



OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Marc Elrich  
*County Executive*

MEMORANDUM

January 15, 2021

TO: Tom Hucker, President, County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Recommended FY22 Capital Budget and Amendments to the FY21-26 Capital Improvements Program (CIP)

I am pleased to transmit to you, in accordance with the County Charter, my Recommended FY22 Capital Budget and amendments to the FY21-26 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 address capital or operating budget constraints. The attached recommendations are affordable within our reduced resources, take advantage of opportunities to leverage non-County resources, and reflect our shared values of prioritizing education and core infrastructure while considering racial equity and climate change concerns.

**Overall Fiscal Context**

Unfortunately, both capital and operating budget revenues are estimated to experience significant reductions compared to the previously approved budgets and fiscal plan. For example, the Council's changes to the 2020-2024 Growth and Infrastructure Policy (Subdivision Staging Policy) resulted in a reduction of \$51.5 million in impact taxes that fund critical school and transportation capital infrastructure. Additionally, recordation tax estimates that support Montgomery County Public Schools and Montgomery County CIP projects have been reduced to reflect the economic impacts of the COVID pandemic (-\$41.7 million). Furthermore, the December fiscal plan update indicated that FY21 tax-supported revenues will be \$101.5 million less than the FY21 approved budget, and FY22 tax-supported revenues are estimated to be \$163.9 million less than the approved FY21-26 fiscal plan because of COVID-related fiscal impacts.

COVID-related cost pressures coupled with uncertainty regarding the speed of economic recovery and the availability of federal aid to mitigate some of the COVID fiscal impacts require significant modifications of the CIP to support the operating budget and to live within available resources. In July, the Council approved a savings plan that recognized project savings and delayed and reduced a number of CIP projects in order to reduce FY21 Pay-As-You-Go (PAYGO) cash contributions to the CIP by \$23,412,000. In order to improve our FY21 and FY22 finances, my January CIP amendments assume an additional \$8,588,000 in FY21 PAYGO reductions and reduced FY22 PAYGO funding (\$15.5 million). The amendments also include project savings, delays and reductions designed to reduce FY22 tax-supported current revenue by \$17,995,000.

My recommended amendments assume participation by all agencies in reconciling the CIP program in an affordable way. As in the past, I am recommending affordability adjustments for Montgomery County Public Schools (MCPS), Montgomery College, the Maryland-National Capital Park and Planning Commission (M-NCPPC), and the Housing Opportunities Commission. I have not specified particular project reductions or delays to allow the agencies maximum flexibility in balancing their varied capital budget needs.

### **Racial and Other Equity Considerations**

The process of integrating racial and other equity considerations into our budgets is one that will evolve over time. This year, the Office of Management and Budget has worked with the Office of Racial Equity and Social Justice, the Maryland-National Capital Park and Planning Commission, and the Council of Governments to begin building the data that will help inform our budget decision making. All CIP projects with stand-alone addresses have been assigned to census tracts, and racial and median household income census data has been collected so that reports and maps can help measure the impact of the CIP on households that have historically been underserved. The Council of Governments has also identified census tracts which it considers Equity Emphasis Areas due to their significant concentrations of low-income and/or minority populations. The Office of Management and Budget has incorporated this data into its CIP project database so that reports and maps can easily identify projects in Equity Emphasis Areas. Likewise, MCPS data regarding the percent of children receiving free and reduced meals and racial profile data for school CIP projects have also been collected for consideration.

This year, when a number of reductions and delays were required in CIP projects, care was taken to consider who benefits and who is burdened by these recommendations to avoid negatively impacting communities that are already marginalized. For example, no projects in COG's Equity Emphasis Areas were reduced or delayed unless other factors warranted it. (For example, the Rockville Fire Station 3 and the Burtonsville Access Road projects were delayed for one year since the projects were not ready to proceed for non-County related reasons.) On a positive note, one of the few increases in the recommended CIP will add a Linkages to Learning and School Based Health Center at South Lakes Elementary School – a school where more than 85 percent of its students receive free and reduced meals and over 90 percent of the students are either African-American/Black or Hispanic.

While significant progress has been made this year, our work on this issue has only begun. We are still in the process of validating project location and demographic data. Furthermore, data has limitations and, in isolation, does not tell a complete story. For instance, census tracts may not be consistent with school attendance zones or facility service areas. Median household income data means very different things for a one-person or a four-person household. And, many transportation projects cross a number of census tracts which requires a more complex analytical approach. In addition, Maryland-National Capital Park and Planning Commission staff are developing an equity analysis tool for the County which will be considered in future budget deliberations. Most importantly, we will need to continue to consider the best ways to involve marginalized communities in developing and prioritizing CIP projects.

In making my affordability recommendations for MCPS, the College, and M-NCPPC, I have asked that the agencies consider racial and other equity impacts in their recommendations. As the Office of Management and Budget refines its equity related reports and maps, we will make them available to Council and agency staff to assist in these efforts.

### **New Projects and Scope Increases**

Given the fiscal situation, new projects and increases to the CIP have been held to a minimum – addressing pressing health and safety needs, supporting economic development through transportation projects, maintaining essential government operations, or leveraging non-County resources.

### **Transit Projects**

Two new projects have been included in my recommended CIP amendments to improve key transportation corridors, combat climate change, and support economic development. The Great Seneca Science Corridor Transit Improvements project will advance the planning, design and implementation of new premium transit services including new, upgraded transit stations, dedicated bus and bus and bicycle lanes, transit signal priority, new roadway connections, upgrades to transit centers, purchase of new transit vehicles, as well as pedestrian and bicycle improvements. Until the Corridor Cities Transitway (CCT) is implemented, these transit services will provide frequent and reliable connections between Kentlands, Crown Farm, King Farm, the Universities of Shady Grove (USG), Adventist Shady Grove Hospital, Shady Grove Metro, Rockville, and other key destinations to support the economic development envisioned in the Great Seneca Science Corridor Master Plan, and to provide better transit operations for USG students. We have begun conversations with the Mayors of Rockville and Gaithersburg about partnering on this exciting project and plan to have this included in updated Impact Tax Memorandums of Understanding with the cities later this year.

The US 29 Managed Lane Project will fund preliminary engineering to implement a managed lane along the US 29 corridor from Musgrove Road to Southwood Drive and from Dale Drive to Spring Street. The managed lanes will be restricted to use by high occupancy vehicles (HOV) and transit to improve roadway performance and persons throughput. The project will also include improvements at identified “hot spot” locations to improve overall traffic operations along the US 29 corridor. The project will provide for more reliable and faster travel times for buses and high-occupancy vehicles to support the White Oak Redevelopment corridor, environmental and Vision Zero goals, and improve bus operations in the southernmost part of US 29 without major expansion of the roadway.

### **Supporting Students in High Poverty Areas**

As mentioned above, the recommended biennial CIP amendments also include funding for Linkages to Learning and School Based Health Centers at South Lakes Elementary School. Earlier this year, we partnered to accelerate needed renovation of this school that serves many at-risk children. Adding these important programmatic elements at South Lakes Elementary School will support our collective efforts to ensure success for all students. Similarly, the recommended amendments also add a Linkages to Learning site at Neelsville Middle School – a school where more than 65 percent of students receive free and reduced meals and African American and Hispanic students make up over 77 percent of the student body.

### **Other Critical Operations**

Important government operations will also be maintained through other CIP amendments. The County Radio Replacement and Related Equipment and Master Leases: Transit Radio System Replacement projects will replace radios and related equipment for the Departments of Transportation and Correction and Rehabilitation to ensure compliance with the County’s new 800 MHz radio system. The Council Office Building Renovations project has also been increased to reflect the costs of adding offices for the two new Councilmembers that were approved in a November 2020 charter amendment.

Three supplementals recently transmitted for the Stormwater Management Facility Major Structural Repair, Stormwater Management Retrofit: Countywide, and Facility Planning: Stormwater Management projects will support additional stormwater management improvements funded by refunds from the U.S. Army Corps of Engineers and developer contributions.

### **Affordable Housing**

In December, I transmitted a supplemental appropriation request for the Affordable Housing Opportunity Fund project. It is my understanding that Council's technical questions regarding this project have been addressed, and I would ask that you approve this supplemental quickly so that the Department of Housing and Community Affairs can launch this innovative partnership to preserve and increase our supply of affordable housing.

### **White Flint Redevelopment**

When the White Flint Development District was first established, there was an assumption that the district tax would cover the cost of specific infrastructure and that a repayment plan for any County advances would be established. Back in January 2018, the prior County Executive notified the Council that the district was generating far less revenue than originally projected, and that project costs had increased compared to the original estimates. As recently as December 2019, we added \$11,425,000 to the White Flint West Workaround project to cover increased PEPCO charges related to undergrounding utilities in order to preserve developers' ability to maximize their development potential. With \$42 million in project expenditures in FY21 and FY22, project costs will exceed the County's pledge to provide advance funding up to \$45 million if we do not act quickly.

We have been working to develop a district financing and repayment plan to address these issues and will be sending that to you shortly after we have had an opportunity to communicate with key stakeholders.

### **Montgomery County Public Schools**

The biennial CIP request from the Board of Education was very complex – incorporating scaled back, deferred, or eliminated projects in favor of alternative solutions, project accelerations, or other infrastructure priorities as indicated on the attached summary chart. In addition, MCPS was able to accelerate construction of several projects – particularly Seneca Valley High School – such that \$68,377,000 in costs that were planned for FY21 and FY22 were actually spent in FY20. Although this acceleration appears as a reduction in the FY21-26 funding for MCPS, it does not represent a reduction in support for MCPS projects.

Schools Impact Taxes (-\$35.3 million) and Recordation taxes (-\$32.8 million) - two important funding sources for schools CIP projects – have decreased by over \$68 million due to Growth Policy changes and COVID related revenue adjustments, respectively. My CIP amendments were able to mitigate some of these revenue losses by deferring and reducing other CIP projects, but MCPS reductions of \$53,758,000 compared to the Board of Education's request will still be required to maintain overall affordability. MCPS' requested project accelerations and infrastructure increases in FY22 and FY23 will be particularly challenging.

### **Montgomery College**

The College's request was very straightforward including a \$1,590,000 increase in FY22 to cover State-approved escalation costs for the furniture, fixtures, and equipment for the Takoma Park/Silver Spring Math and Science Center. Half of the funding for these costs will be provided by the State. The College has also requested accelerating renovation of their libraries with 50 percent State Aid for the project. This acceleration was offset by the College's requested deferral of the Germantown

Student Services project. The Student Services project now assumes a \$30.6 million cost increase – due in large part to extensive site work. While the recommended CIP supports these project initiatives, in order to maintain overall CIP affordability, my recommendations assume that the College can find \$7,964,000 in General Obligation bond reductions or deferrals in FY24 – FY26, and \$1,433,000 in current revenue reductions. Technical adjustments to the Collegewide Road/Parking Lot Repairs and Replacements and Planned Lifecycle Asset Replacement College projects are also included.

### **Maryland-National Capital Park and Planning Commission**

My recommended CIP supports M-NCPPC's request to create the Mid-County Park Benefit Payments project. This new project is designed to use developer funding to purchase or develop new park amenities to serve the White Flint, Grosvenor-Strathmore, and Rock Spring areas.

My CIP recommendations also reflect the impact that COVID has had on projects funded through various enterprise funds. M-NCPPC's Enterprise Facilities' Improvements project has deferred funding for the Ridge Road Ice Rink to beyond the six-year period to allow time to assess the Enterprise Fund's financial capability to support the planned project costs. Similarly, as Council heard on December 1, the Community Use of Public Facilities enterprise fund is not able to afford the planned FY21 and FY22 contributions to M-NCPPC's Ballfields initiative project. This project is one that the Council and I have supported for many years, and so my CIP amendments assume that we will use G.O. bonds instead of the CUPF current revenue to maintain support for the project in FY21 and FY22. In addition to minor technical adjustments that the Office of Management and Budget staff have worked on with M-NCPPC staff, my only other changes to the M-NCPPC requested CIP are FY22 to FY25 affordability adjustments of \$4,926,000. These reductions are needed due to reduced CIP and operating budget resources.

### **Savings and Other Cost Adjustments**

Other projects have had relatively minor increases or decreases due to technical corrections, savings, or adjustments made for fiscal capacity reasons. Costs have been corrected for the FS Emergency Power System Upgrades and Kennedy Shriver Aquatic Center Building Envelope Improvement projects. The Cost Sharing: MCG project reflects Council's most recent supplemental for FY21 and FY22 funding. While this funding will not allow for additional FY22 Arts Facility Grants beyond those already assumed, the amendment does increase FY23 funding to \$1 million as previously approved. Due to fiscal constraints, minor scope reductions have been included in the Advanced Transportation Management System, Traffic Signals System Modernization, 21<sup>st</sup> Century Library Enhancements Level of Effort, Facility Planning: HCD, and Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements projects. Due to our difficult financial circumstances, the CIP amendments also assume that only half of the Council approved FY21 supplemental increase (\$109,000) in the Public Arts Trust project will be affordable.

### **Schedule Adjustments**

Delays in the following projects reflect updated implementation schedules: White Oak Science Gateway Redevelopment Project; Apparatus Replacement Program; Glen Echo Fire Station Renovation; Rockville Fire Station 3 Renovation; Purple Line; Franklin Avenue Sidewalk; Burtonsville Access Road; Noyes Library for Young Children Rehabilitation and Renovation; and Countywide Façade Easement Program.

Delays in the following projects are necessary due to fiscal constraints: White Flint Fire Station 23; White Flint Metro Station Northern Entrance; Facility Planning and Renovations in the Bethesda and Wheaton Parking Lot Districts; Bradley Boulevard (MD 191) Improvements; construction of the tunnel under Wisconsin Avenue portion of the Capital Crescent Trail project; Forest Glen Passageway; and Observation Drive Extended. In the case of the Northern Entrance for the White Flint Metro Station, our team working with WMATA on redevelopment of the White Flint Metro Station site will look for opportunities to leverage private sector funding for these enhancements. To provide an alternative approach to the Capital Crescent Trail tunnel under Wisconsin Avenue, the County has requested that the State consider alternative designs of the Purple Line tunnel to provide savings without sacrificing service. And, the Department of Transportation will also reach out to the State to consider whether more immediate traffic management measures can improve safety until we are able to fund a more permanent solution in Forest Glen.

#### **Other Amendments/Updates**

Also included in my recommended CIP are technical adjustments related to project acceleration prior to FY21, funding switches, appropriation and other corrections, and updated project description forms reflecting Council actions since the approved CIP in May.

#### **General Obligation Bonds and PAYGO**

I recommend maintaining the approved level of General Obligation (GO) bond issues in each of the remaining five years of the FY21-26 CIP with \$310 million in FY22; \$300 million in FY23; \$290 million in FY24; \$280 million in FY25; and \$270 million in FY26. Council's recent decision to increase FY21 debt by \$50 million to support Housing Opportunities Commission projects increases the constraints that we are facing.

As previously referenced, I recommend assuming no PAYGO in FY21 and only \$15.5 million in FY22 due to fiscal constraints. I recommend maintaining FY23 to FY26 PAYGO funding at our policy level of 10 percent of planned General Obligation bond issuance.

#### **Set-Aside Considerations**

Set asides are funds that are intentionally left unprogrammed to provide capacity to respond to unexpected needs and opportunities. The recommended capital budget assumes a \$147,002,000 set-aside with \$33,521,000 available in FY21 and FY22. The FY21 and FY22 set-aside levels are being maintained at higher levels than usual to accommodate expected costs related to projects to provide emergency homeless shelter and to stabilize the Lincoln High School building. In addition, there may be a need to provide further support to the operating budget, and this set-aside can help accomplish that goal.

As required by State law, I am also providing today (under separate cover) the recommendations for both the FY22-FY27 Capital Improvements Program and the FY22 expenditures for the Washington Suburban Sanitary Commission (WSSC Water).

Many people have helped to shape the recommendations I submit 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, the WSSC Water Commissioners, and the Montgomery County Planning Board for their work.

Tom Hucker, President, County Council  
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As noted above, further recommendations relating to current revenue and other CIP initiatives will be provided once I have finalized my March 15<sup>th</sup> Operating Budget recommendations. I look forward to discussing these proposals with you. As always, Executive Branch staff is available to assist you in your deliberations on the Capital Budget and CIP.

ME: jb

Attachments:

**Fiscal Summary Schedules**

- FY21-26 Biennial Recommended CIP – January Budget Amendments Summary
- General Obligation Bond Adjustment Chart
- General Obligation Bond – Programming Adjustment for Unspent Prior Years
- Tax Supported Current Revenue Adjustment Chart
- M-NCPPC Bond Adjustment Chart

**Recommended Capital Budgets**

- MCG FY20 Capital Budget Appropriation and Closeout List
- MCPS FY20 Capital Budget Appropriation
- Montgomery College FY20 Capital Budget Appropriation
- MNCPPC FY20 Capital Budget Appropriation and Closeout List
- HOC FY20 Capital Budget Appropriation

**Project Description Forms and Briefs (as needed)**

- c: Montgomery County Councilmembers  
Marlene Michaelson, Executive Director, County Council  
Brenda Wolff, President, Montgomery County Board of Education  
Dr. Jack R. Smith, Superintendent, Montgomery County Public Schools  
Dr. DeRionne P. Pollard, President, Montgomery College  
Casey Anderson, Chair, Montgomery County Planning Board  
Carla A. Reid, General Manager/CEO, Washington Suburban Sanitary Commission (WSSC Water)  
Stacy Spann, Executive Director, Housing Opportunities Commission  
Keith Miller, Executive Director, Revenue Authority  
Executive Branch Department Heads and Office Directors  
Office of Management and Budget Staff