



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

January 15, 2015

TO: George Leventhal, President, County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Recommended FY16 Capital Budget and
Amendments to the FY15-20 Capital Improvements Program (CIP)

I am pleased to transmit to you, in accordance with the County Charter, my recommended FY16 Capital Budget and amendments to the FY15-20 Capital Improvements Program (CIP). This is a biennial year for the capital budget. **As a result, amendments are limited to project changes that either meet the County's CIP amendment criteria, or that are necessary to balance the CIP.** The attached recommendations are fiscally prudent within constrained resources and prioritize education, economic development, transportation, and critical infrastructure. I believe these recommendations also highlight the need for a robust partnership with the State to fully realize our economic potential. While our State faces significant budget challenges, I believe that State investments in Montgomery County's schools and transportation infrastructure can help achieve our mutual goals for economic development. This belief drives much of the enclosed FY15-20 recommendations, which total \$4.665 billion, an increase of \$213.1 million from the Council approved CIP.

State Support for Key Economic Development Drivers

The high quality of Montgomery County's Public Schools (MCPS) makes the County an attractive place for businesses to locate and grow. This is particularly true for those businesses in the scientific, technology and engineering sectors. Therefore, maintaining the high quality of an MCPS education is essential to maintaining and growing a healthy tax base for the County and the State.

Since the 2007-2008 school year, MCPS has grown by 16,485 students, enough to fill 22 elementary schools. For the 2014-2015 school year, approximately 9,300 students have classes in 404 relocatable classrooms. Moreover, current projections show MCPS will need approximately 730 additional classrooms by the 2020-2021 school year to address deficiencies and over-utilized schools. For many years, the County has contributed much more than other jurisdictions to fund new schools, additions, and school renovations. In fact, from FY12 to FY14, Montgomery County contributed more local funding to public school construction than Anne Arundel, Howard and Prince George's counties *combined*. Given the significant needs, we simply cannot fund the projects necessary to address our capacity and aging infrastructure needs without increased State support. As a result, the Board of Education, Parent Teachers Associations, Councilmembers, our State delegation, and I are uniting once again to reach out to the Governor and the State legislature to support innovative approaches to expediting funding for our school capital needs.

Similarly, we must address our increasing transportation challenges, as some of our businesses struggle to move people and products efficiently, and residents lose patience due to the increasing hours spent in traffic. As a letter from the Montgomery County and Prince George's County Chambers of Commerce recently reiterated, the Purple Line light rail project is good for business. The Purple Line will improve Maryland's competitiveness for high tech jobs that thrive near universities and federal facilities, while also spurring dense residential and retail development around mass transit stations. Once the State's intentions regarding the Purple Line are known, the County can consider additional investments to leverage adjacent private development.

The State has already received \$100 million in federal aid to support Purple Line construction with an expectation of significant additional federal aid in the future. I believe this critical project should move forward, and that is why my recommendations continue support for the County-funded capital projects related to the Purple Line, albeit on a slightly revised schedule due to likely State delays. Ongoing State and federal support for this critical project will provide a lasting benefit to the County's, the region's, and the State's quality of life and economy.

It is imperative that we look for transportation solutions from a regional perspective. Like the Purple Line, the Corridor Cities Transitway and the County's planned Rapid Transit System address regional transportation problems. As such, State and federal partnerships related to the Corridor Cities Transitway and the County's planned Rapid Transit System will also be critical to helping the County – and the region - realize significant traffic congestion relief. As we develop plans for an independent Transit Authority, I will continue to reach out to the new Governor and his staff to foster funding partnerships benefiting both the County and the State.

Fiscal Summary

I recommend maintaining the approved level of General Obligation (GO) bond issues in each of the remaining five years in the FY15-20 CIP. As you know, the fiscal plan indicated that operating budget resources will be significantly constrained due to reduced revenue estimates. I do not believe it would be prudent to increase debt and the related 10 percent pay-as-you-go (PAYGO) levels beyond the increases approved by the Council last year.

In planning the amount of GO bond funds that can be programmed each year, the County considers a number of factors including any lag in implementing the assumed construction schedule (implementation rates), inflation, and the amount of funds that should be set-aside to handle unforeseen capital expenditures that are in the County's best interests. An adequate set-aside is necessary to meet contractual commitments, address emergency safety needs, maintain project schedules, and respond to critical opportunities. An implementation rate of less than 100 percent allows the County to program more bonds than the intended amount to be issued, since only a portion of the costs will actually be incurred in a year.

From the FY15-20 Approved CIP, the FY16-20 assumed implementation rate has increased significantly from 86.5 percent to 94.6 percent based on historical analysis. In many ways, a higher implementation rate is positive. It means that projects are being built on the approved schedule, and over the long term, an improved implementation rate should mean less expensive projects. But, in the short term, an improved implementation rate means that unless we reduce programmed expenditures, the

FY16-20 set-aside will be reduced by \$155 million – and in fact, would be negative in FY16, FY17, and FY18. This is untenable given the potential for cost increases as the economy begins to recover.

Fortunately, estimates for FY16-20 schools and transportation impact taxes, recordation taxes, and recordation tax premiums have, on net, increased by approximately \$21 million, providing a partial solution to our funding constraints.

The recommended capital budget assumes a \$121.3 million FY16-20 set-aside with \$14.6 million available in FY16 for unanticipated needs. We have a number of likely FY16 supplementals related to critical infrastructure and public-private partnerships that will be transmitted at a later time. I would strongly urge that as you make budget decisions regarding set-aside funding, you hold capacity for these critical funding needs and potential project cost increases as the construction market improves. This set-aside funding provides what I believe is minimally necessary to guard against likely cost increases and future unanticipated capital needs.

Education

This capital budget assumes full funding for the \$1.753 billion Montgomery County Public Schools six-year CIP request – a \$225.833 million increase over the previously approved CIP. If approved, my recommended amendments add \$191.233 million to accelerate 14 additions and 20 renovations, one new school, and one alternative school project while also adding \$2.5 million for Planned Life Cycle Asset Replacement (PLAR) and \$100,000 for facility planning. This recommended CIP also includes an additional \$32 million to replace the Shady Grove Bus Depot. For a number of years, staff from Montgomery County Public Schools and County Government have studied various options for replacing the Depot, and the Board of Education's request provides a solution to what has been a very difficult issue. This project will provide MCPS with a new depot serving at least 370 buses and address an obstacle to fully realizing the potential transit-oriented economic development envisioned in my Smart Growth initiative.

Included in the recommended Montgomery County Public Schools budget is an assumption of \$213.3 million in State-supported school financing bonds to help make this ambitious project acceleration possible. As mentioned previously, while recent budget news from the State is not optimistic, it is still important that we work together with parents and teachers to lobby for our fair share of State school support.

The capital budget provides \$350.1 million for Montgomery College capital projects – an increase of \$1.264 million over the six-year period. Included in my recommendations for the College's CIP is \$4.2 million for a new Collegewide Physical Education Renovations project and an increase to cover construction cost escalation for the Germantown Science & Applied Studies Phase I – Renovation.

Also included in the capital budget is an amendment increasing the scope of the School Based Health and Linkages to Learning project to add the South Lakes Elementary Linkages to Learning site to the project. Funding for this project is provided through a County Executive transfer.

Transportation Priorities

As previously noted, transportation improvements are often critical to spurring additional investment. As such, the recommended CIP features a number of transportation partnerships that will simultaneously improve our transportation network and economic development.

White Flint Redevelopment

Included in the capital budget is an amendment and supplemental request to accelerate expenditures for Main Street/Market Street and Executive Boulevard to coordinate with the construction of the Conference Center Parking Garage. This acceleration of the White Flint West Workaround project will minimize disruption to local businesses, take advantage of economies of scale, and deliver pedestrian and bikeway improvements earlier than previously approved. Coupling this acceleration with the County's recent success in securing Maryland State Highway Agency concurrence to reduce turning lanes on Old Georgetown Road, will allow us to realize the community's vision of a more walkable, pedestrian friendly community more quickly.

The benefits of the County's transportation investments in White Flint can already be seen. Federal Realty's Pike & Rose project, the first development to be constructed as a result of the White Flint Sector Plan, began opening Phase 1 stores and apartments in July, 2014. The retail has been completely leased, and the first apartment building is almost fully leased, with an additional 319 unit luxury high-rise complex opening this Spring. We expect Phase 1 to generate over 900 jobs and over \$800,000 in annual real estate tax revenue, while the entire project, once completely built-out, could generate over 5,000 jobs and over \$5 million in annual real estate taxes. Pike & Rose is also demonstrating the very positive environmental impact of converting a huge surface parking lot with untreated water run-off to a substantially reduced water flow that is now treated before entering the storm water system. These economic and environmental benefits will be duplicated throughout the White Flint Sector Plan as additional projects are built.

Metropolitan Branch Trail

The County has recently reached an agreement with Maryland Preservation Inc., the owner of the B & O historical rail station, and the Maryland Historical Trust over rights of way and trail alignment. This agreement removes the last regulatory obstacle to proceeding with the project to provide a safe trail connection from the Silver Spring Transit Center to the north end of the existing trail near the Montgomery College Takoma Park campus. The project schedule has been adjusted to coordinate construction with the nearby Progress Place and Ripley Street redevelopment, which will occur immediately adjacent to the trail, and minimize disruptions to the historic rail station.

State Transportation Participation

The scope of the State Transportation Participation project has been expanded to include developer-funded work on the frontage of the Tapestry subdivision.

Other Investments in Critical Infrastructure

Pennyfield Lock Road Bridge

The current, low weight-restricted bridge near the entrance to the National Park Service's C & O Canal Park must be replaced to continue to provide safe travel. The new bridge will be aligned in a manner that allows use of the current bridge until construction is completed, maintaining access for recreational and park maintenance uses.

Bridge Design

Funding has been added to fund design work for a new Glen Road Bridge #148. Glen Road Bridge M-148 was built in 1930 and is currently being supported by a temporary deck to maintain safe access. Upgrading the bridge will allow all legal vehicle crossings and provide better response time for our Fire and Rescue Service.

Road Maintenance

My recommended capital budget assumes acceleration of \$8.2 million in critical road maintenance into FY15. Proposed supplementals are attached to expedite resurfacing and permanent patching work which has long been shown to be cost-effective in avoiding the need for more costly road rehabilitation at a later date. Altogether, the three highway maintenance supplementals will provide 62.7 lane miles of resurfacing and permanent patching work.

Affordable Housing

Affordable housing has been a long-standing shared priority. Over the last seven years, we have spent more than \$300 million to produce and preserve more than 22,000 affordable housing units. Together, the Affordable Housing Acquisition and Preservation CIP Project and the tax-supported Housing Initiative Fund have contributed to the financing of 4,382 affordable housing units utilizing \$221 million in County funding to leverage \$910 million in other sources, for total project investment of \$1.13 billion. My recommended CIP includes an increase of \$8.54 million, for a total of \$17 million in FY16, for the Affordable Housing Acquisition and Preservation project. With this additional County funding, we will employ strategic partnerships with the State of Maryland Department of Housing and Community Development, the Housing Opportunities Commission, non-profit and for-profit developers, and the regional and national affordable housing financing community to continue to expand the supply of affordable housing for County residents with an emphasis on providing new affordable housing opportunities for seniors, families and special needs populations.

Economic Development

Wheaton Redevelopment

A general development agreement was signed with Stonebridge/Buzzuto on August 25, 2014 to design, plan and construct an office building, public parking garage, and town square on the site of Parking Lot 13 and the Mid-County Regional Services Center in Wheaton. By co-locating the

Maryland-National Capital Park and Planning Commission, the Department of Permitting Services, and the Department of Environmental Protection in the planned office building, the County will improve public access to the departments critical to those involved in the construction and development industries. As part of the general development agreement, the Developer will redevelop a portion of the current parking lot as a mixed use retail/residential building. This private mixed use development is guaranteed under the agreement to have a minimum of 20 percent of the units available as affordable housing at 50 percent of the Average Median Income (AMI) for the area. The Developer additionally agreed to apply to increase the number of affordable units to as much as 30 percent of the project under a State affordable housing program.

Smart Growth

The County's Smart Growth Initiative recently received a National Association of Counties (NACo) award. The initiative has sparked transit-oriented development on the West Side which will ultimately lead to construction of 40,000 square feet of commercial and retail space as well as 1,114 multi-family housing units and 407 townhomes, including significant numbers of affordable and workforce housing units. The County has selected a private developer for the Jeremiah Park East Side development and is in preliminary discussions to establish a general development agreement. Material terms that detail the major aspects of what will be included in the development agreement will be provided to Council in the coming weeks. The 45 acre property will consist of multifamily, townhomes and apartments, including affordable and workforce housing, as well as a school site and open space for a park. There will also be a north Metro entrance and the area will emphasize a positive pedestrian linking the East Side and West Side developments.

To make way for the new development, the County has completed reconstruction of the Department of Liquor Control Headquarters and Warehouse, completed the purchase and renovation of the Public Safety Headquarters building, and completed construction of the new Equipment Maintenance and Transit Operations Center. The Public Schools Food Distribution Center opened this month. The new Public Safety Training Academy is under construction, and the new shared MCPS and M-NCPPC maintenance facilities are in design. With the Montgomery County Public Schools' recent proposal to relocate the Shady Grove Bus Depot, redevelopment of the East side can move forward.

Project Delays and Reductions

To make room for these critical investments and in recognition of constrained resources, I am recommending some project deferrals and reductions in the approved CIP. The first approach in making these changes was to defer funding for projects where schedule delays were likely for reasons unrelated to fiscal issues.

The following projects have been delayed in the recommended CIP due to expected project implementation delays: Glenmont FS 18 Replacement; Snouffer School Road North (Webb Tract); Goshen Road South; Metropolitan Branch Trail; Silver Spring Green Trail; Capital Crescent Trail; Bethesda Metro Station South Entrance; Avery Road Treatment Center; North Potomac Community Recreation Center; and Ross Boddy Neighborhood Recreation Center.

George Leventhal, President
January 15, 2015
Page 7

Other projects have been deferred due to our fiscal constraints. These include the Executive Office Building HVAC Renovation, the Criminal Justice Center, the MacArthur Blvd Bikeway Improvements, the Falls Road East Side Hiker/Biker Path, the Seven Locks Bikeway & Safety Improvements, and the Little Bennett Regional Park Day Use Area projects. Scope reductions, reducing funding closer to funding levels prior to the FY15-20 CIP, have also been included for the Bicycle-Pedestrian Priority Area Improvements, Traffic Signals, and Sidewalk & Curb Replacement projects.

Technical Adjustments

Also included in the recommended capital budget are technical adjustments to a number of projects. These include funding and/or appropriation corrections, funding switches, minor shifts of funding between years to balance the CIP, and other technical adjustments.

As required by State law, I am also providing today (under separate cover) the recommendations for both the FY16-21 Capital Improvements Program and the FY16 expenditures for the Washington Suburban Sanitary Commission (WSSC).

Many people have helped to shape the recommendations I bring to you in this budget and I appreciate 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.

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Attachments:

Fiscal Summary Schedules

FY15-20 Biennial Recommended CIP – Budget Adjustments Summary
General Obligation Bond Adjustment Chart
General Obligation Bond – Programming Adjustment for Unspent Prior Years
Tax Supported Current Revenues Adjustment Chart
M-NCPPC Bond Adjustment Chart

Recommended Capital Budgets

MCG FY16 Capital Budget: Appropriation and Closeout Lists
HOC FY16 Capital Budget: Appropriation
MCPS FY16 Capital Budget: Appropriation and Closeout Lists
Montgomery College FY16 Capital Budget: Appropriation
M-NCPPC FY16 Capital Budget: Appropriation and Closeout Lists

Project Description Forms

George Leventhal, President

January 15, 2015

Page 8

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