

MEMORANDUM

February 26, 2020

TO: Planning, Housing, and Economic Development Committee
FROM: Jeff Zyontz, Senior Legislative Analyst
SUBJECT: FY21-26 CIP – Revenue Authority
Purpose: Worksession concerning Council resolution for the FY21-26 Revenue Authority CIP

Expected Participants:

Michael Boone, Chief Financial Officer, MCRA
Jane Mukira, Fiscal and Policy Analyst, Office of Management and Budget

Background

The Revenue Authority was created in 1957 to construct and operate a variety of self-supporting projects. It is a self-supporting, public corporation that operates somewhat independently of County Government. The corporation owns and operates self-sustaining projects that support the County's economic development, recreation, and transportation needs and assists in financing County Government projects by issuing bonds or other debt. The Revenue Authority operates under the County Code, and the County Executive and County Council must review and approve any project greater than \$50,000.¹ Unlike other agencies and departments, the County "authorizes" the Revenue Authority's CIP; the Council does not appropriate funds.

¹ Sec. 42-13. Six-year programs; project approval.

(a) Six-year programs.

- (1) Before October 1 each odd-numbered calendar year, the Authority must prepare and submit a six-year capital improvements program to the Executive. The capital improvements program must include:
 - (A) a statement of the objectives of the capital program and relationship of the program to the County's adopted long-range development plans;
 - (B) recommended capital projects and a construction schedule; and
 - (C) an estimate of cost and a statement of all funding sources.
- (2) The capital improvements program must include all capital projects and programs of the Authority, including substantial improvements and extensions of projects previously authorized. Except as otherwise authorized under this Chapter, an improvement or extension of any existing project must not be undertaken unless approved in the capital improvements program.
- (3) The Executive must include the Authority's six-year program, with any recommended revisions and modifications, in the comprehensive six-year program submitted to the Council under Section 302 of the County Charter.

The Revenue Authority operates nine golf courses and the Airpark. Projects **financed** by the Revenue Authority are listed in the appropriate department or agency's CIP request. The Revenue Authority is listed as a source of financing only.² As an independent authority, the County does not exercise the same budgetary controls that it does with other departments and agencies.

The projects in the FY21-26 CIP are no different from the projects in the FY19-24 CIP, except for delays in expenditures for all projects.

- 1) Montgomery County Airpark Land Acquisition – Leet-Melbrook Property
- 2) Montgomery County Airpark Land Acquisition – Merchant Tire
- 3) Poolesville Economic Development Project

The two Airpark land acquisition projects are to remove obstructions in navigable airspace. Both acquisitions are dependent on federal grants. The PDF for the Leet-Melbrook property, as compared to the currently approved PDF, delays acquisition from FY20 to FY21. Similarly, the Merchant Tire PDF delays acquisition from FY22 to FY23. (The only time the Merchant Tire site is an obstruction to airspace is when there are tall trucks in their parking lot. The Merchant Tire building is not an obstruction.)

The Poolesville Economic Development Project is for a custom winery (grape crushing), education/events center, and vineyard. This project will support the County's long-range plan for education and economic and workforce development. The project will dedicate several acres for the development of a demonstration vineyard. It will be a place where students can learn vineyard management.

There will be two agreements between the Revenue Authority and the County related to this project. Under the first agreement, the County will lease land from the revenue authority for an amount sufficient to cover the Revenue Authority's debt service. The second agreement will be an operating agreement whereby the Revenue Authority will agree to develop and operate the wine crushing facility on behalf of the County. The County will be reimbursed in total for the funds it expends from net operating revenue.

The Executive will be proposing a revised PDF on this project. Construction will be scheduled for FY21. The dollar amounts will be increased to reflect more current information. The project was first proposed as a design-build contract. That idea has not proven to be satisfactory.

The project description on the soon-to-be transmitted PDF will not change.

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- (4) The Council must adopt a six-year capital improvements program for the Authority as a part of the County's comprehensive six-year program. The Council may amend the program. Any amendment must not become final until it is submitted to the Authority for written comment on at least 30 days notice.
 - (5) The capital budget of the Authority for the succeeding fiscal year includes projects in the first year of the six-year capital program. A capital project must not be undertaken unless it is approved in the capital program or otherwise authorized under this Chapter....
- (c) Threshold. Notwithstanding other requirements of this Section, the Authority may make an improvement to an existing project without inclusion in the six-year capital improvements program or approval of the Executive if the cost of the improvement does not exceed \$50,000.

² Projects such as the Germantown Indoor Swim Center, which at one time were listed in the Revenue Authority's CIP, are listed under the appropriate department's program.

Issue - What is the Council approving?

The Revenue Authority recommended that the Council’s approval resolution should not include any authorization or reauthorization of expenditures. In their view, County code only requires the Council to approve “the project and its scope” but not actual expenditures. Under its view, a change in cost unrelated to a change in scope does not warrant further view by the Council.

Under the County Charter, the Revenue Authority is subject to the six-year program for capital improvements (Section 302), but not to the capital and operating budget provision (Section 303). The Council has never “appropriated” funds in the Revenue Authority’s CIP but has authorized the Revenue Authority CIP.

The attached draft resolution, which would be different from all other CIP resolutions, is intended to satisfy the Committee’s past recommendation to approve projects but not expenditures.

This packet includes

FY21-26 CIP Revenue Authority Approval resolution, including projects

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Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: County Council

SUBJECT: FY 21-26 Capital Improvements Program of the Montgomery County Revenue Authority

Background

1. As required by Section 42-13 of the County Code, the Montgomery County Revenue Authority (Revenue Authority) sent to the County Executive a 6-year Capital Improvements Program (CIP).
2. Section 302 of the County Charter requires the Executive to send to the County Council by January 15 in each even-numbered calendar year a 6-year CIP.
3. As required by Section 304 of the County Charter, the Council held public hearings.
4. Chapter 601 of the 1992 Laws of Maryland provides that no provision of the County Charter or other County law regarding the duties, powers, or organization of the Revenue Authority will apply unless the County expressly provides by law that the Charter provision or law applies to the Revenue Authority.
5. Section 42-13(a)(3) of the County Code expressly requires the Executive to include the Revenue Authority's 6-year program in the comprehensive 6-year program submitted to the Council under Section 302 of the County Charter.
6. Section 42-13(a)(4) of the County Code expressly authorizes the Council to amend the Revenue Authority's 6-year program.

Action

The County Council for Montgomery County, Maryland approves the FY 21-26 Capital Improvements Program for the Montgomery County Revenue Authority as recommended by the County Executive:

1. For FY21, the Council approves the projects in Part I.
2. The Council approves the projects revised in Part II.
3. There are no close-outs of the projects in Part III.

This is a correct copy of Council action.

Selena Singleton, Esq.
Clerk of the Council

PART I: FY 2021 CAPITAL BUDGET FOR REVENUE AUTHORITY

The approved projects for FY 2021 in this Part are made to implement the projects in the Capital Improvements Program for FY 2021-2026.

<u>FY 21</u> <u>Project #</u>	<u>Name</u>	<u>Total Project</u> <u>Estimated cost</u>
391902	Montgomery County Airpark Land Acquisition – Leet-Melbrook	\$2,500,000
391901	Montgomery County Airpark Land Acquisition – Merchant Tire	\$2,500,000
391801	Poolesville Economic Development Project	\$12,450,000
Total – Revenue Authority		\$17,450,000



Montgomery County Airpark Land Acquisition - Leet-Melbrook Property (P391902)

Category	Revenue Authority	Date Last Modified	01/09/20
SubCategory	Miscellaneous Projects (Revenue Authority)	Administering Agency	Revenue Authority
Planning Area	Gaithersburg and Vicinity	Status	Planning Stage

Total	FY 21	FY 22	Total	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Buy and Lease
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EXPENDITURE SCHEDULE (\$000s)

Land	2,500	-	2,500	-	-	2,500	-	-	-	-
TOTAL EXPENDITURES	2,500	-	2,500	-	-	2,500	-	-	-	-

FUNDING SCHEDULE (\$000s)

Federal Aid	2,250	-	2,250	-	-	2,250	-	-	-	-
Revenue Authority	125	-	125	-	-	125	-	-	-	-
State Aid	125	-	125	-	-	125	-	-	-	-
TOTAL FUNDING SOURCES	2,500	-	2,500	-	-	2,500	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 21 Request	-	Year First Appropriation	-
Appropriation FY 22 Request	-	Last FY's Cost Estimate	2,500
Cumulative Appropriation	-		
Expenditure / Encumbrances	-		
Unencumbered Balance	-		

PROJECT DESCRIPTION

This is the Second of two land purchases of property located on Maryland 124. The property is located adjacent to the southeast corner of the Airpark property. The Federal Aviation Administration (FAA) has deemed this purchase necessary to maintain safety standards at Montgomery County Airpark, Gaithersburg (GAI).

LOCATION

18810 Woodfield Road, Gaithersburg, Maryland.

PROJECT JUSTIFICATION

This project is a continuation of the Airport Layout Plan (ALP), which was developed in conjunction with the FAA in 2002. The ALP identifies the projects and plans the sequencing for continued airport improvement. A supplemental Environmental Assessment for this purchase was completed in 2017. This project includes the purchase of land adjacent to the Airpark, which is necessary to maintain Federal safety standards for airport operations. Federal funds for the Airpark are approved by the FAA through the Airport Capital Improvement Plan (ACIP). FAA priorities for funding airport projects include promoting safety and security; preserving existing infrastructure; mitigating noise or environmental impacts; fulfilling compliance; and providing capacity. Federal funding and requirements will dictate final timeline for the purchase.

COORDINATION

Federal Aviation Administration, and Maryland Aviation Administration.



Montgomery County Airpark Land Acquisition - Merchant Tire Property (P391901)

Category Revenue Authority **Date Last Modified** 01/09/20
SubCategory Miscellaneous Projects (Revenue Authority) **Administering Agency** Revenue Authority
Planning Area Gaithersburg and Vicinity **Status** Planning Stage

	Total	FY19	FY20	Total	FY21	FY22	FY23	FY24	FY25	FY26	Un- and
											encumbrances
EXPENDITURE SCHEDULE (\$000s)											
Land	2,500	-	-	2,500	-	-	-	2,500	-	-	-
TOTAL EXPENDITURES	2,500	-	-	2,500	-	-	-	2,500	-	-	-

FUNDING SCHEDULE (\$000s)											
Federal Aid	2,250	-	-	2,250	-	-	-	2,250	-	-	-
Revenue Authority	125	-	-	125	-	-	-	125	-	-	-
State Aid	125	-	-	125	-	-	-	125	-	-	-
TOTAL FUNDING SOURCES	2,500	-	-	2,500	-	-	-	2,500	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)											
Appropriation FY 21 Request	-	-	-	-	-	-	-	-	-	-	-
Appropriation FY 22 Request	-	-	-	-	-	-	-	-	-	-	-
Cumulative Appropriation	-	-	-	-	-	-	-	-	-	-	2,500
Expenditure / Encumbrances	-	-	-	-	-	-	-	-	-	-	-
Unencumbered Balance	-	-	-	-	-	-	-	-	-	-	-

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COORDINATION

Federal Aviation Administration, and Maryland Aviation Administration.

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TO BE REVISED TO TIMING AND EXENDITURE SCHEDULE



Poolesville Economic Development Project (P391801)

Category	Revenue Authority	Date Last Modified	01/09/20
SubCategory	Miscellaneous Projects (Revenue Authority)	Administering Agency	Revenue Authority
Planning Area	Poolesville and Vicinity	Status	Ongoing

	Total	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	Period 6 Years
EXPENDITURE SCHEDULE (\$000e)											
Planning, Design and Supervision	1,352	-	-	1,352	1,058	296	-	-	-	-	-
Site Improvements and Utilities	769	-	-	769	769	-	-	-	-	-	-
Construction	7,771	-	-	7,771	3,375	4,396	-	-	-	-	-
Other	2,558	-	-	2,558	-	2,558	-	-	-	-	-
TOTAL EXPENDITURES	12,450	-	-	12,450	5,200	7,250	-	-	-	-	-

	Total	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	Period 6 Years
FUNDING SCHEDULE (\$000e)											
Revenue Authority	10,450	-	-	10,450	3,200	7,250	-	-	-	-	-
State Aid	2,000	-	-	2,000	2,000	-	-	-	-	-	-
TOTAL FUNDING SOURCES	12,450	-	-	12,450	5,200	7,250	-	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000e)			
Appropriation FY 21 Request		Year First Appropriation	FY18
Appropriation FY 22 Request		Last FY's Cost Estimate	12,450
Cumulative Appropriation			
Expenditure / Encumbrances			
Unencumbered Balance			

PROJECT DESCRIPTION

The Poolesville Economic Development Project calls for the development of surplus land owned by the Montgomery County Revenue Authority (MCRA). The physical plant consists of a custom winery, education/events center, and a vineyard.

LOCATION

16601 W. Willard Road, Poolesville, Maryland.

PROJECT JUSTIFICATION

This project will support the County's long-range plan for economic and agricultural development, education, and workforce development. MCRA will collaborate with educational institutions to support opportunities in viticulture and enology, hospitality, marketing, and culinary arts programs. The project will dedicate several acres for the development of a demonstration vineyard where students can learn vineyard management skills while providing quality grapes to support the industry. The University of Maryland Extension will coordinate the research and development of this demonstration vineyard. In addition to supporting specific degrees in viticulture and enology, the Revenue Authority will also collaborate with Universities at Shady Grove to support degree programs in agri-tourism, marketing, communication, business entrepreneurship, and culinary arts. Students in these degree programs will use the facility to obtain hands-on experience in their fields of study. The project is projected to bring \$45 million in economic activity to the State and over \$22 million in activity to the County.

FISCAL NOTE

There will be two agreements between the Revenue Authority and the County related to this project. Under the first agreement, the County will lease land from the Revenue Authority for an amount sufficient to cover the Revenue Authority's annual debt service costs. The second agreement will be an operating agreement whereby the Revenue Authority will agree to develop and operate the facilities on behalf of the County, with net operating cash being paid to the County to offset lease payments. During the early years of operation, there will be net costs to the County, but within seven years the expectation is that there will be no net costs to the County. The County will be reimbursed in total for the funds it expends from net operating revenue.

DISCLOSURES

A pedestrian impact analysis will be performed during design or is in progress.

COORDINATION

Montgomery County's Department of Permitting Services, Maryland Department of the Environment, Montgomery County's Department of General Services, University of Maryland, Universities at Shady Grove, Montgomery College, Office of Management and Budget, and Maryland-National Capital Park and Planning Commission.

PART II: REVISED PROJECTS

The projects described in this section were revised from, or were not included among, the projects approved by the County Council as they appeared in the Approved FY 2019-2024 Capital Improvements Program (CIP) as of May 25, 2019.

None

PART III: CAPITAL IMPROVEMENTS PROJECTS TO BE CLOSED OUT

The following capital projects are closed out:

None