July 11, 2025
Montgomery County Council Infrastructure Funding Workgroup

9:30 AM   **Call to Order**

              Introductions

9:40 AM   **Briefing – Overview of Council Resolution and**
              Open Meeting Requirements

              Council staff will present details about the Council Resolution authorizing the
              workgroup and the open meeting requirements.

9:55 AM   **Discussion – Council Resolution and**
              Open Meetings Requirements

              Council staff will open the floor and lead a discussion about members' questions
              and comments about subject items.

10:10 AM   **Briefing – Overview of Infrastructure Categories**

              Council staff will provide a summary of the Council's prior discussions and frame
              infrastructure categories for the workgroup's consideration.

10:25 AM   **Discussion – Infrastructure Needs and Future Follow Up**

              Council staff will lead a discussion with workgroup members to identify data
              sources for estimating current and future infrastructure needs.

10:50 AM   **Break**

10:55 AM   **Discussion – Outreach Efforts and Follow Up**

              Council staff will lead a discussion about the general outreach efforts that the
              group must accomplish to meet the Council's requirements.

11:15 AM   **Discussion – Draft Project Timeline and Next Steps**

              Council staff will present a draft project timeline to the workgroup members and
              request feedback and comments.

Key Elements of Council Resolution No. 20-745

I.   Scope

- Must include the infrastructure needs of the County's 1) schools, 2) transportation, and 3) parks.
- Must include net new infrastructure needs and upgrading existing infrastructure needs.
- Must include a variety of funding mechanisms, both new and reform to current impact taxes.

II.   Outreach

- Must include stakeholder outreach with at least Maryland Department of Transportation State Highway Administration, municipalities, and developers.
- Must include stakeholder feedback before and after developing recommendations.
- Must provide an opportunity for public feedback.

III.   Progress Update

- Must hold a worksession with the Council's Government Operations and Fiscal Policy Committee between December 2025 – March 2026.
- Must include 1) current findings, 2) an analysis of the County's current infrastructure needs (schools, transportation, and parks), 3) suggested funding mechanisms, 4) racial equity and social justice considerations, and 4) issues needing further study.

IV.   Report

- Must be submitted to the Council by June 30, 2026
- Must include items 6a.-f. of the Council Resolution.

Key Elements of the Open Meetings Act

I.   Requirements

- Must provide reasonable notice of the agenda, access to meeting space, and minutes.
- Must meet these requirements when a quorum is achieved – 7 members for this workgroup.

II.   In Practice for Workgroup Members

- A public website has been created to advertise future meetings, agendas, and approved minutes.
- Gene Smith and Livhu Ndou are the points of contact on the public website. Relevant emails will be shared with the workgroup for reference and included in future meetings as needed.
- Workgroup members will review and approve minutes from a previous meeting at the start of the next meeting.
- Members should not email issues related to the workgroup's scope and work product <u>for discussion</u> by the whole workgroup.
    - All emails to the workgroup should include "Do not reply all".
    - Questions from members about the workgroup should be directed to Gene Smith or designee. Questions that are pertinent to all members will be shared as a reference email to the workgroup.
    - Important reference documents should be forwarded to Gene Smith or designee to include in future meetings or shared as a reference email to the workgroup.
- Scheduling emails will be initiated by Karla Fuentes in the Council staff office. Questions about upcoming meetings should be directed to Karla only.

Draft Project Timeline

July

- Initial kickoff meeting

July/August

- Initial data collection, re: infrastructure needs
- Outreach development

August/September

- Outreach

September/October

- Outreach continued
- Review and discuss data of infrastructure needs
- Begin funding mechanisms discussion, including the scope and definitions to meet 6b.-6d. of the Council Resolution.

October/November

- Funding mechanisms calculations and review
- Review and discussion on integrating scope to meet 6b.-6d. of the Council Resolution with data and other metrics

November/December

- Discussions on potential funding recommendations

January/February/March

- Present to the Government Operations and Fiscal Policy Committee
- Begin report drafting

April/May

- Finalize draft report
- Outreach for comment on draft report

June

- Finalize report and submit

Infrastructure Funding Workgroup
Draft Analytical Approach

By Council Staff

7/11/2025

Overview

- High-level taxonomy of funding mechanisms

- Potential Goals for Analysis

- Proposed Follow up

High-Level Taxonomy of Funding Mechanisms

1. Direct Spending

- Pros:
  - Easy to manage/implement
  - Fast and efficient
- Cons:
  - Limited by current revenue, debt limits, etc.

2. Growth Management

- Examples:
  - Impact Fees
  - Constructed improvements to offset growth-related impacts (e.g., LATIP)
- Pros:
  - Insulates County from growth-related costs that would not otherwise occur
  - Developers are often incentivized to pay them particularly if the infrastructure is necessary to support their project
- Cons:
  - Difficult to apply to infill development
  - Does not raise capital for general infrastructure needs outside of growth-related needs, and cannot be spent on operating expenses

High-Level Taxonomy of Funding Mechanisms (contd.)

3. Value Capture

- Examples:
    - Upzoning and incentive zoning
    - Special assessment
    - Direct negotiations/Joint Development
- Pros:
    - Leverages public investment and actions
    - Potentially generates significant amount of capital
    - Flexible for use on operating and capital expenses
- Cons:
    - There must be value to capture, either via investment or providing density
    - Implementing value capture can be complex and indirect
    - Not appropriate for all forms of infrastructure or all locations

3. Leveraging Future Revenues

- Examples:
    - TIF
- Pros:
    - Can generate significant amounts of capital
    - Does not implicate current revenues
- Cons:
    - Complex and hopeful
    - Potential for developer interference, lack of transparency

High-Level Taxonomy of Funding Mechanisms (contd.)

Conclusions:

- To the extent we want to identify a variety of mechanisms, we should attempt to categorize infrastructure needs. For example:
    - Growth-related: projects that specifically mitigate growth-related impacts, only. (i.e., if there is no growth, the project is not needed)
    - Repairs and Maintenance: Projects that bring deficient infrastructure to a minimum level of service, or maintain a given level of service
    - Net New Infrastructure and Upgrades: Projects that add net new infrastructure or increase the level of service/capacity of infrastructure.

- Ultimately, there will be few, specifically growth-related projects. Therefore, a growth-related funding mechanism, like impact taxes, will be small part of revenues programmed in the CIP, and smaller than they are today (if they continue at all)

- There will also be relatively few projects that require a mechanism on the order of a TIF (i.e., TIF cannot be a consistent source of funding for the County's infrastructure needs)

- Therefore, in order to generate a consistent and predictable source of revenue for the CIP, there will be some kind of 'fee' revenue, and if it is to be spent towards all infrastructure needs and not just growth-related needs, would have apply to both new and existing development.

Analytical Goals

- A 'fee' must be calculated as part of our analysis
  - A subset of the Working Group will calculate a fee. The fee rate and the amount it generates would have to balance several factors:
    - The amount of impact tax revenue programmed in the CIP
    - Sustainability and predictability of fee revenue
    - Financial feasibility for new and existing development
  - The IWG would recommend fee rates/regimes that could be implemented in the short term to replace impact tax revenue in the CIP

- Identify medium- to long-term infrastructure needs not programmed in the CIP
  - Update and list all IMTF backlog requirements
  - List all master-planned improvements

Proposed Follow Up

- Fee calculation:
  - DOT, MCPS, and Parks categorize projects currently programmed in the CIP by: Growth-related, Repairs and Maintenance, and Net New/Upgrades

- Identify medium- to long-term infrastructure needs not programmed in the CIP
  - Update and list all IMTF backlog requirements and organize by categories above
  - List all master-planned improvements and organize by categories above