



Committee: E&C

Committee Review: March 16, 2023

Staff: Essie McGuire, Senior Legislative Analyst

Purpose: To receive testimony/final action - vote expected

Keywords: #MCPSCIP #AgingSchools #HVAC

AGENDA ITEM # 8

March 21, 2023

Public Hearing/Action

SUBJECT

Amendment to the FY23-28 Capital Improvements Program and Supplemental Appropriation #23-83 to the FY23 Capital Budget, Montgomery County Public Schools, HVAC (Mechanical Systems) Replacement: MCPS (No. 816633), \$25,000,000. Source of Funds: G.O. Bonds and State Aid

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- Today the Council will hold a public hearing and consider action on this appropriation.
- **The E&C Committee reviewed this request on March 16, 2023, and unanimously recommended approval of the \$25 million supplemental appropriation for the MCPS HVAC project.**

DESCRIPTION/ISSUE

- On January 12, 2023, the Board of Education requested a FY23 supplemental appropriation (see © 7-8) to provide for the execution of contracts concerning HVAC systems. The Board of Education requested an appropriation of \$35 million, reflecting the Board's request for a CIP increase of \$10 million in FY24 for the HVAC project to address cost escalation.
- On February 22, 2023, the County Council received a recommendation from the County Executive (see ©1-2) to approve a FY23 supplemental appropriation request totaling \$25 million.
- This request would allow MCPS to expedite the necessary planning, bidding, and contracting of construction contracts to offset the long lead times for Heating, Ventilation, and Air Conditioning (HVAC) equipment currently being experienced. The request would also accelerate the appropriation for these FY24 expenditures into FY23. The expenditures related to the appropriation would still occur in FY24.
- An appropriation from the County Council is needed to forward fund the project.
- The Council introduced the approval resolution (©3-4) on March 7, 2023.
- The Executive recommended \$25 million, which is the approved FY24 funding level for the HVAC project. This approach to appropriate only the approved funding level at this time reserves the possibility of reducing the requested amount of HVAC expenditures if needed to meet affordability constraints during CIP reconciliation.
- The E&C Committee concurred and recommended approval of \$25 million for the FY23 supplemental appropriation for the HVAC project. The Committee acknowledges that HVAC projects are a high priority; however, the FY24 amount will need to be determined in the full CIP affordability context. The Committee will also revisit this increase during Operating Budget

discussions to determine whether other resources such as Federal grant funding could be available for this purpose.

This report contains:

- | | |
|---|-------|
| • County Executive Transmittal Memorandum | © 1-2 |
| • Approval Resolution | © 3-4 |
| • MCPS HVAC Project Description Form | © 5-6 |
| • Board of Education Resolution | © 7-8 |

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MEMORANDUM

February 22, 2023

TO: Evan Glass, President
Montgomery County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Supplemental Appropriation #23-83 to the FY23 Capital Budget
Montgomery County Public Schools (MCPS)
HVAC (Mechanical Systems) Replacement: MCPS (No. 816633), \$25,000,000

I am recommending a supplemental appropriation to the FY23 Capital Budget in the amount of \$25,000,000 for the HVAC (Mechanical Systems) Replacement: MCPS (No. 816633) project. Appropriation for this project will fund equipment upgrades or replacements at countywide school locations.

This increase is needed to allow MCPS to expedite the necessary planning, bidding, and contracting of construction contracts to offset the long lead times for Heating, Ventilation, and Air Conditioning equipment currently being experienced.

I recommend that the County Council approve this supplemental appropriation in the amount of \$25,000,000 and specify the source of funds as G.O. Bonds and State Aid. If warranted by County Council final Capital Improvement Program reconciliation, I will recommend a future supplemental appropriation as needed.

I appreciate your prompt consideration of this action.

ME: vj

Enclosure: Supplemental Appropriation #23-83

cc: Jennifer Bryant, Director, Office of Management and Budget
Mary Beck, Capital Budget Coordinator, Office of Management and Budget
Seth Adams, Director, MCPS Department of Facilities Management
Adrienne Karamihas, Director, MCPS Division of Capital Planning/Real Estate

Resolution: _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

SUBJECT: Supplemental Appropriation #23-83 to the FY23 Capital Budget
Montgomery County Government
Montgomery County Public Schools
HVAC (Mechanical Systems) Replacement: MCPS (No. 816633), \$25,000,000

Background

1. Section 307 of the Montgomery County Charter provides that any supplemental appropriation shall be recommended by the County Executive who shall specify the source of funds to finance it. The Council shall hold a public hearing on each proposed supplemental appropriation after at least one week's notice. A supplemental appropriation that would comply with, avail the County of, or put into effect a grant or a Federal, State or County law or regulation, or one that is approved after January 1 of any fiscal year, requires an affirmative vote of six Councilmembers. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of seven Councilmembers. The Council may, in a single action, approve more than one supplemental appropriation. The Executive may disapprove or reduce a supplemental appropriation, and the Council may reapprove the appropriation, as if it were an item in the annual budget.
2. The County Executive recommends the following capital project appropriation increases:

<u>Project Name</u>	<u>Project Number</u>	<u>Cost Element</u>	<u>Amount</u>	<u>Source of Funds</u>
HVAC (Mechanical Systems) Replacement:	816633	Planning, Design, & Supervision	\$ 4,100,000	GO Bonds
MCPS		Construction	\$ 9,450,000	State Aid
		Construction	<u>\$11,450,000</u>	GO Bonds
		TOTAL	<u>\$25,000,000</u>	

3. This increase is needed to allow MCPS to expedite the necessary planning, bidding, and contracting of construction contracts to offset the long lead times for Heating, Ventilation, and Air Conditioning equipment currently being experienced.
4. The County Executive recommends a supplemental appropriation in the amount of \$25,000,000 for the HVAC (Mechanical Systems) Replacement: MCPS (No. 816633) and specifies that the source of funds will be GO Bonds and State Aid.
5. Notice of public hearing was given and a public hearing was held.

Action

The County Council for Montgomery County, Maryland, approves the following action:

A supplemental appropriation to the FY23 Capital Budget is approved as follows:

<u>Project Name</u>	<u>Project Number</u>	<u>Cost Element</u>	<u>Amount</u>	<u>Source of Funds</u>
HVAC (Mechanical Systems) Replacement: MCPS	816633	Planning, Design, & Supervision	\$ 4,100,000	GO Bonds
		Construction	\$ 9,450,000	State Aid
		Construction	<u>\$11,450,000</u>	GO Bonds
		TOTAL	<u>\$25,000,000</u>	

This is a correct copy of Council action.

Judy Rupp, Clerk of the Council

HVAC (Mechanical Systems) Replacement: MCPS (P816633)

Category	Montgomery County Public Schools	Date Last Modified	05/22/22
SubCategory	Countywide	Administering Agency	Public Schools
Planning Area	Countywide	Status	Ongoing

	Total	Thru FY21	Est FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
EXPENDITURE SCHEDULE (\$000s)											
Planning, Design and Supervision	39,200	11,500	7,600	20,100	3,200	4,100	3,500	3,100	3,100	3,100	-
Construction	203,019	64,997	38,622	99,400	16,800	20,900	15,500	15,400	15,400	15,400	-
Other	3,000	-	3,000	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	245,219	76,497	49,222	119,500	20,000	25,000	19,000	18,500	18,500	18,500	-

FUNDING SCHEDULE (\$000s)											
G.O. Bonds	149,366	71,396	18,220	59,750	10,000	12,500	9,500	9,250	9,250	9,250	-
Recordation Tax	3,000	-	3,000	-	-	-	-	-	-	-	-
State Aid	92,853	5,101	28,002	59,750	10,000	12,500	9,500	9,250	9,250	9,250	-
TOTAL FUNDING SOURCES	245,219	76,497	49,222	119,500	20,000	25,000	19,000	18,500	18,500	18,500	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)			
Appropriation FY 23 Request	20,000	Year First Appropriation	FY81
Appropriation FY 24 Request	25,000	Last FY's Cost Estimate	201,219
Supplemental Appropriation Request	25,000	Partial Closeout Thru FY21	64,581
Cumulative Appropriation	125,719		
Expenditure / Encumbrances	-	Total Partial Closeout	64,581
Unencumbered Balance	125,719		

PROJECT DESCRIPTION

This project provides for the systematic replacement of heating, ventilating, air conditioning, automated temperature controls, and plumbing systems for MCPS facilities. This replacement approach is based on indoor environmental quality (IEQ), energy performance, and maintenance data. Qualifying systems and/or components are selected based on the above criteria and are prioritized within the CIP through a rating system formula. MCPS is participating in interagency planning and review to share successful and cost effective approaches. An FY 2019 appropriation was requested for mechanical systems upgrades and/or replacements for Ashburton, Bethesda, Burtonsville, Flower Hill, Forest Knolls, Highland View, Monocacy, Oakland Terrace, and Sequoyah elementary schools; Briggs Chaney and White Oak middle schools; and, Quince Orchard and Walt Whitman high schools. However, due to fiscal constraints, the County Council reduced the FY 2019 appropriation by \$4 million. Therefore, the list shown above will be aligned with the approved funding level for FY 2019. The Indoor Air Quality and Energy Conservation projects are now merged with this project to better reflect the coordination of work performed. The work-years reflected in this project are from that merger. An FY 2020 appropriation was approved to continue this level of effort project to address mechanical system upgrades and/or replacements of systems at various schools throughout MCPS. An FY 2021 appropriation was requested for mechanical systems upgrades and/or replacements for Clarksburg, Brookhaven, Meadow Hall, and Ronald McNair elementary schools and the fourth phase of Quince Orchard High School. However, due to fiscal constraints, the County Council reduced the FY2021 appropriation by \$9 million less than the Board of Education's request. Therefore, the list shown above will be aligned with the approved funding level for FY2021. An FY 2022 appropriation and amendment to the FY2021-2026 CIP was approved to reinstate expenditures in FY 2022 that were removed as part of the adopted FY2021-2026 CIP. In addition, the Board of Education's requested amended CIP included the FY 2021 supplemental appropriation of \$3.0 million to address Covid-19 related indoor air quality and HVAC enhancements, that was approved by the County Council. The approved FY 2022 appropriation and amendment will address mechanical system upgrades and/or replacements of schools systemwide. An FY 2023 appropriation was approved for mechanical systems upgrades and/or replacements at various schools throughout the county. However, the County Council, in the adopted FY2023-2028 CIP decreased expenditures in FY2023, therefore, the number of projects to be completed will be reduced to align with the approved expenditures. Implementation of this program will also be based on implications of construction cost increases and supply chain interruptions.

OTHER

Master Plan for School Facilities, Department of Environmental Protection, Department of Health and Human Services, American Lung Association, County Government, Interagency Committee--Energy and Utilities Management, MCPS Resource Conservation Plan, County Code 8-14a
FY 2023 -- Salaries and Wages: \$253K, Fringe Benefits: \$107K, Workyears: 3 FY2024-2028 -- Salaries and Wages: \$1.3M, Fringe Benefits: \$567K, Workyears: 15

FISCAL NOTE

Reflects MCPS correction for funding allocations prior to FY19. FY20 supplemental in State Aid for \$367,850 from the Maryland's Healthy Schools Facility Fund. FY21 supplemental in Recordation Tax for the amount of \$3,000,000 to enhance the HVAC systems and improve indoor air quality to support COVID-19 recovery planning. FY23 State Aid award for \$19.250 million for multiple years.
FY23 supplemental in G.O. Bonds for the amount of \$25,000,000.

DISCLOSURES

Expenditures will continue indefinitely. MCPS asserts that this project conforms to the requirement of relevant local plans, as required by the Maryland Economic Growth, Resource Protection and Planning Act.

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

January 12, 2023

MEMORANDUM

To: Members of the Board of Education

From: Monifa B. McKnight, Superintendent of Schools

Subject: Fiscal Year 2023 Supplemental Appropriation and Amendment to the Fiscal Year 2023 Capital Budget and Fiscal Years 2023–2028 Capital Improvements Program—Heating, Ventilation, and Air Conditioning Replacement Projects

WHEREAS, In May 2022, the Montgomery County Council adopted the Fiscal Year 2023 Capital Budget and Fiscal Years 2023–2028 Capital Improvements Program for Montgomery County Public Schools which included a Fiscal Year 2024 expenditure of \$25.0 million for heating, ventilation, and air conditioning projects; and

WHEREAS, The *Board of Education's Requested Fiscal Year 2024 Capital Budget and Amendments to the Fiscal Years 2023–2028 Capital Improvements Program* includes \$35.0 million in Fiscal Year 2024, an increase of \$10.0 million, for this level of effort project to address heating, ventilation, and air conditioning equipment upgrades or replacements at schools throughout the county; and

WHEREAS, These funds are programmed to be expended during Fiscal Year 2024, but will not be available until the Montgomery County Council takes action on the *Board of Education's Requested Fiscal Year 2024 Capital Budget and Amendments to the Fiscal Years 2023–2028 Capital Improvements Program* in May 2023; and

WHEREAS, Due to the disruptions in the supply chain, including extraordinary lead times in mechanical equipment deliveries, it is necessary that planning, bidding, and contract award for these projects be implemented far in advance of construction timeline; and

WHEREAS, The heating, ventilation, and air conditioning replacement projects, previously delayed as a result of prior year funding reductions, must be awarded prior to May 2023, in order for equipment to be delivered on schedule; and

WHEREAS, The first two projects are recommended to the Board of Education for award on January 12, 2023, contingent upon the Board of Education and the Montgomery County Council's approval of this supplemental appropriation; and

WHEREAS, The authority to appropriate the requested and programmed funds for Fiscal Year 2024 must be approved by the Montgomery County Council before the Board of Education may enter into contracts; now therefore be it

Resolved, That the Board of Education request a Fiscal Year 2023 supplemental appropriation and amendment to the Fiscal Years 2023–2028 Capital Improvements Program in the amount of \$35 million to increase the adopted Fiscal Years 2023–2028 Capital Improvements Program expenditure and to accelerate the Fiscal Year 2024 expenditures in order to provide for the execution of contracts; and be it further

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

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

MBM:MBH:DEE:SPA:lm