

M E M O R A N D U M

April 12, 2023

TO: Education and Culture Committee

FROM: Keith Levchenko, Senior Legislative Analyst
Essie McGuire, Senior Legislative Analyst

SUBJECT: **FY23-28 Montgomery County Public Schools (MCPS) Capital Improvements Program (CIP) Amendments - Review of MCPS' "Round 2 Non-Recommended Reductions"**

PURPOSE: To discuss the latest set of "non-recommended reductions" transmitted by MCPS' at the request of the Council President

Expected Participants

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

Attachments

- March 27, 2023 Letter from Chief Operating Officer M. Brian Hull to Council President Glass Transmitting Additional "Non-Recommended Reductions" for the FY23-28 MCPS CIP (©1-3).
- March 17, 2023 Memorandum from Council President Glass to MCPS, Montgomery College, and the Planning Board Requesting Additional "Non-Recommended Reductions" for the FY23-28 CIP (©4-5)

Links

- [Staff Report for the March 16, 2023 meeting of the Education and Culture Committee on the FY23-28 Amended CIP for MCPS](#)
- [County Executive's March 15, 2023 Amendments to the Recommended FY23-28 Capital Improvements Program and the FY23 Capital Budget](#)

BACKGROUND

On March 15, the County Executive transmitted a package of FY23-28 CIP amendments (as well as some FY23 supplemental appropriation requests). As part of this package of amendments, the County Executive recommended revised "Affordability Reconciliation" projects

for MCPS, Montgomery College, and Montgomery Parks which had additional undesignated reductions from what the County Executive had originally transmitted on January 17. These higher reductions were recommended to help offset lower than previously assumed revenue for the CIP from the Recordation Tax and Recordation Tax Premium.

On March 17, the Council President sent a memorandum (see ©4-5) to MCPS, Montgomery College, and the Planning Board seeking additional “non-recommended reductions” in response to the County Executive’s revised affordability reconciliation projects for each agency.

On March 27, MCPS provided its response (see ©1-3).

Summaries of the Round One non-recommended reductions (discussed by the E&C Committee on March 16) as well as the recently received Round Two non-recommended reductions are provided below.

NON-RECOMMENDED REDUCTIONS ROUND ONE

As part of his January 17, 2023 package of FY23-28 CIP amendments, the County Executive recommended “Affordability Reconciliation” projects for MCPS, Montgomery College, and Montgomery Parks which included undesignated reductions needed to get to the Executive’s overall expenditure recommendations for each agency. The January 17 undesignated reductions totaled \$51.4 million in the six-year period (with front-loaded reductions required in FY24-FY26).

At its January 23, 2024 meeting, the E&C Committee agreed to ask MCPS to return with a package of non-recommended reductions to bring its FY23-28 amended CIP proposed expenditures closer to the County Executive’s assumptions.

On January 31, a memorandum was sent to MCPS formally requesting these reductions (see ©4-5). MCPS provided its non-recommended reductions package on February 10. These non-recommended reductions were discussed at the Board of Education on February 23 (see MCPS Staff prepared Slide Deck [here](#)). The E&C Committee discussed these reductions at its March 16 meeting. For more details please see the Council Staff Report [here](#).

MCPS’ transmittal also included technical adjustments to various projects (revised expenditure schedules for some projects based on more recent information). Both the non-recommended reductions (i.e. changes affecting cost, scope, and/or timing of projects) as well as the technical adjustments are presented in the following tables:

Non-Recommended Reductions

Project	FY23-28	FY23	FY24	FY25	FY26	FY27	FY28	B6Y	Comment
Highland View ES Addition	(7,505)			(1,825)	(6,394)	(2,480)	3,194	7,505	
Major Capital Projects									
Secondary - Damascus HS	(30,000)		(8,958)	(28,541)	(32,683)	9,008	31,174	30,000	Maintain planning funds, delay completion dates by two years
ADA Compliance: MCPS	(2,000)		(2,000)						
Roof Replacement/Moisture Protection Projects	(4,000)					(2,000)	(2,000)		Reduce Expenditures
Sustainability Initiatives	(2,500)		(2,500)						
Totals	(46,005)	-	(13,458)	(30,366)	(39,077)	4,528	32,368	37,505	

Technical Adjustments

Project	FY23-28	FY23	FY24	FY25	FY26	FY27	FY28	B6Y
Burtonsville ES Replacement	-		(5,000)	(3,325)	662	1,663	6,000	
Crown HS (New)	-		(7,000)			9,423	(2,423)	
Gaithersburg Cluster ES #8	(2,162)	(2,162)						
John F. Kennedy HS Addition	(3,706)	(3,706)						
Westbrook ES Addition	(16)	(16)						
JoAnn Leleck ES @ Broad Acres Replacement	-		(5,100)		5,100			
Northwood HS Addition/Facility Upgrade	-		(5,000)		20,000		(15,000)	
Woodward HS Reopening	-				(5,000)	5,000		
Building Modifications and Program Improvements	(4,349)	(4,349)						
Totals	(10,233)	(10,233)	(22,100)	(3,325)	20,762	16,086	(11,423)	-

Total Changes	(56,238)	(10,233)	(35,558)	(33,691)	(18,315)	20,614	20,945	37,505
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The reductions total \$56.2 million in the six-year period of which \$37.5 million is deferred beyond the six-year period. The table below compares the MCPS Amended CIP with the non-recommended reductions taken versus the Executive's Recommended Amended CIP for MCPS.

Comparison of MCPS CIP Expenditures after Non-Recommended Reductions with the Executive's Recommended MCPS CIP

	Six-Year Total	FY23	FY24	FY25	FY26	FY27	FY28	Beyond Six-Years
CE Rec. FY23-28 Amended CIP	1,874,811	324,136	369,569	341,618	322,619	283,655	233,214	96,931
MCPS Amended CIP with NRR	1,880,222	324,136	372,340	344,028	325,687	280,864	233,167	104,440
difference	5,411	-	2,771	2,410	3,068	(2,791)	(47)	7,509

Six-year expenditures would be slightly higher than the Executive's recommended total (by \$5.4 million). Annual expenditure totals would be slightly higher in FY's24-26 and slightly lower in FYs27-28.

The potential impact of the non-recommended reductions on State aid for school construction will need to be taken into account as part of CIP reconciliation.

Summary of the Non-Recommended Reductions from Round One

- Both the Highland View ES Addition and the Damascus High School major capital project would have their completion dates pushed back two years. Councilmember Dawn Luedtke wrote a memorandum to the E&C Committee supporting maintaining Damascus HS on the approved schedule (see [March 16 Council Staff Report](#)).
- Expenditures would also be reduced in the ADA Compliance: MCPS (in FY24), Roof Replacement (in FY27 and FY28), and Sustainability Initiatives (in FY24) projects.

At the E&C worksession on March 16, the Committee reviewed all project amendments requested by the Board of Education, as well as the non-recommended reductions, and made the following recommendations:

Board's Requested Amendments

- Tentatively approve the Board's requested project amendments, including cost increases for approved projects; increased funding and scope for a new Burtonsville Elementary School; funding for the Materials Management Warehouse relocation; and requested increases in systemic projects. The Committee supported these amendments pending final affordability considerations.

Non-Recommended Reductions: Round One

- Accept the technical reductions included in the Round One package.
- Do not accept the non-recommended reduction in the Americans with Disabilities Act (ADA) Compliance project (\$2 million in FY24);
- Accept the non-recommended reductions in the Roof Replacement project (\$4 million in FY27 and FY28) and the Sustainability Initiatives project (\$2.5 million in FY24).
- Retain for further consideration all other non-recommended reductions as needed pending affordability context at reconciliation.

NON-RECOMMENDED REDUCTIONS ROUND TWO

The chart below presents the undesignated reductions for the MCPS CIP assumed in the County Executive's revised March 15 Affordability Reconciliation project as compared to the earlier January 17 Affordability Reconciliation amounts.

County Executive's MCPS CIP Affordability Reconciliation Project Totals

	Six-Year Total	FY23	FY24	FY25	FY26	FY27	FY28	Beyond Six-Years
January 17, 2023	(51,416)	-	(38,329)	(36,101)	(21,383)	23,405	20,992	29,996
Revised March 15, 2023	(82,916)	-	(38,224)	(38,611)	(36,406)	4,159	26,166	59,996
difference	(31,500)	-	105	(2,510)	(15,023)	(19,246)	5,174	30,000

The revised numbers involve an additional \$31.5 million in reductions to the six-year total with significant further reductions required in FY26 and FY27.

As shown in the table below, the March 27 transmittal from MCPS included total reductions of \$32.5 million in the six-year period and included additional technical adjustments as well as one new substantive project change: delaying the Magruder High School Major Capital Project by one year (completion in August 2030 instead of August 2029).

Round 2 Non-Recommended Reductions

Project	FY23-28	FY23	FY24	FY25	FY26	FY27	FY28	B6Y	Comment
Major Capital Projects									Maintain planning funds, delay completion date for Maruder by one year
Secondary - Magruder HS	(22,491)	-	-	(3,063)	866	(2,803)	(17,491)	22,491	
Totals	(22,491)	-	-	(3,063)	866	(2,803)	(17,491)	22,491	

Round 2 Technical Adjustments

Project	FY23-28	FY23	FY24	FY25	FY26	FY27	FY28	B6Y	Comment
Burtonsville ES Replacement	-	-	-	-	(3,000)	-	3,000	-	Additional Technical Adjustments
Northwood HS									
Addition/Facility Upgrade	-	-	-	-	(7,000)	(5,000)	12,000	-	Additional Technical Adjustments
Damascus HS MCP Technical									
Adjustment	(5,000)	-	-	-	(5,000)	(5,000)	5,000	5,000	New Technical Adjustments
Wootton HS MCP Technical									
Adjustment	(5,000)	-	-	-	-	-	(5,000)	5,000	New Technical Adjustments
Totals	(10,000)	-	-	-	(15,000)	(10,000)	15,000	10,000	

Total Changes	(32,491)	-	-	(3,063)	(14,134)	(12,803)	(2,491)	32,491	
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Assuming the Round 2 reductions, the resulting MCPS FY23-28 CIP is \$1.848 billion which is within \$4.4 million of the County Executive's revised recommended six-year total for MCPS per his March 15 transmittal per the chart below.

Comparison of MCPS CIP Expenditures after NRR Round 2 Reductions with the Executive's Recommended MCPS CIP

	Six-Year Total	FY23	FY24	FY25	FY26	FY27	FY28	Beyond Six-Years
3/15 CE Rec. FY23-28 Amended CIP	1,843,311	324,136	369,674	339,108	307,596	264,409	238,388	126,931
MCPS Amended CIP with NRR	1,847,731	324,136	372,340	340,965	311,553	268,061	230,676	104,440
difference	4,420	-	2,666	1,857	3,957	3,652	(7,712)	(22,491)

As noted above, the major change in the Round 2 transmittal is the one-year construction delay for the Magruder High School major capital project. The chart below shows the changes in this project by fiscal year with a substantial increase in expenditures moving beyond six years as most of the construction would now occur after FY28.

Col. Zadok Magruder HS

	Through Total	FY22	Total 6 Years	FY23	FY24	FY25	FY26	FY27	FY28	Beyond 6 Years
FY23-28 Approved	63,186	-	32,751			3,063	2,197	5,000	22,491	30,435
FY23-28 BOE Amended	63,186	-	32,751			3,063	2,197	5,000	22,491	30,435
change from approved	-	-	-	-	-	-	-	-	-	-
percent change from approved	0%	n/a	0%	n/a	n/a	0%	0%	0%	0%	0%
FY23-28 CE Amended	63,186	-	32,751			3,063	2,197	5,000	22,491	30,435
change from approved	-	-	-	-	-	-	-	-	-	-
percent change from approved	0%	n/a	0%	n/a	n/a	0%	0%	0%	0%	0%
Non-Recommended MCPS	127,911		10,260				3,063	2,197	5,000	52,926
change from approved	64,725	-	(22,491)	-	-	(3,063)	866	(2,803)	(17,491)	22,491
percent change from approved	102%	n/a	-69%	n/a	n/a	-100%	39%	-56%	-78%	74%

The **Major Capital Projects: Secondary** includes the following projects (completion dates reflect the current approved and Board requested schedules):

- Neelsville Middle School, anticipated completion date August 2024
- Eastern Middle School, planning funds approved in FY23
- Poolesville High School, anticipated completion date August 2024
- Damascus High School, anticipated completion date August 2026
- Magruder High School, anticipated completion date August 2029

- Wootton High School, anticipated completion date August 2029

As noted, the first MCPS Non-Recommended Reduction scenario puts forward a two-year delay for the Damascus HS project to reduce funding in the six-year CIP period. While this is a significant project delay, this would still complete the Damascus HS project one year earlier than either the Magruder or Wootton HS projects.

The second Non-Recommended Reduction scenario deferring the Magruder HS project by one year would result in Magruder HS having the latest completion dates of the current Secondary Major Capital projects.

As the Committee discussed in the first set of non-recommended reductions, the number of very large high school projects in the CIP creates large blocks of funding in the CIP that are increasingly difficult to accommodate with inflation and other fiscal pressures. If reductions are necessary, impacting one large project reduces the need to impact multiple smaller projects that may have to then “domino” throughout the CIP.

Completion dates under both Non-Recommended Reduction Scenarios:

- Neelsville Middle School, anticipated completion date August 2024
- Eastern Middle School, planning funds approved in FY23
- Poolesville High School, anticipated completion date August 2024
- ***Damascus High School, anticipated completion date August 2028***
- ***Magruder High School, anticipated completion date August 2030***
- Wootton High School, anticipated completion date August 2029

Staff Recommendation: Non-Recommended Reductions: Round Two

- Accept the technical reductions included in the Round Two package.
- Retain for further consideration the non-recommended reduction to delay the Magruder High School Major Capital project by one year pending affordability context at reconciliation.

NEXT STEPS

As noted at the CIP fiscal update provided to the County Council on April 11, assuming no significant increases in other revenue sources, even if all the MCPS non-recommended reductions are taken along with the deferrals assumed by the County Executive for various Transportation projects, there would still be a sizeable General Obligation Bond funding gap to address.

During CIP reconciliation, if fiscal constraints continue to require expenditure reductions to meet affordability guidelines, both the Round One and Round Two Non-Recommended Reductions may need to be taken plus other MCPS projects (such as additional individual projects and the systemic level of effort projects), may need to be revisited in the context of the reconciliation process.