreement has been prepared, I will submit a supplemental appropriation request for additional funds. The Kennedy Shriver Aquatic Center (KSAC) project has been delayed to avoid closing the MLK and KSAC facilities at the same time. Cost increases related to construction delays and Wheaton/Glenmont Outdoor Pool improvements needed to provide an extended season alternative location during the KSAC closure have been included in the Recommended CIP. These investments in aquatics facilities add to prior improvements made to the Western Outdoor Pool and the KSAC Dive Tower.

My Recommended CIP includes funding to maintain the Cost Sharing project funding for Arts Facility grants. Since the inception of the Arts Facility grants, the Cost Sharing project has provided \$5.7 million to support 37 facility improvement projects that enhance the financial viability of arts organizations. These arts projects complement prior investments in developing The Fillmore Silver Spring, Strathmore Arts Center renovations, and providing space for arts groups in facilities such as the Silver Spring Library. Funding has also been included to conduct a feasibility study for a possible public- private partnership to develop a children's museum in the County.

Public Libraries also figure prominently in my Recommended CIP. As previously mentioned, the Wheaton Library and Community Recreation is expected to open in 2019. This budget also continues funding for the Library Refurbishment and 21st Century Library Enhancement projects. These projects support the popular Library Refresh initiative begun in FY15. Through this effort, approximately two libraries a year will be assessed and updated with minor programmatic renovations, painting, carpeting, furniture and technology upgrades, Americans with Disability Act improvements, and other system upgrades. Already, the Twinbrook, Kensington Park, Little Falls, Aspen Hill, Davis, and Quince Orchard Libraries have benefitted from the cost effective, quickly executed refresh projects. During the FY19-24 CIP, another 12 libraries will also be refreshed. The schedule for the Noyes Library for Young Children Rehabilitation and Renovation project schedule has been adjusted to reflect progress to date. The project has been submitted to the Maryland Historic Trust (MHT) for the review and creation of a Memorandum of Agreement (MOA) between the MHT, the County, and the Noyes Library Foundation. The MOA is expected to be helpful for private fund raising. When you consider the County's prior investments in the Olney Library, Gaithersburg Library Renovation and Addition, and the new Silver Spring Library, it is clear that libraries are a critical community and learning resource for our diverse county.

A Responsible and Accountable County Government

The Recommended FY19-24 CIP maintains funding for our critical level of effort maintenance projects and includes increases for: 1) time-sensitive replacement of the alarm systems for the Executive Office Building, Judicial Center Annex and Judicial Center; 2) replacement of R-22 refrigerant heating and air conditioning systems to ensure compliance with Clean Air Act requirements; and 3) highway maintenance projects as previously indicated. Stand-alone projects to renovate the Council Office Building and Garage, and the Grey Courthouse (Rockville Core project) are proceeding as planned. Replacement of the Executive Office Building heating, air conditioning, and ventilation system will take place in FY20 and FY21 with the anticipation that a portion of the work will be financed

through utility savings.

The Department of General Services continues to utilize Energy Systems Modernization, Planned Lifecycle Asset Replacement, and other level of effort project funding to refresh County government buildings. To date, the 401 Hungerford Drive building and a number of libraries have benefitted from the County government refresh approach, with 1301 Piccard Drive, the Pre-Release Center, and 8818 Georgia Avenue facilities slated for the next round of renovations.

In 2018, information technology capabilities are critical to running an intelligent, efficient government. The Recommended CIP includes funding for the following initiatives:

- Completion of the Public Safety System Modernization project. This is in addition to prior major investments in modernizing
 the County's Enterprise Resource Planning system, the MC311 constituent call system, Health and Human Services Enterprise
 Integrated Case Management system, the ActiveMONTGOMERY system to book classes and facilities, the Integrated Justice
 Information system, the Intelligent Transit system, and Traffic Signal system.
- Development and enhancement of the County's Fibernet network which connects traffic signals and cameras, schools and college facilities, and other critical operations in more than 500 locations.
- UltraMontgomery an initiative to leverage the County's fiber investments to support research, innovation and economic
 development.

Washington Suburban Sanitary Commission (WSSC)

The Recommended FY19-24 CIP will fully fund the WSSC's request for \$1,615.5 million - a \$96.6 million or 6.4 percent increase from the FY18-23 approved WSSC CIP. The WSSC 6-year CIP will continue construction of wastewater treatment and solids handling facility improvements at the regional Blue Plains Advanced Wastewater Treatment Plant; repair, replace, monitor and protect large cast iron and pre-stressed concrete cylinder pipe water mains; implement the Trunk Sewer Reconstruction project; and replace or rehabilitate 45 miles of water mains and 20 miles of sewer mains in FY19. These improvements will help achieve environmental goals, improve service to customers, and improve efficiency within the Approved WSSC Spending Affordability Guidelines.

Fiscal Summary

The Recommended FY19-24 CIP assumes General Obligation borrowing consistent with the Council approved Spending Affordability Guidelines (SAG) established in October 2017. The SAG guidelines assumed a gradual reduction in annual issuance: \$330 million in FY19, \$320 million in FY20, \$310 million in FY21, and \$300 million per year in FY22 - FY24. This CIP also allocates PAYGO funding at ten percent of the amount of General Obligation bonds to be issued each year, which is consistent with approved County fiscal policy, as well as, with information we have shared with the bond rating agencies.

I believe this funding level is necessary to improve our budget flexibility, to balance the needs of the operating and capital budgets, and to maintain our AAA credit rating. It is important that we reduce our increases in debt service to improve future budget flexibility and maintain our commitment to sound fiscal policies. Furthermore, the growth in school enrollment that has taxed our school facilities also strains our operating budget with state-mandated maintenance of effort cost increases estimated to be \$24.6 million in FY19 alone. Debt service payments represent the fastest growing category of expenditures and have been crowding out funding for other critical programs and services. At the same time, our high credit rating allows us to borrow funds for the CIP at low rates, increasing our long-term ability to meet community needs.

The recent fiscal plan indicated that due to reduced revenue estimates, operating budget resources will be significantly constrained. I do not believe it would be prudent to increase debt and the related 10 percent pay-as-you-go (PAYGO) levels beyond the Council approved levels from October.

The tax-supported portion of the Recommended FY19-24 CIP totals \$4.221 billion, a decrease of \$295.1 million or 6.5 percent from the FY17-22 Amended CIP. (Within the CIP, only Stormwater Management, Solid Waste, the Housing Opportunities Commission, and the Revenue Authority are considered non-tax supported.) With all sources of revenue for all agencies, excluding WSSC, the Recommended CIP totals \$4.521 billion for six years, a decrease of \$416.3 million or 8.4 percent from the FY17-22

Amended CIP. Due to the large costs coming into the FY19-24 program from beyond the prior six-year period for previously approved projects and the reduction in available funds, there was little room in the CIP for new projects - and a number of projects were deferred to beyond the six-year period so that funding for Montgomery County Public Schools could be preserved

Other Funding Sources

Recordation taxes and impact taxes, respectively, account for \$483.0 million and \$322.4 million of the CIP funding. Long-term financing is expected to increase significantly as Stormwater Management projects shift to low-cost State loans instead of Water Quality Protection bonds. State Aid accounts for \$462.2 million of the CIP resources, a reduction of \$30.2 million primarily due to the completion of several large State supported projects, such as the Conference Center Garage, and reductions in assumed State Aid for stormwater management projects.

Current Revenue funding has decreased by \$13.2 million in FY19 based in part on the assumption that the CIP current revenue reductions in the proposed FY18 savings plan will be approved by Council. Based on current projections, additional current revenue or other CIP reductions are likely to be necessary to help address FY19 operating budget shortfalls. As a result, decisions on adding new current revenue funding were generally deferred until they could be considered in the FY19 operating budget context.

Set Aside Considerations

The recommended capital budget assumes a \$178.7 million set-aside with \$10.5 million available in FY19 for anticipated future 2018 amendments and unanticipated needs. I have intentionally left additional funds available in set-aside for expected cost increases associated with the South County Recreation and Aquatic Center.

The proposals, highlighted in the pages immediately following and detailed in the specific FY19-24 recommendations for County Government, Montgomery County Public Schools, Montgomery College, M-NCPPC, WSSC, the Housing Opportunities Commission, and the Revenue Authority, reflect the priorities of my administration. Companion supplemental appropriation requests and CIP amendments are being transmitted separately for the following projects: Clarksburg Fire Station, Long Branch Town Center Redevelopment, Public Safety Communications Center, and Public Safety System Modernization.

Many people have helped to shape the recommendations I am submitting to you in these amendments, and I am grateful for their efforts. I wish to thank the members of the Board of Education, the College Trustees, WSSC Commissioners, and the Planning Board for their work.

As stated above, further recommendations relating to current revenue and other CIP initiatives will be provided once I have finalized my March 15th Operating Budget recommendations. I look forward to discussing with you any policy matters or major resource allocation issues that arise this spring. As always, Executive Branch staff is available to assist you in your deliberations on the Capital Budget and CIP.

IL:jah

c: Stephen B. Farber, County Council Administrator Michael A. Durso, President, Montgomery County Public Schools Dr. Jack R. Smith, Superintendent, Montgomery County Public Schools DeRionne P. Pollard, PhD., President, Montgomery College Casey Anderson, Chair, Montgomery County Planning Board Carla A. Reid, General Manager/CEO, Washington Suburban Sanitary Commission Stacy Spann, Executive Director, Housing Opportunities Commission

Keith Miller, Executive Director, Revenue Authority

Executive Branch Department Heads and Office Directors

