



Committee: Directly to Council

Committee Review: N/A

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Purpose: To make preliminary decisions – straw vote expected

Keywords: #CapitalImprovementsProgram and Status Report

AGENDA ITEM #8

May 14, 2020

Action

SUBJECT

FY21-26 Capital Improvements Program Reconciliation

EXPECTED ATTENDEES

None

BACKGROUND

- At the May 7 CIP Status Update for the Council, the following chart was provided showing the six-year and annual gaps in the CIP based on the latest revenue assumptions, and Council straw votes on CIP expenditures to date.

FY21-26 CIP Reconciliation Surplus (Gaps) by Funding Source

Funding Source	Six-Year	FY21	FY22	FY23	FY24	FY25	FY26
General Obligation Bonds	(120,506)	(75,026)	(57,285)	(63,885)	(59,319)	22,094	112,915
Recordation Tax (Schools)	(20,884)	(19,861)	640	(45)	(42)	(248)	(1,328)
Recordation Tax Premium	(8,323)	(2,580)	(349)	(511)	(3,510)	(559)	(814)
Impact Tax Schools	-	-	-	-	-	-	-
Impact Tax Transportation	-	-	-	-	-	-	-
Current Revenue	(2,752)	(92)	(938)	(968)	(318)	(218)	(218)
Reduced Set-Aside*	54,900	-	-	-	10,300	21,500	23,100
Total Surplus (Gap)	(97,565)	(97,559)	(57,932)	(65,409)	(52,889)	42,569	133,655

*The Capital Crescent Trail tunnel cost (\$54.9 million) is assumed to utilize these set-aside funds in FYs24-26. This would reduce the six-year set-aside from \$161.621 million to \$106.721 million.

- As shown above, CIP reconciliation had to address a \$98 million six-year gap. Even more problematic was the gap in the first four years: \$274 million.
- The gap was the result of expenditure recommendations as well as reduced recordation tax (schools and premium) projections (with a particularly big impact in FY21)
- Also, assumed in these numbers is \$80 million more in State aid (mostly in the last three years) related to the “Built to Learn” Act. However, given the many uncertainties regarding this new initiative: funding, timing, project eligibility and local match requirements, and potential project cost increases related to prevailing wage provisions. Council Staff sought to include sufficient bond set-asides across the six-years to provide flexibility to the Council as the issues and opportunities hopefully become clearer in the next year or two.

- Finally, Council Staff also provides a Part 2 of this reconciliation (Agenda Item #8A) which provides the Council with options to reduce PAYGO in FY21 (up to the full \$32 million assumed) to provide funding to the Operating Budget to address ongoing fiscal uncertainties in FY21 going forward.

RECONCILIATION

- As mentioned last week, this year’s reconciliation process had to involve larger adjustments and more substantive changes to projects than in past years. **The first four years were particularly oversubscribed and required major reductions and deferrals to project expenditures and schedules.**
- Council Staff focused on incremental reductions and deferrals and did not delete any previously approved projects. *NOTE: Some newly proposed projects are deleted, however.*
- Given the Council’s focus in its FY21 Operating Budget reviews on “continuity of services” and minimizing program increases and enhancements, Council Staff included some FY21 “continuity of services” reductions for some Current Revenue-funded projects in the CIP.
- For systemic infrastructure level of effort projects (such as HVAC, Roof Replacement, PLAR, Resurfacing, etc.), Council Staff reviewed projects preliminarily approved for increases and considered adjustments that still provide an increase, if possible, from what had been programmed in the Approved CIP.
- Projects which have been previously approved and funded were given more weight than newly proposed and yet unfunded projects.
- This CIP Reconciliation proposal includes increasing the G.O. bond spending affordability target in FY23 from \$290 million to \$300 million, with a corresponding increase in PAYGO in FY23 from \$29 million to \$30 million. There would also be a complementary reduction in the FY26 target from \$280 million to \$270 million (with a corresponding \$1 million reduction in PAYGO in FY26) so as not to exceed the \$1.77 billion six-year spending affordability guideline. These changes do not require a 7-vote budget, since none of the spending affordability guidelines (i.e., the bond levels in FY21, FY22, and the total of FYs21-26) would be exceeded. The resulting annual guidelines and targets would be:

FY21	\$320 million
FY22	\$310 million
FY23	\$300 million
FY24	\$290 million
FY25	\$280 million
FY26	\$270 million

- If the revised spending affordability targets for FY23 and FY26 and all of the actions noted in the following sections are adopted, the FY21-26 CIP will be balanced and there will be set-asides in each of the fiscal years of the CIP to provide more flexibility to the Council in upcoming years to address emerging issues and uncertainties (such as State aid for school construction).

COUNTY GOVERNMENT

- **Technical Adjustments:** Council Staff reached out to the capital budget managers of each agency (and the Departments of General Services and Transportation in County Government) to identify any technical adjustments and/or production delays that are being experienced in projects and

which could result in slippage of expenditures into future years. DGS and DOT identified several projects where the expenditures should be deferred due to production delays:

Clarksburg Fire Station #35: funds shifted, completion still in FY22

Beach Drive Bridge: completion in FY22 rather than FY21

Bethesda Bikeways and Pedestrian Facilities: completion in FY22 rather than FY21

Good Hope Road Shared Use Path: funds shifted, but completion still in FY23

Metropolitan Branch Trail: funds shifted, but completion still in FY23

East Gude Drive Roadway Improvements: completion later in FY22

South County Regional Recreation Center: completion in FY23 (January 2023) rather than FY22; this has an impact on the schedule of the Kennedy/Shriver Aquatic Center renovation (see below)

- **Reductions/deferrals in General Government projects**

PLAR: MCG: increase funding by half (\$300,000) each year

EOB HVAC Renovation: defer from FY23 to FY25

- **Reductions/deferrals in Public Safety projects**

MCDC Partial Demolition and Renovation: delay start six months, completion still in FY22

6th District Police Station: accelerate start 6 months instead of one year, completion still in FY25

PSCC Communications Center, Phase II: delay start one year, to FY22; completion in FY25

Outdoor Firearms Training Center: start this project a year later (in FY24); completion in FY27

- **Reductions/deferrals in Transportation projects**

Bridge Renovation: keep the “emergency” and “critical” renovations on the Executive’s schedule; delay the “high” priority renovations by one year

Resurfacing: Rural/Residential: reduce \$3.5 million in FY22 and \$3.5 million in FY23, and add \$2 million in FY25: resulting in \$10 million in FYs21-24 and \$12 million in FYs25-26

Sidewalk and Curb Replacement: reduce \$1 million in FY22 and \$1 million in FY23

White Flint Metro Station North Entrance: reduce the placeholder from one-half the cost to one-third the cost, a reduction from \$17.4 million to \$11.6 million

Bowie Mill Road Bikeway: set the start of this new project in FY24 rather than FY23

Capital Crescent Trail (tunnel): defer this new element 6 months – start in the summer of 2024 with completion in late fall/early winter of 2026

Sidewalk Program-Minor Projects: defer \$1 million from FYs22-23 to FYs25-26

Facility Planning-Transportation: delay start of these new studies from FY21 to FY22:

- Middlebrook/Wisteria Road Diet

- MD 355 – Milestone to Clarksburg Road

- Prioritizing MCDOT Capital Projects

- ADA Design Guidelines

Observation Drive Extended: defer start of Phase 1 by one year (to FY22, as recommended by the Executive), but complete Phase I only one year later, in FY27 (not three years later, in FY29, as recommended by the Executive)

Intersection and Spot Improvements: keep subprojects starting in FYs21-22 on the Executive’s schedule, defer by one year the start of later subprojects

- **Reductions/deferrals in Culture and Recreation projects**
Kennedy/Shriver Aquatic Center: defer renovation by one year, completion in summer of 2025 (this is necessary because of the delay in the completion of the South County Regional Recreation Center)
Public Arts Trust: do not add \$218,000 in FY21
Recreation Facilities Refurbishment: reduce \$3 million in FY24 and add \$500,000 in both FY25 and FY26
Swimming Pool Slide Replacement: reduce \$500,000/year in FYs21-24
- **Reductions in Housing and Community Development projects**
Affordable Housing Opportunity Fund: reduce this new program from \$10 million each in FYs21-22 to \$8 million in FY21 and \$6 million in FY22
Countywide Façade Easements: do not add funding in FY21

MONTGOMERY COLLEGE

- **Technical Adjustments:** The College identified two projects where the expenditures could be shifted without an impact on the project schedule:
 - Takoma /Silver Spring Math Science Center: funds shifted, completion still in FY23
 - Germantown Student Services Center: funds shifted, completion still in FY27
- **Deferrals**
Capital Renewal-College: defer \$1 million from FY23 to FY25
PLAR-College: defer \$900,000 from FY23 to FY25
Roof Replacement-College: defer \$500,000 from FY23 to FY25

MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

- **Technical Adjustments:** MNCPPC identified two projects where the expenditures have shifted due to production delays:
 - North Branch Trail: completion in FY23 rather than FY21
 - Ovid Hazen Wells Park: funds shifted, but completion still in FY25

MONTGOMERY COUNTY PUBLIC SCHOOLS

- **Technical Adjustments:** MCPS identified several projects where the expenditures could be shifted without an impact on the project schedule:
 - E Brooke Lee MS Replacement: funds shifted, completion still in September 2022
 - Northwood HS Addition/Facility Upgrade: funds shifted, completion still in Sept 2025
 - Parkland MS Addition: funds shifted, completion still in September 2023
 - Pyle MS Addition: funds shifted, completion still in September 2020
 - Silver Spring International MS: funds shifted, completion still in September 2023
 - Woodward HS Reopening: funds shifted, completion still in September 2025
- **“Non-Recommended” Reductions:** At the request of Councilmember Rice, MCPS provided a list of “non-recommended” reductions that would bring the Board of Education’s Proposed CIP closer to the level of spending recommended by the County Executive. This list included the following project changes:

MCPS' Non-Recommended Reductions - Changes by Project

Project	Six-Year	Comment
Clarksburg Cluster ES #9		0 One-Year Delay: Completion moved to September 2023
DuFief ES Addition/Facility Upgrade		0 One-Year Delay: Completion moved to September 2023
Crown HS	(35,000)	One-Year Delay: Completion moved to September 2026 - SSP Impact
Northwood HS Addition/Facility Upgrade	(9,254)	One-Year Delay: Completion moved to September 2026 - SSP Impact
Woodward HS Reopening	(8,468)	One-Year Delay: Completion moved to September 2026 - SSP Impact
William Tyler Page ES Addition - New Project		0 Completion in September 2024 (BOE request is September 2023)
Magruder HS - Major Capital Projects	(22,500)	Completion in September 2027 (BOE request is completion in September 2026)
Bethesda ES Addition - New Project		0 Completion in September 2025 (BOE request is September 2023)
Maryvale ES/Sandburg Build-Out (Current Rev/Ex)	(4,400)	Costs for Shell Buildout Removed (BOE request is completion in September 2021)
Westbrook ES Addition - New Project	(4,391)	Costs for Shell Buildout Removed (BOE request is completion in September 2021)
Watkins Mill HS (Early Childhood Center) - New Project	(13,500)	Costs Removed (BOE request is completion in September 2022)
HVAC/Electrical Replacement	(5,000)	FY23 and FY24 proposed increases removed
Gaithersburg Cluster ES #8		Technical Adjustments
Major Capital Projects - Elementary		Technical Adjustments
Total Changes	(102,513)	

The Council discussed these items on May 4 and provided the following straw vote guidance to Council Staff with regard to reconciliation of the MCPS CIP:

- Support the following projects as the highest priority for funding from the list: Woodward High School Reopening, Northwood HS Addition/Facility Upgrade, and Crown High School.
 - Support the following projects as a “second tier” for funding: Clarksburg ES #9, the proposed Bethesda ES Addition, the proposed Watkins Mill Early Childhood Center, and the Magruder High School Major Capital Project
 - Accept all the other cuts and deferrals on the non-recommended reductions list. **NOTE: Council Staff’s CIP reconciliation assumes these non-recommended reductions.**
- **Woodward High School Reopening and Northwood Addition/Facility Upgrade:** Based on the Council’s action on May 4, keeping Woodward High School Reopening and Northwood Addition/Facility Upgrade on schedule is a key building block in Council Staff’s CIP reconciliation. These approved projects are linked, since the Northwood students will be housed at the Woodward facility while the Northwood site is under construction. In combination, these projects will provide urgently needed high school seats for the Walter Johnson cluster and the Northwood, Blair and Einstein High Schools in the Downcounty Consortium. The Walter Johnson, Einstein, and Blair cluster areas are currently in moratorium. Both projects are scheduled for completion in September 2025. If the Woodward and Northwood projects are delayed, these clusters will remain in moratorium as of July 1, 2020. **Council Staff’s CIP reconciliation assumes to keep these projects on schedule.**
 - **Additional Changes to the Non-Recommended Reduction Projects:** The non-recommended reductions accepted by the Council on May 4 were not sufficient to balance the CIP. Therefore, Council Staff went through the rest of the non-recommended projects to consider additional changes.
 - **Delay Crown High School One Year** (completion in September 2026 instead of September 2025): Since this project’s completion would push beyond September 2025, the Quince Orchard and Richard Montgomery Clusters will remain in a housing moratorium on July 1, 2020 as a result.
 - **Delay Clarksburg ES #9 One Year** (completion in September 2023 instead of September 2022)

- **Move the proposed Bethesda ES Addition out two years** (with completion in September 2025)
 - **Do not include the proposed Watkins Mill Early Childhood Center in the CIP**
 - **Include the Magruder HS Major Capital Project (MCP) on the Board's proposed schedule** (completion in September 2027). This project happens to start late in the CIP and Council Staff was able to accommodate this project as proposed. Further discussion of other major capital projects is below.
- **Major Capital Projects:** The FY19-24 CIP includes Major Capital Projects (MCP), which is a successor project to the longtime Current Revitalization/Expansions project. Placeholder dollars were included in the FY19-24 CIP and planning work was begun on a first set of projects. For the FY21-26 CIP, the Board of Education proposed a substantial six-year increase in the CIP (nearly \$283 million more than in the FY19-24 CIP) to include actual project cost estimates and completion dates for projects. It also split the project into two projects: Major Capital Projects – Elementary and Major Capital Projects – Secondary. Given these cost increases are a major driver of the MCPS CIP, Council Staff reviewed these projects for potential reconciliation changes and has the following recommendations:
 - **Include Burnt Mills ES MCP on its proposed schedule (completion in September 2023).** Council Staff's understanding is that all four of the elementary schools in this project are equally prioritized. This project was able to be accommodated based on its expenditure schedule.
 - **Set the completion dates for the other elementary school projects one year later than proposed**
 - South Lake ES MCP and Woodlin ES MCP would now be completed in September 2024. Council Staff looked at potentially including some early construction dollars in FY21, however, these projects involve mid-year moves of students to holding schools and therefore, putting some construction dollars in FY21 would be too early if these projects are also delayed one year.
 - The Stonegate ES MCP would now be completed in January 2025.
 - **Include Neelsville Middle School MCP on its proposed schedule** with a completion date of September 2024.
 - **Include Poolesville High School MCP on its proposed schedule** with completion in September 2024.
 - **As noted earlier, Magruder HS MCP would also remain on its proposed schedule** with a completion date of September 2027.
 - **Set the completion dates one year later for the other two high schools in the project**
 - Damascus HS MCP would now be completed in September 2026
 - Wootton HS MCP would now be completed in September 2027
- **Adjustments in MCPS' Systemic Projects:** Council Staff recommends six-year increases (above both the FY19-24 CIP and the Board's Proposed FY21-26 CIP in MCPS' HVAC (Mechanical Systems) Replacement, Planned Lifecycle Asset Replacement (PLAR), and Roof Replacement.

However, funding was spread out, with some higher levels in the later years as shown in the following charts.

Project: HVAC (Mechanic Systems) Replacement

	6 Years	FY21	FY22	FY23	FY24	FY25	FY26
FY19-24	103,000	10,000	12,000	15,000	15,000		
Proposed	115,000	25,000	25,000	17,500	17,500	15,000	15,000
Reconciliation	130,000	20,000	20,000	20,000	18,000	24,000	28,000

Project: Planned Lifecycle Asset Replacement

	6 Years	FY21	FY22	FY23	FY24	FY25	FY26
FY19-24	52,851	6,250	7,250	10,000	10,000		
Proposed	67,110	15,185	15,185	10,185	10,185	8,185	8,185
Reconciliation	78,000	12,000	12,000	10,000	10,000	16,000	18,000

Project: Roof Replacement

	6 Years	FY21	FY22	FY23	FY24	FY25	FY26
FY19-24	66,500	6,000	9,000	14,000	14,000		
Proposed	60,000	12,000	12,000	10,000	10,000	8,000	8,000
Reconciliation	68,000	10,000	11,000	10,000	10,000	12,000	15,000

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