

### OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett County Executive

### MEMORANDUM

January 15, 2016

TO: Nancy Floreen, President, Montgomery County Council

Isiah Leggett, County Executive Sich Typett FROM:

SUBJECT: Recommended FY17 Capital Budget and FY17-22 Capital Improvements Program

In accordance with the County Charter, I am pleased to transmit the County Executive's Recommended FY17 Capital Budget and Fiscal Year 2017-2022 Capital Improvements Program (CIP). This CIP balances the goal of fiscal prudence with meeting the facility and other capital needs of a rapidly growing population. As in the past, my recommendations continue to prioritize funding for education, economic development, critical transportation infrastructure – including Purple Line related projects, affordable housing, and core infrastructure. In this CIP, I am recommending a six-year total of \$4.44 billion which is within the Council's approved Spending Affordability Guidelines for General Obligation bonds and recognizes constrained current revenue resources.

## **Context for Developing the Capital Budget**

There were serious challenges in developing the FY17-22 Capital Improvements Program. As was noted in last month's fiscal plan update, we anticipate significant operating budget pressures due to reduced revenue estimates and the impacts from the Comptroller of the Treasury of Maryland v. Wynne case. As part of its approved FY16 savings plan in June, the Council approved adjustments in the CIP resulting in \$26.02 million in FY16 cash savings primarily by deferring \$18.2 million in costs into the early years of the FY17-22 CIP. Additional pressures on the CIP include MCPS' substantial facility capacity and modernization needs, critical economic development initiatives, cost increases in high priority projects, large expenditures for previously approved projects moving into the six-year period, the need to reduce County reliance on long-term leased space, and the need to adjust programmed expenditures to reflect improved implementation.

We are still negotiating the final details regarding high priority projects such as the Purple Line and White Oak Redevelopment. Therefore, I have held additional fiscal capacity to allow appropriations when needed. As planning progresses for these two projects, I will submit CIP amendments to move these priorities forward.

Due to expected pressures on the operating budget, assumptions regarding current revenue are generally consistent with the previously approved budget. Current revenue reductions assumed through the Council-approved FY16 savings plan have been reflected in the CIP. Additional CIP current revenue amendments may be forthcoming in March and April as the revenue projections reflect more current information.

Details regarding these recommendations are provided below.

## Education

Education is one of our highest shared priorities. As a result, I am recommending a total of nearly \$1.9 billion in funding for education.

#### Montgomery County Public Schools (MCPS)

Montgomery County Public Schools (MCPS) continue to be a magnet attracting residents and employers to the County. The schools fulfill many critical functions – educating our future employees, leaders, and innovators and helping to integrate the many immigrants that enrich our County. MCPS is also a critical partner in helping low-income families move up the economic ladder. It is imperative that we invest in meeting our schools' capacity, modernization, and infrastructure needs supporting these goals. For this reason, funding for MCPS projects remains my highest priority.

The total funds provided for MCPS are \$1.57 billion – the highest funding level ever provided. Funding provided for school construction in the first four years of the recommended CIP (FY17-20), increases \$86.3 million over the same period of the amended FY15-20 CIP. Over the six-year period, funding for school construction increases \$42.5 million from the amended FY15-20 CIP and \$50.3 million above the full FY15-20 CIP. As a result of our mutual commitment to funding education, the MCPS CIP has grown by 71.8 percent over the last twelve years.

The Board of Education (BOE) requested a \$17.1 million increase in funding for Technology Modernization. These costs must be cash funded. As such, the requested increase must be considered in the context of the operating budget later in the year.

The recommended capital budget also includes a number of other projects that will benefit MCPS programs. These include: \$33.5 million in funding for relocating the MCPS Bus Depot and bus parking, \$69 million in funding for a joint MCPS/M-NCPPC facility maintenance building, and joint MCPS/Health and Human Services initiatives to support at-risk children and their families (Linkages to Learning, School Based Health Centers, High School Wellness Centers, and Child Care Center in Schools). Other projects benefitting MCPS programs are: Pedestrian Safety, Transportation Improvements for Schools, Fibernet, Ballfields Initiatives (M-NCPPC), and the Kennedy-Shriver Aquatic Center Building Envelope project.

Although the recommended CIP devotes more resources to MCPS than any other category of capital budget spending, the total provides less than the Board of Education's \$184.5 million requested increase. The Board's request represents a 12 percent increase from the approved FY15-20 amended CIP. The County has no capacity to borrow additional funds beyond those I have recommended without jeopardizing other important operating budget priorities – including Maintenance of Effort requirements for MCPS. As such, State Aid will continue to be critical to addressing MCPS' capital budget needs. I endorse the State Delegation's efforts to double the State grant construction funds for local school systems with significant enrollment growth or relocatable classrooms, and I look forward to working with the Board of Education, Parent Teacher Associations, and the County Council in pursuit of this goal. I have assumed \$40 million in

annual traditional State Aid, and based on recent information that the Governor intends to increase school construction funding, I have also included \$15.5 million annually in grant funds for local schools with significant enrollment growth.

### Montgomery College

Montgomery College is an important County institution and one of the largest institutions of higher education in the State. With the \$305.2 million included in my recommended Capital Improvements Program, the College will be able to complete construction of their top priority project - the Rockville Student Services Center, invest in a number of core infrastructure projects, including technology projects, and begin planning and/or constructing the Takoma Park/Silver Spring Math and Science Center and the Germantown Student Services Center. These facility expansions and renovations will complement improvements that will be substantially complete in FY16 including the Bioscience Education Center (\$93.8 million), the Science West Building Renovation (\$35.3 million), and the Rockville Parking Garage (\$29.7 million).

From the FY11-16 to the FY15-20 amended capital budgets, the County increased capital funding for the College by \$62.5 million, or 21.4 percent. This rate of increase is larger than that of any other agency. While I continue to be very supportive of Montgomery College and its vital mission, I am not able to support the College's full \$420.2 million request – an amount that is more than \$57 million above the all-time high for College funding. Under the requested schedule, the costs are likely to be unaffordable to the State, from whom we expect matching funds. The College's request also presents serious affordability challenges to the County. Currently the State provides \$60 million a year to fund community colleges statewide. Given these funding levels, it is unrealistic to think we would receive \$57.4 million in State Aid in FY21 to construct the Takoma Park/Silver Spring Math & Science Center and Germantown Student Services Center simultaneously. As a result, I've included an affordability adjustment in the recommended CIP to reflect those concerns and to live within County funding constraints. The College's Board of Trustees should determine their priorities within these recommended funding levels.

### **Economic Development**

The capital budget provides funding to spur economic development and grow quality jobs in the County as demonstrated by the County's public-private partnerships to redevelop White Oak, White Flint and Wheaton, as well as the Smart Growth Initiative.

#### White Oak Redevelopment

The White Oak Science Gateway Master Plan envisions housing, retail, and a hub for medical and lifesciences research adjacent to the U.S. Food and Drug Administration headquarters. The proposed 300acre development will expand the County and State tax base and transform formerly industrial property to a mixed-use employment hub for the Eastern part of the County. The White Oak Redevelopment project assumes funding for a newly hired White Oak Redevelopment Coordinator to bring together private partners, State, and County multi-department efforts in order to realize our goals for White Oak. Washington Adventist's plan for a new hospital within White Oak has recently been approved by State regulators, and the County continues to make progress in negotiations with its private redevelopment partner to explore other possible redevelopment options. As a result, I have maintained a CIP set-aside with the expectation that this spring, I will be submitting an amendment to fund additional redevelopment activities in the White Oak area. This redevelopment continues to be a shared, high priority and is critical to achieving our goal of bringing high quality jobs to the Eastern part of the County.

#### White Flint Redevelopment

The recommended FY17-22 Capital Improvements Program includes \$173 million in funding for planning and design, and construction of roadway improvements in the White Flint District. Another \$169 million is programmed in supporting projects, such as Montrose Parkway East and White Flint Fire Station #23. This summer, the reconstruction and extension of Chapman Avenue will open to form a new parallel alternative to Route 355 between Randolph and Old Georgetown Road. Construction will also start on the new parking garage for the Conference Center, as well as the first portions of Market Street and the realignment of Executive Boulevard. Progress has been made on developing a new separated bike lane network. The first project (Woodglen Road) has been completed, and a second project on Nebel Street will begin in FY17.

This public investment in transit-oriented development has sparked a great deal of private development. For example, Pike & Rose Phase 1 construction was completed in 2015, including 493 units in a mid-rise and hi-rise apartment building along with an 86,000 square foot office building and almost 240,000 square feet of retail and entertainment space. Phase 2 construction is underway with delivery expected in 2017 of 30+ stores, 264 apartment units, and a new 177 room Hilton Canopy concept hotel with 104 condominiums above it. Phase 1 alone is projected to generate over 900 jobs and significant additional tax revenue to both the County and the State. The site plan for Gables Residential was approved in 2015. Preliminary and site plans for the first phases of East Village on Nicholson Lane and Saul Centers' project on Rockville Pike are expected to be approved early in 2016. The development and residential communities are working together to rebrand the area as the Pike District, with its own logo and marketing concepts. Through public private partnerships, new landscaping has been added to areas along Rockville Pike.

#### Smart Growth

Eight years ago, I launched my Smart Growth Initiative to move County Agency industrial uses from valuable land located near the Shady Grove Metro Station. These moves have made these properties available for more appropriate transit-oriented development. Today, redevelopment of the former County Service Park is underway. A "Main Street" is being developed by rebuilding Crabbs Branch Way, and construction of the first multi-family and townhouse phases is underway. Nearly all County facilities have been relocated, or will be relocated in the near future. All site work for the Multi-agency Service Park and the MCPS Food Facility is completed. The Public Safety Training Academy and the MCPS and Maryland-National Capital Park and Planning Commission (M-NCPPC) maintenance depots are under construction and will be completed in the summer 2016 and spring 2017, respectively. Progress has been made on relocating MCPS bus parking and depot operations to the Equipment Maintenance and Transit Operations Center and the Carver Center parking lot. Additional sites for these operations are also under consideration.

#### Wheaton Redevelopment

The Wheaton Redevelopment project was launched as a public-private partnership to provide a new office complex for the M-NCPPC headquarters and other County offices, related parking, a town square, and a privately-funded mixed use development to revitalize and re-energize Wheaton through transitoriented development. In the FY17-22 recommended Capital Improvements Program, I am recommending an expansion of the project scope to include funding for an energy efficient geothermal heating and cooling system, environmental and site condition remediation, and to add two floors to the planned office building. With two additional floors, the Department of Recreation, the Community Use of Public Facilities, and the Environmental Health Regulatory Services unit of the Department of Health and Human Services, can co-locate with M-NCPPC, Department of Permitting Services and Department of Environmental Protection. These departments routinely interact, and the co-location provides further synergies that will benefit residents and businesses. In addition, lease savings and additional cost avoidance will be realized; and the use of

valuable land will be optimized. A CIP amendment to authorize these project expansions has been requested in order to minimize project delays and cost increases, and I have transmitted a separate memorandum outlining this proposal.

## **Critical Transportation Infrastructure**

Transportation infrastructure is critical to facilitate economic development, a high quality of life, and commercial and personal mobility, and the total recommended CIP includes \$1.15 billion for this function. Within this total, the CIP reflects a balanced approach to funding roads (\$340.8 million), mass transit (\$232.8 million), pedestrian and bikeway facilities (\$249.3 million), and highway maintenance (\$181 million) - as well as bridges, traffic improvements, and parking (\$147.5 million).

### Purple Line

The Maryland Transit Administration is in the final stages of choosing a private Concessionaire to design, build, and operate the Purple Line light rail line linking the Bethesda Metrorail Station to the New Carrollton Metro Station in Prince George's County. This public-private partnership will provide faster and more reliable service for the region's east-west travel, improve connectivity and access to existing and planned activity centers, increase service for transit-dependent residents, reduce traffic congestion, and spur economic development along the corridor. Included in this capital budget is a new Purple Line project to cover the County's costs to secure land for right-of-way for the Purple Line as well as coordination and monitoring of the Purple Line and the three County-funded projects - the Capital Crescent Trail, Bethesda Metro Station South Entrance, and the Silver Spring Green Trail. This project also includes a maximum \$40 million County contribution to the Purple Line project – the bulk of which is programmed in FY20-22. An FY16 Purple Line project supplemental appropriation is requested to fund immediate land acquisition activities in order to meet State deadlines for right-of-way transfers. While the recommended FY17-22 capital budget includes \$192.1 million for the four Purple Line related projects, full costs and the required funding schedule will not be known until the State's negotiations with the selected Concessionaire are concluded this spring.

Other mass transit projects in the capital budget will complete construction of transit centers at Montgomery Mall and Takoma Park/Langley, improve the condition of Ride On bus stops and transit Park and Ride lots, and purchase 150 replacement buses. County and State funding has also been included to complete facility planning for the MD 355 and US 29 corridors as the first steps in a comprehensive bus rapid transit system.

<u>Bikeway, sidewalk and other pedestrian facilities</u> are also a core component of my recommended capital budget. In addition to the previously mentioned Capital Crescent Trail and Silver Spring Green Trail, the FY17-22 recommended capital budget includes funding to complete the Metropolitan Branch Trail, MacArthur Boulevard Bikeway Improvements, Frederick Road Bike Path, Needwood Road Bikepath, and the Bethesda Bikeway and Pedestrian Facilities. During the six-year period, construction will begin on the Falls Road East Side Hiker/Biker Path and Seven Locks Bikeway & Safety Improvements. Two new projects are also included. The MD355-Clarksburg Shared Use Path will leverage State Aid and provide connectivity with the Frederick Road Bikepath, Clarksburg Town Center, Clarksburg High School and Little Bennett Regional Park. The Life Sciences Center Loop Trail project has been included to support work needed to achieve Stage 2 development prerequisites and to complete initial design needed to facilitate developer contributions to support construction of the trail. Additional funding for pedestrian and bikeway projects is also included as a component of road projects and in five ongoing level of effort projects.

Funding for new and improved roads has increased due to project cost increases and projects moving into the FY17-22 Capital Improvements Program. Major projects include:

- Montrose Parkway East: This project will provide a new east-west road (with bridges, interchanges, sidewalks, and bikepaths) to connect the existing Montrose Parkway/Rockville Pike interchange to Viers Mill Raod. This road will improve access to the White Flint area and Interstate270. Efforts to secure State Aid to help address the \$20 million cost increase have not been successful to date.
- Goshen Road South: This Upcounty project provides traffic congestion relief and safety improvements to the existing Goshen Road by widening existing lanes and adding center medians, sidewalks, and bikepaths.
- Snouffer School Road and Snouffer School Road North (Webb Tract): These two related projects will provide traffic congestion relief and safety improvements (sidewalks, turning lanes, and traffic signals) in the vicinity of the County's future Multi-Agency Service Park. Both projects will be completed in FY19.
- Seminary Road Intersection Improvements: This project realigns an existing intersection in Silver Spring to improve traffic flow and enhance safety by adding on-road bike lanes and sidewalks by FY20.
- East Gude Drive Roadway Improvements: This project will provide sidewalk safety improvements and enhance turning lanes at intersections to improve existing and future traffic flows by FY21.
- Stringtown Road, Clarksburg Transportation Connections, Subdivision roads Participation, and State Transportation projects: The projects represent partnerships with private developers to support development in the Clarksburg area. Work will be completed at various points during FY17-FY20.
- Maryland/Dawson Extended: Funding for the City of Rockville has been added to construct curbs, gutters, pavement, drainage, utility relocation, sidewalks and other safety and connectivity improvements to support continued development in the Rockville Town Center.
- Wapakoneta Road Improvements and the Platt Ridge projects will be completed in FY17.

Since FY06, I have increased highway maintenance funds by \$366 million. The state of our roads is one of the major complaints we all hear about from residents and businesses in our community. We must continue to aggressively address this issue. The recommended CIP includes \$181 million for highway maintenance. Due to fiscal constraints, I was not able to increase funding for highway maintenance as I have done in the past. However, I have accelerated \$6.15 million in FY18 funding into FY17 and will continue to look for opportunities to add funding in future CIP amendments.

The FY17-22 recommended Capital Improvements Program includes a 41.6 percent increase in funding for intersection and spot improvements to support smaller scale projects that improve traffic flow and safety. Over \$70 million also supports various level of effort projects to support critical traffic signals, advanced transportation management systems, traffic mitigation, street lighting, guard rails, and pedestrian safety.

Funding for bridges continues to support the Gold Mine Road, Piney Meetinghouse Road, Park Valley Road, Lyttonsville Place, and Pennyfield Lock Road bridges in order to address safety and load restriction concerns. The Bridge Design and Bridge Renovation projects have also been increased to address Glen Road Bridge and Mouth of Monocacy Bridge repair needs and additional permitting requirements.

## Affordable Housing

Montgomery County has long been a leader in incorporating affordable housing throughout the County – but we must do more. My recommended CIP continues and expands funding for strategic partnerships with the Housing Opportunities Commission (HOC) and non-profit and for-profit housing developers.

My recommended CIP adds \$33 million in FY17 and FY18 funding for a total of \$176.8 million, including loan repayments, invested in the Affordable Housing Acquisition and Preservation project. Through these partnerships, the County has leveraged over \$4 for every County dollar invested. As loan repayments for many of these projects are reinvested, they produce or preserve additional affordable housing units, further multiplying the impact of our original investments. The Affordable Housing Acquisition and Preservation Project and the tax-supported Housing Initiative fund have contributed to the financing of 4,564 affordable housing units. When added to other County programs valued at more than \$658 million, this brings the total number of affordable units produced and preserved to 36,765.

Through my Senior Initiative, the County has funded nine affordable senior housing developments, producing and preserving 874 housing units. In addition, discussions are underway for three more affordable senior housing developments.

In-kind County contributions to affordable housing are also significant. These in-kind contributions include the sale or long-term leasing of County-owned property at rates which allow for the creation of affordable housing units. Examples of this in-kind support include properties within the Smart Growth initiative; land near the new Silver Spring Library; and the former 3rd District Police Station in Silver Spring. The County has also donated park amenities for The Bonifant Development and renovations and donated use of County-owned homes on Fleet Street for transitional housing. The value of these contributions is conservatively estimated at \$37.8 million.

A portion of the Affordable Housing Acquisition and Preservation project funds will be used to support HOC's Elizabeth Place project in order to provide new, affordable housing in downtown Silver Spring, replacing outdated public housing units that have outlived their useful life. In addition to supporting renovations and other improvements for HOC's deeply subsidized housing units, this recommended capital budget also expands the scope of the Supplemental Funds for Deeply Subsidized Public Housing Unit Improvements project to allow HOC to use funds to demolish the Emory Grove Apartments so that they do not cause blight conditions prior to HOC's redevelopment of the site.

## **Core Infrastructure**

In addition to investing in new facilities, it is critical that we also invest in our existing facilities and consider the long-term cost and programmatic impacts of these assets. As attention is focused on new and compelling infrastructure needs, the ability to focus on existing infrastructure becomes more challenging – particularly in tough economic times. A recent analysis of the County's leasing costs led to my recommendation to maximize the use of the historic Grey Brick Courthouse in downtown Rockville and the Wheaton Redevelopment project. The recommended CIP will reduce leasing costs, avoid expensive maintenance and renovation costs for the rapidly deteriorating Bushey Drive building, and co-locate departments and agencies that have related and compatible missions and programs. This initiative is described more fully in a separate transmittal.

A new project supplemental appropriation request has also been included to repair the concrete deck, structural steel, drains, post-tensioned concrete tendons, and curbs for the Council Office Building Garage. The garage is in need of repair and work must begin as soon as possible.

Two years ago, we began a pilot project to "refresh" our public libraries and one Health and Human Services building. Under the refresh concept, needed investments in building infrastructure such as HVAC systems and roofs are funded through existing level of effort projects, while Planned Lifecycle Asset Replacement (PLAR) funds are used to "refresh" carpeting, paint, and furniture and make minor modifications as needed to update the facility. This approach has provided residents and employees with a completely overhauled facility without a more expensive, time consuming full-scale renovation. The results have been well received, and the Maryland-National Capital Park and Planning Commission staff has discussed implementing similar efforts in their park system, where appropriate. I am recommending allocating existing Facility Planning funds and increased funding in the PLAR:MCG project to expand these efforts.

I have continued funding to make needed repairs at the Red Brick Courthouse and at the Kennedy-Shriver Aquatic Center, and new funding has been added to the Cost Sharing project to repair and paint interior walls damaged by water leaks, repair concrete and other exterior structures, and restore and paint other interior spaces at the Strathmore Mansion.

Last year, the Council added \$31.8 million to renovate the Council Office Building. The project included two distinct components. The first component costs \$19.9 million and focuses on upgrading the basic building systems and structures, partially funded through related energy savings. The second portion is more discretionary and involves expanding County Council's footprint in the building by relocating the Department of Housing and Community Affairs (DHCA) from the fourth floor. The capital cost of this second discretionary component is \$16 million and the 10-year cost of the lease for DHCA to vacate the building in FY17 is a large sum - \$6.5million. I have reluctantly included full funding for this project due to Council's commitment to funding this project. However, I would prefer to avoid the DHCA lease costs in FY17 and FY18 while we are feeling the full impact of the Wynne case and redirect the \$16 million in FY17 and FY18 capital costs to support other activities such as MCPS, highway maintenance, and the College.

## **Public Safety**

The FY17-22 recommended Capital Improvements Program includes funding for a number of critical public safety facilities and equipment. Through the Public Safety System Modernization project, the County will replace the public safety radio infrastructure to be compliant with new Federal standards, implement fire station alerting systems in all fire houses, and replace the computer aided dispatch system and public safety records management software.

A number of public safety projects are leveraging non-County funding. For example, through a publicprivate partnership, a new 2nd District Police Station is being built by a private developer and will be completed in FY17. State funding is also helping to fund the expansion and renovation of the Pre-Release Center Dietary Facilities.

Fire projects are a significant component of the recommended FY17-22 capital budget. Major projects include the design and construction of new Fire Stations in Clarksburg and White Flint and design and construction funding for a new Future Fire Stations project to provide adequate fire protection and emergency services in areas with high growth and Fire and Rescue Service needs. The Glenmont Fire Station replacement project will be complete in FY17, and the Kensington (Aspen Hill) Fire Station #25 expansion and renovation will be completed in FY18. Funding for level of effort Fire projects and Apparatus Replacement are also well-funded in this capital budget.

As part of the Smart Growth Initiative, a new Public Safety Training Academy (PSTA), with a new high bay building and a residential burn building, will be completed in FY16. Training for Department of Correction and Rehabilitation staff will also occur at the new PSTA.

# **Quality of Life**

The FY17-22 recommended Capital Improvements Program also includes substantial funding for projects that provide a positive quality of life for our residents. These include:

- A combined Wheaton Library and Community Recreation Center which will be completed mid-2018.
- Construction of the Good Hope Neighborhood Recreation Center, including enhanced facilities for the performing arts.
- Continued funding of \$1 million a year for Capital Improvement Grants for the Arts and Humanities included in the Cost Sharing project.
- Funding to complete planning and schematic design for a library in Clarksburg.
- A new Child Care Center at Burtonsville Elementary School.
- Additional funding to replace the Avery Road Treatment Center as part of an innovative publicprivate partnership involving the State and a non-profit provider. This project will leverage \$8.6 million in non-County resources. A CIP amendment and supplemental appropriation request has been sent under separate transmittal to fund this project.
- Increased developer funding to help support agricultural land preservation. This project preserves land for local farming to ensure a viable agricultural sector and to support local sourcing of food.

I am also recommending a new Revenue Authority project to replace the irrigation system at the Rattlewood Golf course.

## Maryland-National Capital Park and Planning Commission (M-NCPPC)

The recommended FY17-22 CIP supports the Maryland-National Capital Park and Planning Commission's (M-NCPPC) requested acceleration of \$10.6 million in expenditures into FY16 from FY17-19 to complete the Rock Creek Maintenance Facility, to fund enhancements and leverage private funding for Brookside Gardens, and to complete Laytonia Park improvements. As a result of these accelerations, I have had to adjust FY17-22 support for M-NCPPC programs (\$166.0 million). In doing so, I prioritized funding for previously approved M-NCPPC projects as requested, and have allocated additional funding as affordable to support M-NCPPC's efforts to refresh their parks in an affordability project description form. My recommended capital budget will also fund new projects for the Caroline Freeland Local Park, the Hillandale Local Park, and the South Germantown Recreational Park: Cricket Field. M-NCPPC's Wall Local Park project is not affordable in the time frame requested, and I believe the project requires additional coordination with County staff. Based on the pace of White Flint development, I believe the project would benefit from additional time to work collaboratively to ensure that the Wall Park and combined aquatics and community center envisioned on the site can be effectively integrated and staged. In the meantime, I support any efforts that M-NCPPC makes to activate the current park for more local use.

Significant County support for M-NCPPC's operations is also reflected in the M-NCPPC/MCPS Maintenance Facility (\$69 million) and the new M-NCPPC Headquarters building (\$70.2 million for M-NCPPC's offices) included in the Wheaton Redevelopment project.

### Environment

In this recommended capital budget we will maintain the County's strong environmental leadership position in the State and the country. The County continues to lead the nation in implementing a stormwater remediation plan to treat impervious surfaces, completing 2,000 of the 3,777 required acres with the remaining acres currently in design. Funding for level of effort storm drain projects also contributes to improving the quality of local streams.

## Washington Suburban Sanitary Commission (WSSC)

The recommended capital budget will fully fund the Washington Suburban Sanitary Commission's (WSSC) request for \$1,548.7 million. The WSSC 6-year CIP will continue construction of wastewater treatment and solids handling facility improvements at the regional Blue Plains Advanced Wastewater Treatment Plant; to repair, replace, monitor and protect large cast iron and pre-stressed concrete cylinder pipe water mains; to implement the Trunk Sewer Reconstruction project; and to continue to replace 57 miles of small diameter water mains a year. These improvements will help achieve environmental goals, improve service to customers, and improve efficiency.

## **Budget Fiscal Overview Section**

The FY17-22 recommended CIP assumes general obligation borrowing for the six-year period at \$340 million per year, consistent with the Council's approved Spending Affordability Guidelines. This CIP also allocates pay-as-you-go (PAYGO) funding at ten percent of the amount of General Obligation bonds to be issued each year, or \$34 million per year. This funding is consistent with approved County policy and with information we have shared with the bond rating agencies. I do not recommend exceeding this level of general obligation debt due to the PAYGO and debt service impacts to the operating budget that would occur. I believe that this capital budget is affordable and compatible with maintaining our AAA credit rating, while also meeting our critical capital and facility needs. This high credit rating allows us to borrow funds for our CIP at a low rate, thereby increasing our long-term ability to meet residents' needs.

The tax-supported portion of the FY17-22 Recommended CIP totals \$4.1 billion, a decrease of \$127.1 million or 3.0 percent from the FY15-20 Amended CIP. (Within the CIP, only Stormwater Management, the Housing Opportunities Commission, and the Revenue Authority are considered non-tax supported). With all sources of revenue for all agencies, excluding WSSC, this Recommended CIP totals \$4.4 billion for six years, a decrease of \$142.3 million or 3.1 percent from the FY15-20 amended CIP. Due to the large costs coming into the FY17-22 program from beyond the prior six-year period for previously approved projects, there was little room in the CIP for new projects.

This decrease in programming is primarily related to reduced General Obligation bond programming related to set-aside, implementation rate, and slippage adjustments. Set-asides are funds that are intentionally not programmed to provide capacity to respond to unexpected needs and opportunities. The set-aside differences in this recommended FY17-22 CIP reflect the need to hold a larger set-aside in the full budget year compared to a biennial year, and the intentional decision to hold back additional funds to support White Oak Redevelopment costs in a later CIP amendment. In addition, County agencies have improved the rate at which they are implementing their projects for every year since FY11. To more accurately reflect that trend, I have assumed no implementation rate overbooking factor for FY17-22. Savings plan related deferrals in GO bond funded projects have placed additional pressure on our bond capacity in this recommended CIP.

Other factors affecting available resources include reductions in impact tax revenues and State Aid – primarily related to more realistic estimates of State Aid support for Stormwater Management and reductions in Montgomery College State Aid due to the assumed cycle of their construction projects. These reductions are partially offset by estimated increases in Recordation Tax revenues. The Capital Budget has also been reduced due to substantial completion of a number of Smart Growth Initiative projects. Most decisions regarding increases in projects funded with current revenue were postponed until operating budget decisions are made in order to be considered in the operating budget's context, as they directly compete for the same scarce funds.

The proposals, highlighted in the pages immediately following and detailed in the specific FY17-22 recommendations for County Government, MCPS, Montgomery College, M-NCPPC, WSSC, the Housing Opportunities Commission, and the Revenue Authority, reflect the priorities of my administration. Companion supplemental appropriation requests and CIP amendments are being transmitted separately for the following projects: Avery Road Treatment Center, Council Office Building Garage, High School Wellness Centers, Purple Line, Silver Spring Transit Center, and Wheaton Redevelopment. The recommended capital budget also assumes support for the Shady Grove Transportation Depot Replacement supplemental which MCPS recently transmitted to Council.

Many people have helped to shape the recommendations I bring to you in this budget. I appreciate their efforts and commend their contributions to you. As always, Executive Branch staff is available to assist you in your deliberations on the Capital Budget and CIP.

I would like to thank the members of the regional Citizens' Advisory Boards, the Board of Education, the College Trustees, the WSSC Commissioners, and the Planning Board for their work. I look forward to discussing with you any policy matters or major resource allocation issues that arise this spring.