




OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

January 15, 2017

TO: Roger Berliner, President, County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Recommended FY18 Capital Budget and
Amendments to the FY17-22 Capital Improvements Program (CIP)

I am pleased to transmit to you, in accordance with the County Charter, my recommended FY18 Capital Budget and amendments to the FY17-22 Capital Improvements Program (CIP). This is a biennial year for the capital budget. **As a result, amendments are limited to project changes that either meet the County's CIP amendment criteria, or that are necessary to balance the CIP.** I believe the attached recommendations are fiscally prudent and within constrained resources that take advantage of unique opportunities, leveraging non-County resources, and prioritize education, economic development, and core infrastructure.

Unique Opportunities to Enhance Services

Last fall, I was approached by the Housing Opportunities Commission (HOC) with an exciting opportunity to co-locate a County recreation and aquatic center in HOC'S Elizabeth Square affordable housing project in Downtown Silver Spring. The Recreation Department's Facility Development Plan: 2010 – 2030 has long called for this type of recreational facility in Silver Spring, but past efforts to find an economical, desirable site had been unsuccessful. County staff worked with HOC's team to develop a plan for a South County Regional Recreation and Aquatic Center large enough to operate efficiently and that will serve a regional population. The Phase I aquatic center will provide teaching, training, leisure and high school competitive swimming and diving facilities when it opens in late 2019. The Phase II community and senior recreation centers will provide gymnasium, exercise and weight rooms, movement and dance studios, multipurpose activity rooms, public use space, and social space with a culinary arts kitchen when they open in late 2021.

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I am requesting an FY17 supplemental for this unique project since HOC's housing project is a component of their Housing and Urban Development Rental Assistance Demonstration program which has project deadlines that will be negatively impacted by a delay in County support. This project achieves our mutual goal of providing County services in conjunction with affordable housing in the County's transit-rich, activated urban cores. Construction cost savings will also be achieved by integrating the recreation and aquatic center into HOC's housing complex. I hope that you will support this proposal to take advantage of a unique and rare opportunity.

This biennial capital budget also includes an amendment to the Rapid Transit System project to implement Bus Rapid Transit (BRT) corridor service by 2020. US Route 29 BRT will transform mobility options in this corridor with the implementation of a premium, limited stop BRT service that is anticipated to carry as many as 15,000 to 20,000 riders per day. It will improve mobility by connecting riders to high density housing and employment centers. The amendment is needed to leverage a \$10 million federal Transportation Investment Generating Economic Recovery (TIGER) grant and will fund BRT stations, vehicles, transit signal priority technology, new bikeshare stations, and related pedestrian improvements. Staff from the Department of Transportation are also continuing to work with the Maryland Department of Transportation and Howard County on developing the US 29 BRT into a bi-county service.

Support for Education

This CIP budget request fully funds the \$1.73 billion Montgomery County Public Schools (MCPS) budget requested by the Board of Education. This level of six-year funding will maintain support to construct four new schools, 22 new additions, and 11 school renovations/expansions with another 11 renovations/expansions underway and also maintain investments in HVAC, roofs and other critical infrastructure. The recommended CIP will fund a new request for a feasibility study to reopen Woodward High School and will support two MCPS-requested supplementals for the Planned Lifecycle Asset Replacement: MCPS project and the Rehab/Renovation of Closed Schools (RROCS) project. My recommended CIP includes minor funding schedule adjustments for affordability, but I believe that MCPS can manage their budgets to ensure that no projects are delayed within these funding allocations.

While the Montgomery County Public Schools Board of Education request for the biennial CIP included only one project increase, MCPS has been clear that they anticipate making a large CIP request in the next full CIP for the FY19-24 period. As you are aware, MCPS continues to experience significant enrollment growth that requires continued investment in capacity projects. MCPS has 18 projects in facility planning for FY17 and FY18 which could result in full project requests in the next full CIP. As a result, my CIP intentionally holds additional capacity in the CIP set-aside for future schools uses in FY19-22.

The recommended Montgomery County Public Schools budget continues to assume \$308.6 million in State aid.

My FY17-22 biennial recommended CIP provides \$331.7 million for Montgomery College capital projects. Funds have been included to support a new Collegewide Road/Parking Lot Repairs and Replacement project, to modify Rockville campus athletic fields and add a turf soccer field, and to support personnel and other cost escalation for the Rockville Student Services Center, Planning, Design & Construction, and the Germantown Science & Applied Studies Phase I projects. As requested by the College, the CIP also reflects an updated schedule for the Rockville Student Services Center, the Germantown Observation Drive Reconstruction, and Collegewide Physical Education Renovations projects and cost reductions in the Germantown Student Services Center and Takoma Park Math and Science Center projects.

Fiscal constraints require that I recommend that \$3 million in GO bond funding for the Takoma Park Math and Science Center project be replaced in FY19 and FY20 with College's Major Facilities Capital Projects funding. This will allow the College to continue to pursue the maximum level of state aid possible without negatively impacting the County's fiscal capacity. The recommended CIP reflects the College's request for \$93.3 million in State aid.

Economic Development

My recommended capital budget assumes that Council will pass the pending \$47.2 million White Oak Redevelopment project amendment. We have long shared an interest in activating the economic development of the White Oak area. Together, we have an opportunity to leverage private funding to bring additional jobs and retail services to the community through investments in critical infrastructure. I hope that Council will act on this amendment quickly in order to initiate this development.

Core Infrastructure

Further critical investments for County facilities infrastructure have also been included in the biennial CIP. These include increases in the:

- HVAC/Electric Replacement project (\$2.2 million) to cover cost increases for work at the Public Safety Headquarters, Olney Indoor Swim Center, and Black Rock Center for the Arts;
- Planned Lifecycle Asset Replacement: MCG (\$5 million) to facilitate efficient "refresh" renovations in conjunction with Energy Savings Contract (ESCO) work. This strategy has proven an effective way to cost-effectively update County facilities; and
- Building Envelope Repair project (\$2.75 million) to repair overhead doors at fire stations and other building envelope repairs.

The Bridge Renovation project is recommended to increase by \$7 million to address emergency projects requiring repairs to the Montevideo Road Historic Truss Bridge No. 30, Kinster Drive Culvert, Quince Mill Drive Culvert, and the design of ten steel culvert repairs to prevent imminent failure. Funding these costs will be critical to maintaining our transportation

network and ensuring public safety. Some of this work will be funded with FY17 transfers so that work can begin quickly.

The Resurfacing: Residential/Rural Roads project has had \$2 million accelerated from FY19 into FY18 to expedite important roadway improvements. I share Council's concerns about the condition of our County roads and have prioritized increasing FY18 funding accordingly.

The biennial CIP includes funds to replace the aging Mass Transit Computer Aided Dispatch/Automatic Vehicle Locator (CAD/AVL) system in a new Intelligent Transit System project. The current system must be replaced to avoid system outages, increased maintenance costs and security vulnerabilities. The new system will also provide improved vehicle location data and enhanced communication technology, thereby reducing dead zones. Mass Transit costs for real time signs previously included in the Advanced Transportation Management System project are also reallocated to this project to facilitate cost tracking.

Staff from the Departments of General Services, Transportation, Finance and the Office of Management and Budget are also working on implementing a new streetlight initiative. This initiative will facilitate the conversion of existing streetlights from High-Pressure Sodium (HPS) to Light-Emitting Diode (LED) technology by FY22. This project will be done through an Energy Savings Contract (ESCO) to expedite light replacement, reduce future maintenance and utility costs, and avoid placing additional demands on County general obligation bonds. Once the project details are finalized, a budget amendment will be forthcoming.

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

My recommended CIP includes full funding for M-NCPPC's Small Grant/Donor-Assisted Capital Improvements, ADA Compliance: Non-Local Parks, Trails: Natural Surface & Resource-Based Recreation, and Minor New Construction – Non-Local Parks project amendments. M-NCPPC is to be commended for securing additional state and contribution funding for these projects.

While the recommended CIP does not reduce any previously approved M-NCPPC six year funding, it does reflect affordability adjustments that may impact M-NCPPC's ability to maintain some project schedules. I have not specified how M-NCPPC should make these adjustments, but I would ask that the Josiah Henson Historic Park and the South Germantown Recreational Park: Cricket Field projects maintain their planned implementation schedules due to the unique character of the projects.

The recommended CIP has been developed with the assumption that a supplemental will be requested for the Wall Park garage.

Revenue Authority

The biennial CIP recommends approval of all of the Revenue Authority's proposed amendments. The Revenue Authority has requested a delay in the Needwood Golf Course project based on a more recent assessment of facility needs. Minor delays have also been reflected in the Little Bennett, Northwest, Poolesville golf courses and the Hampshire Greens Restroom Amenities and Grille projects while the Rattlewood Golf Course reflects minor project acceleration.

Balancing the CIP Budget

The challenge in preparing my FY17-22 biennial CIP was to find a way to support critical infrastructure needs and take advantage of the opportunities presented by the South County Regional Recreation and Aquatic Center project and the federal Route 29 BRT TIGER grant while maintaining an affordable CIP. The primary methods for achieving these goals were to:

- Maintain annual GO bonds limits at \$340 million per year;
- Recognize other revenue increases (and shortfalls) based on updated projections;
- Allocate some set-aside funds to projects;
- Recognize project cost savings where appropriate;
- Recognize likely project implementation delays and adjust funding schedules in ways that will not impact project completion; and
- Where necessary, delay some projects due to affordability concerns.

General Obligation Bonds

I recommend maintaining the approved level of General Obligation (GO) bond issues (\$340 million) in each of the remaining five years of the FY17-22 CIP. I believe this funding level is necessary to balance the needs of the operating and capital budgets. The same growth in school enrollment that has taxed our school facilities also strains our operating budget with state-mandated maintenance of effort cost increases estimated to be \$28.1 million in FY18 alone. In order to maintain operating budget flexibility, it is imperative that we do not increase our long-term debt obligations any further. Debt service payments represent the fastest growing category of expenditures and have been crowding out funding for other critical programs and services.

The recent fiscal plan indicated that due to reduced revenue estimates, operating budget resources will be significantly constrained. I do not believe it would be wise to increase debt and the related 10 percent pay-as-you-go (PAYGO) levels beyond the Council approved levels from last year.

Other Funding Sources

Although funding from recordation and impact taxes fell short in FY16 (-\$8.261 million), for the FY17-22 period, overall funding from these sources is projected to increase by over \$69 million. While a portion of these funds have been used to help fund the recommended capital budget amendments, I have intentionally chosen not to allocate a portion of these funds which are traditionally allocated to schools projects in FY19 to FY22 to preserve the ability to address what we know will be a significant requested increase in capital budget support for Montgomery County Public Schools.

Current Revenue funding has increased by \$6.5 million in FY17 and decreased by \$99,000 in FY18 based on Council supplementals and minor adjustments, respectively. As the FY18 operating budget is developed, additional current revenue adjustments may be necessary.

Set Aside Considerations

The recommended capital budget assumes a \$211.690 million set-aside with \$20.183 million available in FY18 for anticipated future 2017 amendments and unanticipated needs. The recommended biennial set-aside allocates approximately \$55.8 million from last year's set-aside for project use. However, as previously mentioned, I have intentionally left additional funds available in set-aside for next year's anticipated MCPS request. Capacity issues for the overcrowded schools are well documented. As enrollment is expected to surge - particularly in secondary schools, we risk putting portions of the County into moratorium in a manner that could be detrimental to economic development. It is prudent to refrain from committing these funds until we know the scope of MCPS's full year CIP request.

Other Project Cost Changes, Implementation Delays, and Schedule Adjustments

The Wheaton Library and Recreation Center, Century Boulevard, the Takoma Park/Silver Spring Math and Science Center, and the Germantown Student Services Center have reported cost savings that are reflected in the biennial CIP. These cost savings were partially offset by cost increases in the Silver Spring Transit Center project for legal costs and the Clarksburg Fire Station for land costs.

Project schedules have been adjusted based on updated implementation data. For example, a number of amendments reflect project delays or acceleration as requested by the Board of Education and Montgomery College. The Wheaton Redevelopment project has experienced delays related to redesign work to incorporate two additional floors and geothermal heating and cooling into the building. The Clarksburg Fire Station has also been delayed one year due to the potential for project delays.

Balancing the CIP was particularly challenging in FY19 and FY20, and addressing funding shortfalls in those years tended to create pressure in later years. As a result, land purchase delays for Goshen Road South, one year delays in the White Flint Fire Station, Observation Drive Extended, MacArthur Blvd Bikeway Improvements, Seven Locks Bikeway &

Safety Improvements, Bradley Boulevard (MD 191) Improvements, and Franklin Avenue Sidewalk projects and a two-year delay in the Falls Road East Side Hiker/Biker Path project were necessary to maintain affordability throughout the six-year period.

Technical Adjustments

Also included in the recommended capital budget are technical adjustments to a number of projects. These include funding and/or appropriation corrections, funding switches, pending and previously approved supplementals and transfers, minor project acceleration, shifts between years to balance the CIP, and other technical adjustments.

As required by State law, I am also providing today (under separate cover) the recommendations for both the FY18-23 Capital Improvements Program and the FY18 expenditures for the Washington Suburban Sanitary Commission (WSSC).

Many people have helped to shape the recommendations I submit to you in these amendments, and I am grateful for their efforts. I wish to thank the members of the Board of Education, the College Trustees, WSSC Commissioners, and the Planning Board for their work.

As stated above, further recommendations relating to current revenue and other CIP initiatives will be provided once I have finalized my March 15th Operating Budget recommendations. I look forward to discussing with you any policy matters or major resource allocation issues that arise this spring. As always, Executive Branch staff is available to assist you in your deliberations on the Capital Budget and CIP.

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Attachments:

Fiscal Summary Schedules

- FY17-22 Biennial Recommended CIP – Budget Adjustments Summary
- General Obligation Bond Adjustment Chart
- General Obligation Bond – Programming Adjustment for Unspent Prior Years
- Tax Supported Current Revenues Adjustment Chart MCG FY18 Capital Budget: Appropriation and Closeout List

Recommended Capital Budgets

- MCG FY18 Capital Budget: Appropriation and Closeout List
- HOC FY18 Capital Budget: Appropriation and Closeout List
- MCPS FY18 Capital Budget: Appropriation
- Montgomery College FY18 Capital Budget: Appropriation
- M-NCPPC FY18 Capital Budget: Appropriation

Project Description Forms

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Casey Anderson, Chair, Montgomery County Planning Board
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Executive Branch Department Heads and Office Directors