

**M E M O R A N D U M**

September 16, 2020

TO: Education and Culture Committee

FROM: Craig Howard, Deputy Director  
Keith Levchenko, Senior Legislative Analyst  
Nicole Rodriguez-Hernandez, Legislative Analyst

SUBJECT: MCPS Board of Education FY21 Supplemental Appropriations and Amendment Requests for the FY21-26 CIP: South Lake Elementary School- Major Capital Projects Elementary and Heating, Ventilation, and Air-Conditioning (HVAC) (Mechanical Systems) Replacement: MCPS

PURPOSE: Receive update and have discussion, no action required

**Expected Participants:**

- Adrienne Karamihas, Director of the Division of Capital Planning, MCPS
- Seth Adams, Director of the Department of Facilities Management, MCPS
- Mary Beck, CIP Manager, Office of Management and Budget (OMB)
- Veronica Jaua, Fiscal and Policy Analyst, OMB

On August 25, 2020 the Montgomery County Board of Education (BOE) approved the transmittal of two FY21 special appropriations and amendments to the FY21-26 Capital Improvement Program (CIP):

- Major Capital Projects - Elementary (South Lake Elementary School) – to accelerate construction into FY21 and completion from September 2024 to September 2023
- HVAC (Mechanical Systems) Replacement: MCPS – to provide \$6.8 million in additional funding in FY21 to address air quality concerns related to the COVID-19 pandemic

Both projects were recently approved by the County Council as part of the FY21 Capital Budget and FY21-26 CIP on May 21, 2020.

The purpose of this Committee meeting is to have an introductory discussion of the BOE's request and the factors the Council will need to consider as part of the review process. The Committee will take up these items again in the coming weeks after further work between Council, MCPS, and Executive staff. The Council has not yet received a recommendation from the County Executive on either request.

To help facilitate this introductory conversation, the staff report includes the following information:

- A. Summary of the BOE's supplemental appropriation and amendment requests
- B. Major capital project history for South Lake Elementary School
- C. Review of Council actions during the FY21-26 CIP approval process
- D. CIP affordability concerns
- E. Proposed next steps

#### **A. BOE's Supplemental Appropriation and Amendment Requests**

On August 25, the Board approved the transmittal of two FY21 supplemental appropriations and amendment requests for the FY21-26 CIP as described below:

**South Lake Elementary School (©1-3).** The Board is requesting a \$5.853 million appropriation increase in FY21 (source of funds is G.O. Bonds) and FY21-26 amendment to advance funds into FY21 from the later years in the approved FY21-26 expenditure schedule. The requested increase would accelerate completion of the school by one year from September 2024 to September 2023. Planning and design work is ongoing for this major capital project; however, extensive construction work is expected, and the school will be relocated to a holding school (Emory Grove Center) during construction.

The following chart presents the FY21-26 Board-requested and Council Approved expenditure schedules; along with the expenditure schedule now being requested as part of the amendment request.

<b>South Lake Elementary School Major Capital Project Expenditures</b>							
	<b>6-Year</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>
FY21-26 BOE Request	34,123	10,182	7,234	6,707	10,000	-	-
FY21-26 Council Approved	34,123	1,329	8,853	7,234	6,707	10,000	-
August 2020 Amendment	34,123	7,182	10,234	11,707	5,000	-	-
change from Approved	-	5,853	1,381	4,473	(1,707)	(10,000)	-

The Board and Superintendent identified South Lake Elementary School as a major capital project in FY20 based on the results of the 2018 Key Facility Indicators assessment which noted the school building's aging infrastructure (near the end of its anticipated life); poor infrastructure and indoor environment; high overutilization; and other site and programmatic challenges. The school has a program capacity of 694 students and the utilization rate during the 2019-2020 school year was 128.7% (893 students). As a result, there are 13 relocatable classrooms on site with 9 placed on the staff parking lot. The Board recently approved the construction of a temporary parking area elsewhere on the property to address the loss of parking spots.

**HVAC (Mechanical Systems) Replacement (©4-7).** The Board is requesting a \$6.8 million appropriation increase in current revenue for FY21 to address issues related to air filtration and air exchange rates as a result of the COVID-19 health pandemic. MCPS states the improvements will help prepare school facilities for the eventual return to in-person learning and activities in school buildings.

The following chart presents the FY21-26 Board-requested and Council Approved expenditure schedules; along with the FY21 increase now being requested as part of the amendment request. Unlike the South Lake project, the HVAC request would increase the overall funding for the project.

HVAC Replacement Project: MCPS Expenditures							
	6-Year	FY21	FY22	FY23	FY24	FY25	FY26
FY21-26 BOE Request	115,000	25,000	25,000	17,500	17,500	15,000	15,000
FY21-26 Council Approved	126,000	16,000	20,000	20,000	18,000	24,000	28,000
August 2020 Amendment	132,000	22,800	20,000	20,000	18,000	24,000	28,000
changes from Approved	6,800	6,800	-	-	-	-	-

The Board’s request identifies the following uses for these funds:

- Purchase MERV13 or higher-rated filters for our HVAC equipment;
- Allow for increased filter replacement frequencies;
- Purchase approximately 2,800 portable air cleaners;
- Perform preventative maintenance and equipment cleaning;
- Contract energy management contractors to perform control system modifications required for operational changes;
- Perform minor equipment and control device replacements on an as-needed basis; and
- Fund increased electricity costs associated with longer equipment run times and increased ventilation rates.

## **B. Major Capital Project History: South Lake Elementary School**

This section describes the major capital project history for South Lake Elementary School from FY19 to FY21 budget approval.

### **FY19-24 CIP (Approved May 2018)**

- As part of MCPS’ transition from the long-running Revitalization/Expansion (modernization) program to a more flexible process, the Board of Education proposed, and the Council approved, a “Major Capital Projects” placeholder project.
- The Council approved \$120 million in the six-year period with expenditures beginning in FY20 (\$4.2 million). These dollars were not tied to specific projects or schedules.

### **FY19-24 CIP Amendments (Approved May 2019)**

- The Superintendent identified nine schools for further consideration as major capital projects, including four elementary schools: Woodlin, Burnt Mills, Stonegate and South Lake. Of the four elementary schools, only Stonegate Elementary School had been part of the prior modernization queue.
- The Council appropriated \$10.2 million for planning across all nine projects.
- The Council approved expenditures of \$4.2 million in FY20 and \$4.7 million in FY21. The approved six-year cost for the project remained at a placeholder level of \$120 million.

### **FY21-26 CIP (Approved May 2020)**

- MCPS requested \$375.2 million for Major Capital Projects (broken into two projects - secondary and elementary). This request reflected the first time the Major Capital Projects showed full design and construction funding for the nine projects noted previously as under review. Combined, the projects reflected a 313% increase from the placeholder project in the FY19-24 Amended CIP.
- The Major Capital Projects - Elementary included \$34.1 million for South Lake Elementary School with construction to begin in FY21 and to be completed by September 2023. The school was assumed to relocate to the Emory Grove Center for the second half of the 2021-22 schoolyear and the 2022-23 schoolyear.
- The Council approved fully funding all four elementary school projects within the FY21-26 CIP. Planning dollars were kept on schedule in FY21 for each project. However, for fiscal reasons, construction was pushed back one year from the Board request for South Lake, Woodlin, and Stonegate elementary schools. Burnt Mills ES was kept on its requested construction schedule.
- For South Lake Elementary School, completion was pushed back one year to September 2024. *NOTE: There was no impact on the Subdivision Staging Policy (SSP) Schools test, since the project would still be completed prior to the September 2025 test date.*

### **C. FY21-26 CIP Approval and Reconciliation Process**

- The Council's Approved FY21-26 CIP Spending Affordability process for GO Bonds resulted in a \$90 million decrease (-4.8%) in overall bonds available for programming in the six-year period.
- The Proposed MCPS CIP included a \$74.2 million increase (+4.3%) in six-year spending with the first four years of the CIP heavily front-loaded. The first four years were proposed to increase by \$320.4 million.
- The Executive's Recommended CIP included an affordability reconciliation project for the MCPS CIP which reduced bonds by about \$100 million in the six-year period and by about \$300 million in the first four years.
- Revenue shortfalls and competing CIP priorities throughout County Government and outside agencies led the E&C Committee to request a list of non-recommended reductions from MCPS to address the funding gap.

- The Council noted its highest priorities for funding in the MCPS CIP as the approved Woodward and Northwood HS projects. These projects have substantial dollars programmed in the early years of the CIP and resulted in the need for the Council to look at other MCPS projects with new spending requested in the early years of the CIP (such as the major capital projects; see earlier discussion) and systemic projects (such as Roof Replacement, Planned Lifecycle Asset Replacement, and HVAC (Mechanical Systems) Replacement). MCPS' HVAC \$25 million request for FY21 was ultimately reduced to \$16 million.

#### **D. CIP Affordability Concerns**

- The chart below presents the Approved CIP General Obligation Bond set-asides.

	6-Year	FY21	FY22	FY23	FY24	FY25	FY26
Approved Bond Set-Aside	150,463	10,548	17,060	21,180	22,688	32,301	46,686

- Without other offsetting expenditure changes, the South Lake ES amendment would reduce the FY21 GO Bond set-aside by more than half with still three quarters of the fiscal year remaining and other CIP needs under consideration.
- Since the HVAC/IAQ Projects amendment involves \$6.8 million in FY21 current revenue, there would be no impact on the GO Bond set-aside. The impact instead would be on the County's Operating Budget.
- The current pandemic is expected to result in substantial reductions in County revenue in FY21 and FY22. As a result, in early July, the CE recommended an FY21 Savings Plan for the Operating Budget (approved by the Council in late July) and current revenue/PAYGO reduction targets in the CIP.
- The FY21-26 Approved CIP assumes substantial increases in State aid for school construction related to the Built to Learn Act. This funding is now at risk given Governor Hogan's veto of the Kirwan Commission legislation with which the Built to Learn Act was linked.
- Major revisions to the CIP may be needed during the FY21-26 amendment process next spring.

#### **E. Proposed Next Steps**

To assist both the Executive's and Council's review of these requests, Council staff (in collaboration with County OMB staff) has already submitted a list of questions to MCPS for additional information in the following areas:

- MCPS timelines/deadlines to implement improvements on the requested expenditure schedules;
- Opportunities for any potential offsetting CIP and/or operating budget actions that would provide fiscal capacity for these amendments;

- More detailed cost information for the specific components of the HVAC funding request; and
- Status of already appropriated MCPS CARES Act funds and availability for use on the HVAC project.

Given the need for additional information and the overarching CIP affordability issues in advance of receiving the Executive's recommendation, Council Staff suggests the following next steps: Further work with MCPS and Executive staff be done to obtain additional information and to develop options for approving these two amendments in the context of the County's significant fiscal constraints. Potential fiscal and policy impacts and/or trade-offs would be identified with each option.

This report contains:

- |   | <u>Page #</u> |
|---|---------------|
| <ul style="list-style-type: none"> <li>• BOE Supplemental Appropriation and Amendment Request<br/>Major Capital Projects – Elementary (South Lake Elementary School)</li> </ul> | ©1-3          |
| <ul style="list-style-type: none"> <li>• BOE Supplemental Appropriation and Amendment Request-<br/>HVAC (Mechanical Systems) Replacement: MCPS</li> </ul>                       | ©4-7          |


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Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

September 8, 2020

MEMORANDUM

To: The Honorable Marc Elrich, County Executive  
The Honorable Sidney A. Katz, President, Montgomery County Council

From: Jack R. Smith, Superintendent of Schools 

Subject: Transmittal of Board of Education Agenda Item #11.6

Fiscal Year 2021 Supplemental Appropriation and Amendment to the Fiscal Year 2021–2026  
Capital Improvements Program for Major Capital Projects Elementary—South Lake Elementary  
School

BOE Meeting Date: August 25, 2020

Amount \$5,853,000

Type of Action: Approval

JRS:DGT:EM:SA:AK

Attachment

Copy to:

Mr. Turner

Ms. McGuire

Mr. Adams

Ms. Karamihas

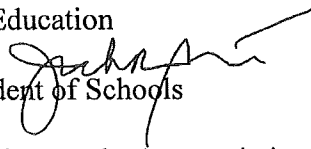
Montgomery County Office of Management and Budget

Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

August 25, 2020

MEMORANDUM

To: Members of the Board of Education

From: Jack R. Smith, Superintendent of Schools 

Subject: Fiscal Year 2021 Supplemental Appropriation and Amendment to the  
Fiscal Year 2021–2026 Capital Improvements Program for Major Capital  
Projects Elementary—South Lake Elementary School

*The Board of Education's Requested Fiscal Year (FY) 2021 Capital Budget and FY 2021–2026 Capital Improvements Program (CIP) included planning and construction funds for the South Lake Elementary School Major Capital Project. Based on the Board of Education's requested expenditure schedule, the project was scheduled to be completed in September 2023. South Lake Elementary School was included as a Major Capital Project based on its aging infrastructure as identified through the Key Facility Indicators assessment; its overutilization, with 13 relocatable classrooms on-site; as well as a variety of site and programmatic challenges.*

Due to the shortfall that existed between the Board of Education's request and the county executive's recommendation, the Montgomery County Council requested that Montgomery County Public Schools (MCPS) submit a list of non-recommended reductions to more closely align with the county executive's recommendation. The list of non-recommended reductions did not include the South Lake Elementary School Major Capital Project; however, as part of the Montgomery County Council's review and approval process, the adopted CIP for MCPS included a one-year delay, with a completion date of September 2024, for the South Lake Elementary School Major Capital Project. Therefore, the expenditures for this project were shifted into the later years of the CIP.

WHEREAS, The Board of Education's Requested Fiscal Year 2021 Capital Budget and Fiscal Year 2021–2026 Capital Improvements Program included planning and construction funds for the South Lake Elementary School Major Capital Project, with a completion date of September 2023; and

WHEREAS, Due to revenue shortfalls, the Montgomery County Council requested that Montgomery County Public Schools submit a list of non-recommended reductions, by project, to align with the county executive's recommended Capital Improvements Program; and



WHEREAS, The South Lake Elementary School Major Capital Project was not included in the list of non-recommended reductions submitted by Montgomery County Public Schools; and

WHEREAS, The Montgomery County Council, in the adopted Montgomery County Public Schools' Capital Improvements Program, approved a one-year delay for the South Lake Elementary School Major Capital Project, with a scheduled completion date of September 2024; and

WHEREAS, South Lake Elementary School was included as a Major Capital Project based on its aging infrastructure as identified through the Key Facility Indicators assessment; its overutilization, with 13 relocatable classrooms on-site, as well as other site and programmatic challenges; now therefore be it

Resolved, That the Board of Education request a Fiscal Year 2021 supplemental appropriation and amendment to the Fiscal Year 2021–2026 Capital Improvements Program to shift expenditures from the later years for the South Lake Elementary School Major Capital Project in order for this project to be completed by September 2023; and be it further

Resolved, That \$5.853 million be shifted into Fiscal Year 2021, \$1.381 million be shifted into Fiscal Year 2022, and \$4.473 million be shifted into Fiscal Year 2023; and be it further

Resolved, That \$1.707 be shifted out of Fiscal Year 2024 and \$10.0 million be shifted out of Fiscal Year 2025; and be it further

Resolved, That the expenditure shifts previously noted will allow the South Lake Elementary School Major Capital Project to be completed in September 2023; and be it further

Resolved, That a copy of this resolution be transmitted to the county executive and County Council; and be it further

Resolved, That the county executive be requested to recommend approval of this resolution to the County Council.

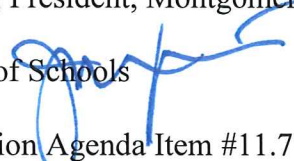
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Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

September 8, 2020

MEMORANDUM

To: The Honorable Marc Elrich, County Executive  
The Honorable Sidney A. Katz, President, Montgomery County Council

From: Jack R. Smith, Superintendent of Schools 

Subject: Transmittal of Board of Education Agenda Item #11.7

Fiscal Year 2021 Supplemental Appropriation and Amendment to the Fiscal Year 2021–2026  
Capital Improvements Program—Heating, Ventilation, and Air-Conditioning Replacement  
Project

BOE Meeting Date: August 25, 2020

Amount: \$6,800,000

Type of Action: Approval

JRS:DGT:EM:SA:AK

Attachment

Copy to:

Mr. Turner

Ms. McGuire

Mr. Adams

Ms. Karamihas

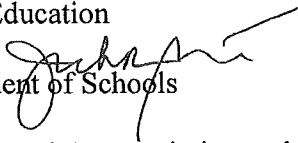
Montgomery County Office of Management and Budget

Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

August 25, 2020

MEMORANDUM

To: Members of the Board of Education

From: Jack R. Smith, Superintendent of Schools 

Subject: Fiscal Year 2021 Supplemental Appropriation and Amendment to the  
Fiscal Year 2021–2026 Capital Improvements Program—Heating, Ventilation,  
and Air Conditioning Replacement Project

**Recommendation in Brief**

The purpose of this memorandum is to request a Fiscal Year (FY) 2021 supplemental appropriation and amendment to the FY 2021–2026 Capital Improvements Program (CIP) in the amount of \$6.8 million for the Heating, Ventilation, and Air-Conditioning (HVAC) Replacement project.

**Background**

The outbreak of the COVID-19 pandemic has had a major impact on Montgomery County Public Schools (MCPS) and its ability to provide teaching and learning spaces to its students and staff. A fundamental building component essential to an eventual return to school buildings is the HVAC system at each school and its ability to reduce the airborne concentration of SARS-CoV-2 and thus the risk of transmission through the air.

As MCPS prepares for eventual return to school buildings during the COVID-19 pandemic, we will rely on the expert recommendations from government and public health organizations to assist in the development of our action plans. The American Society of Heating, Refrigerating and Air-Conditioning Engineers, the Centers for Disease Control and Prevention, and the U.S. Environmental Protection Agency have been lead organizations in providing this guidance. Each organization agrees that the spread of this virus can be influenced by characteristics of HVAC systems.

Two areas of primary focus will be air filtration and increased air exchange rates. These focus areas will require enhancement to existing filter replacement and purchasing practices as well as modifications to our building automated control systems. The approach will consist of purchasing higher efficiency air filters, replacing these filters on an accelerated frequency

schedule, and modifying equipment operating schedules to increase ventilation rates and durations. In specific instances where equipment does not have the capability to meet these indoor air quality enhancements, we will consider both replacement as well as the use of portable air cleaners.

The requested funds are critical to support this indoor air quality recovery response plan. Unfortunately, the adopted FY 2021 Capital Budget and the FY 2021–2026 CIP for MCPS was \$9 million less than the Board of Education’s request in FY 2021 for the HVAC Replacement project. Therefore, I recommend that the Board of Education request a supplemental appropriation in the amount of \$6.8 million for the HVAC Replacement project to address indoor air quality related enhancements to support our COVID-19 Recovery Planning.

### **Use of Funds**

Funds will be used to provide for the following:

- Purchase MERV13 or higher-rated filters for our HVAC equipment;
- Allow for increased filter replacement frequencies, which will impact filter quantities;
- Purchase approximately 2,800 portable air cleaners;
- Perform preventative maintenance and equipment cleaning;
- Contract energy management contractors to perform control system modifications required for operational changes;
- Perform minor equipment and control device replacements on an as-needed basis; and
- Fund increased electricity costs associated with longer equipment run times and increased ventilation rates.

### **Recommended Resolution**

WHEREAS, The approved Fiscal Year 2021 Capital Budget and the Fiscal Year 2021–2026 Capital Improvements Program included a reduction of \$9.0 million in the Heating, Ventilation, and Air Conditioning Replacement project; and

WHEREAS, It has been determined that in order to implement the required indoor air quality and heating, ventilation, and air-conditioning enhancements, additional expenditures are required during Fiscal Year 2021; and

WHEREAS, The superintendent of schools recommends a Fiscal Year 2021 supplemental appropriation and amendment to the Fiscal Year 2021–2026 Capital Improvements Program in the amount of \$6.8 million; now therefore be it

Resolved, That the Board of Education request an Fiscal Year 2021 supplemental appropriation and amendment to the Fiscal Year 2021–2026 Capital Improvements Program in the amount of \$6.8 million for the Heating, Ventilation, and Air-Conditioning Replacement project; and be it further

Resolved, That the funding source for this supplemental appropriation request be current revenue; and be it further

Resolved, That a copy of this resolution be transmitted to the county executive and County Council; and be it further

Resolved, That the county executive be requested to recommend approval of this resolution to the County Council.

JRS:MBM:DGT:EM:SPA