



County Executive Recommended

FY26 Capital Budget and Amendments to the FY25-30 Capital Improvements Program

• January 15, 2025 •



Agenda

- **Welcome**
- **Full vs Biennial Capital Improvements Program (CIP)**
- **Challenges**
- **Funding Changes**
- **FY26 Capital Budget and Amendments to the FY25-30 Capital Improvements Program Overview**
- **Highlights**
- **Opportunities**



Full vs Biennial Capital Improvements Program

Full Capital Improvements Program: Review and consider changes to all projects, no defined criteria for amendment

Biennial Capital Improvements Program: Changes must adhere to amendment criteria

The FY26 Capital Budget and Amendments to the FY25-30 Capital Improvements Program is a biennial year



Biennial Amendment Criteria Include:

- Needed to address an urgent health or safety concern
- Opportunity to leverage significant non-County funding
- Opportunity to achieve significant savings or cost avoidance or to generate significant additional revenue
- Needed to support significant economic development initiatives
- Significant opportunity that would be lost if not taken at this time
- Delays required to provide fiscal capacity



Challenges



Cost Pressures

Construction Cost Increases Related to:

- Inflation
- Tight construction market
- Labor shortages

Higher bids erode buying power

Project amendments required to maintain core infrastructure and operations also add to cost pressure.





General Obligation Bond Spending Affordability Guidelines



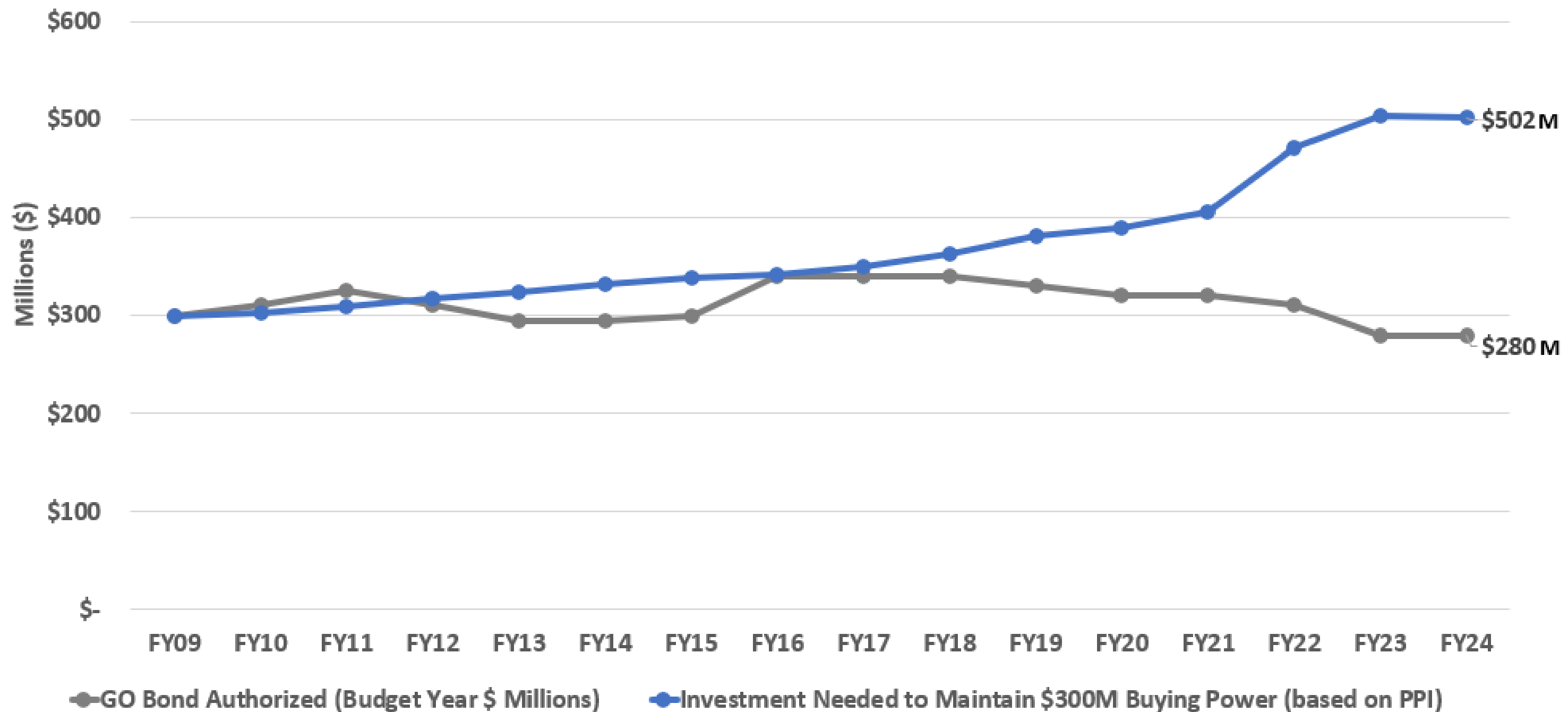
- Recommends no change from the Council Approved Guidelines totaling \$280M/yr; \$1.68 billion over 6 years
- Inflation and escalation costs continue to reduce the buying power of \$280M/yr



General Obligation Bond Purchasing Power

To maintain the buying power that \$300M had in FY09, the County would need to issue more than \$500M today.

Investment Needed to Maintain \$300M (FY09) Buying Power (based on PPI*)



*Bureau of Labor Statistics, Producer Price Index (PPI) by Commodity for Final Demand: Construction for Government



Housing Market Revenue Impacts

Recordation Tax and Recordation Tax Premium

- Increase of \$57.7M reflecting the beginning of a housing recovery
- Significant increase in residential home sales volume
- Non-residential activity continues to decline





Housing Market Revenue Impacts

School and Transportation Impact Taxes

- \$69.6M reduction in projected revenues compared to prior approved estimates
- Decrease in FY24 collections to levels not seen since the Great Recession driven by reduced development activity
- Recent changes to Chapter 52, Taxation, of the Montgomery County Code passed by Council related to Growth and Infrastructure policy amendments are estimated to reduce impact tax revenues by \$13M over six years





Housing Market Revenue Impacts

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- Bill 22-24 (recently introduced) delays impact tax collection for development
 - Could reduce Transportation Impact Tax collections by \$14.8 million and School Impact Tax collections by \$13.0 million over six years
- Large impacts in FY26 and FY27
- Recommended CIP does not assume revenue changes related to Bill 22-24; project reductions and/or deferrals required if enacted



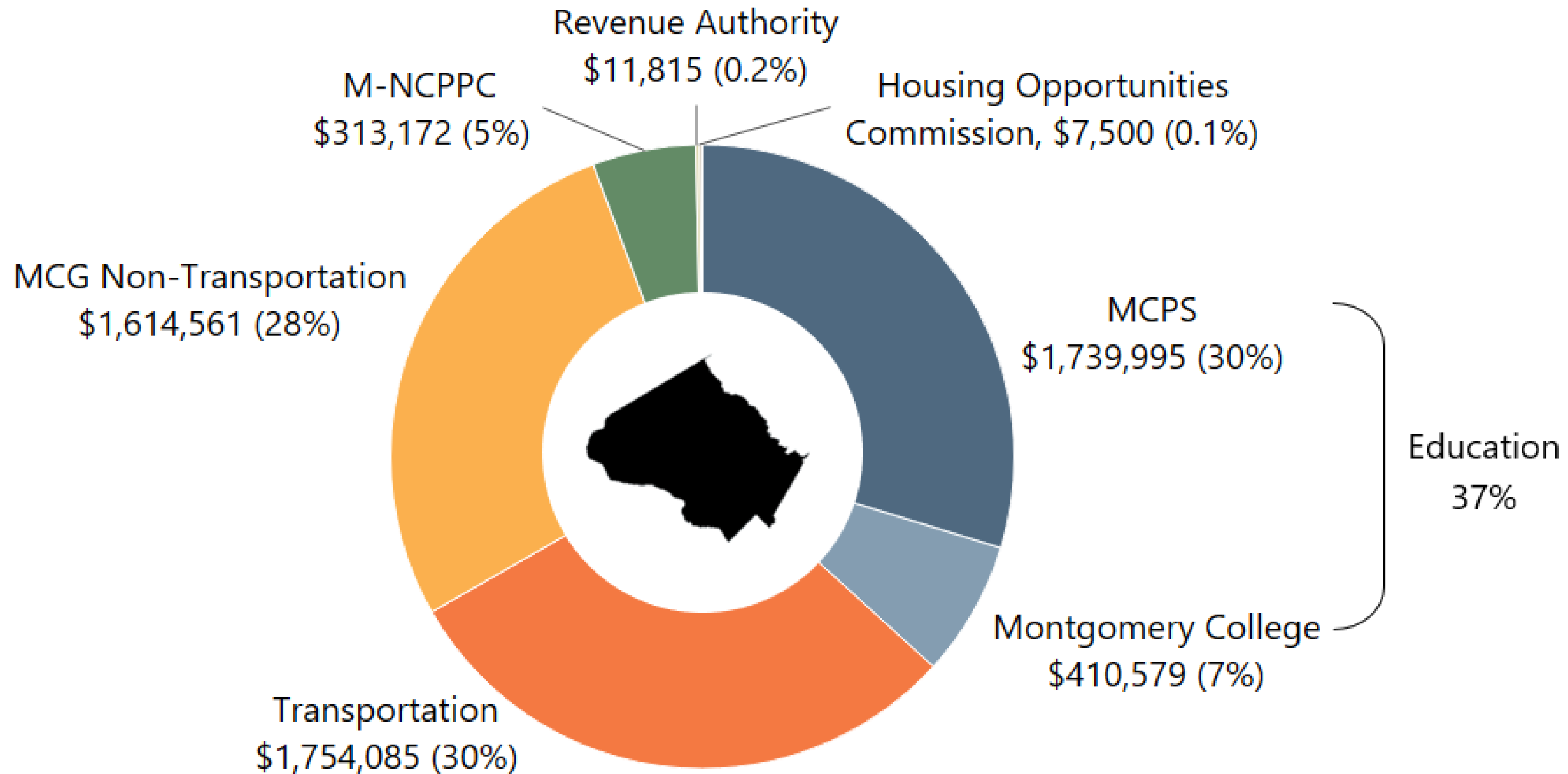
FY25-30 Capital Improvements Program Overview



The FY26 Capital Budget and Amendments to the FY25-30 CIP continues progress on important policy goals including education, economic development, transportation, and core infrastructure with limited disruption to previously approved projects despite constrained debt levels and growing cost pressures. However, we are not able to adequately address our backlog of deferred maintenance or speed up delivery of Bus Rapid Transit due to limited resources. Advancing these priorities in the next full CIP will require a new revenue source.



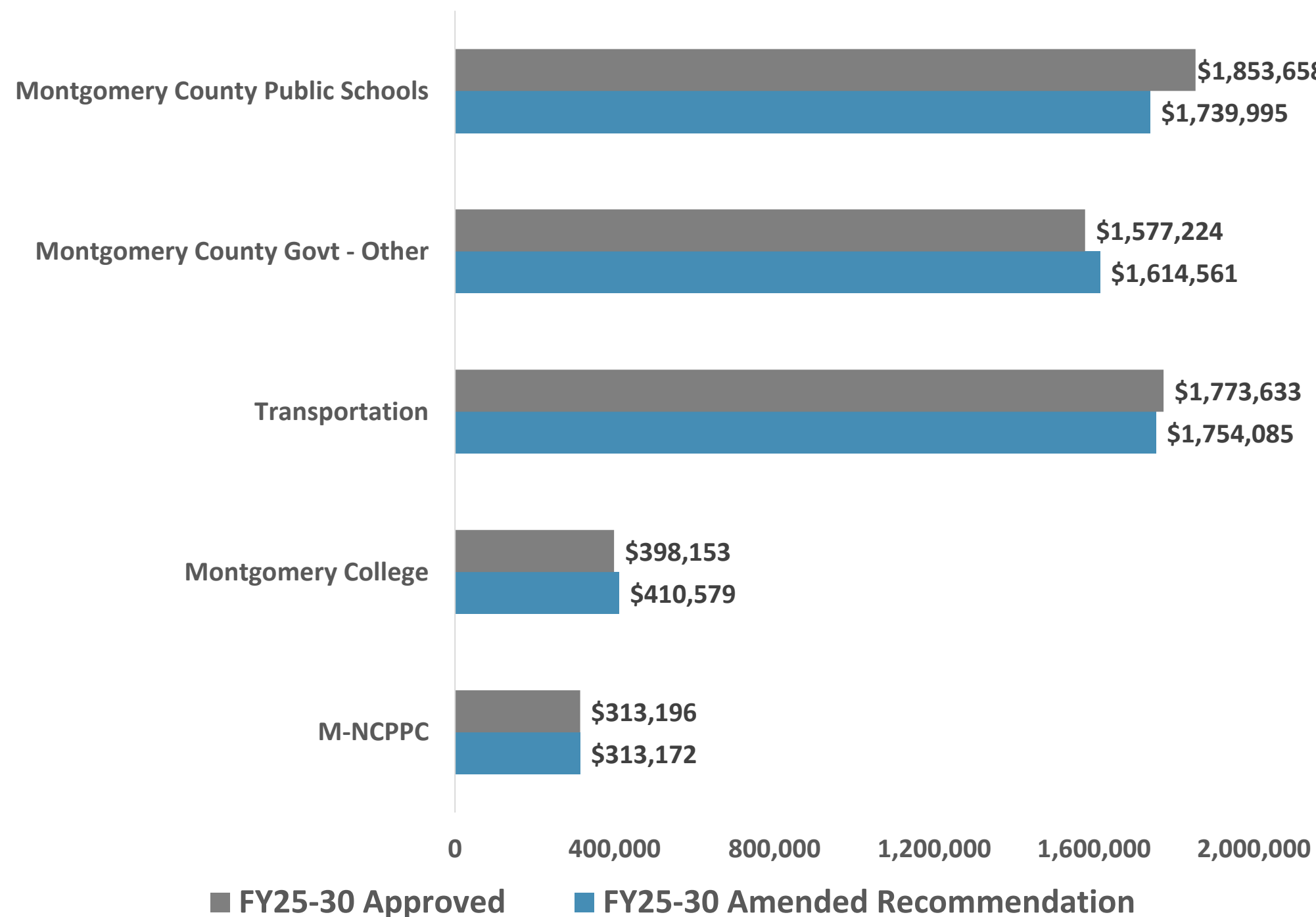
County Executive Recommended FY26 Capital Budget and Amendments to the FY25-30 CIP (\$5.852B) (\$000s)



*Excludes WSSC Water



Allocation by Category (Tax-Supported) FY25-30 Approved vs FY26 Amended Recommended (\$000s)

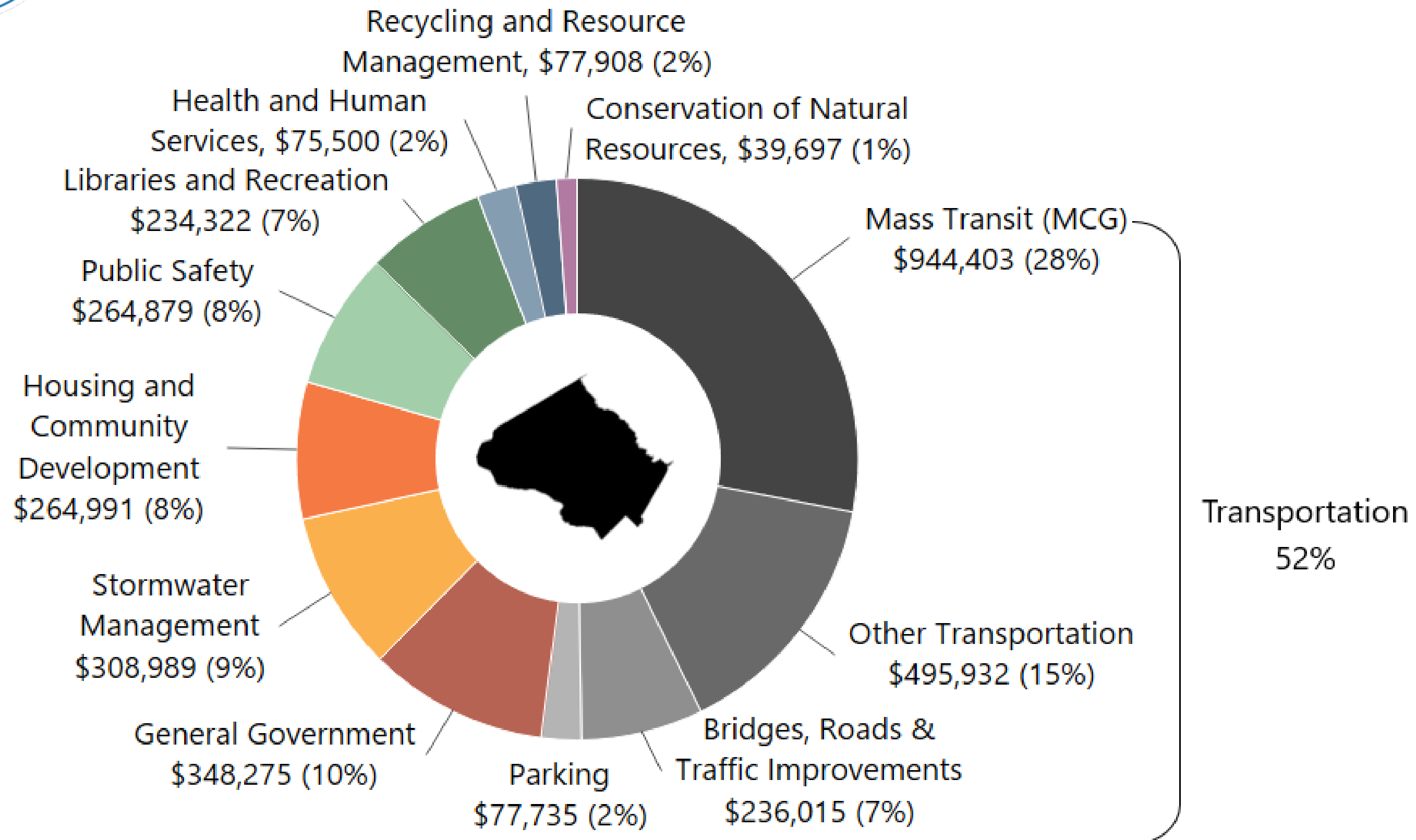


	Council Approved FY25-30	FY26 Amended Recommended FY25-FY30	Increase/ (Decrease)	Percent Change
Montgomery County Public Schools	\$1,853,658	\$1,739,995	-\$113,663	-6.1%
Montgomery County Govt - Other	\$1,577,224	\$1,614,561	\$37,337	2.4%
Transportation	\$1,773,633	\$1,754,085	-\$19,548	-1.1%
Montgomery College	\$398,153	\$410,579	\$12,426	3.1%
M-NCPPC	\$313,196	\$313,172	-\$24	0.0%
Revenue Authority	\$11,815	\$11,815	\$0	0.0%
Housing Opportunities Commission	\$7,500	\$7,500	\$0	0.0%
TOTAL	\$5,935,179	\$5,851,707	-\$83,472	-1.4%

*Montgomery County Public School decreases are due to project accelerations moving expenditures from the FY25-30 period into FY24 and \$15.5 held in set aside for the Charles W. Woodward High School Project



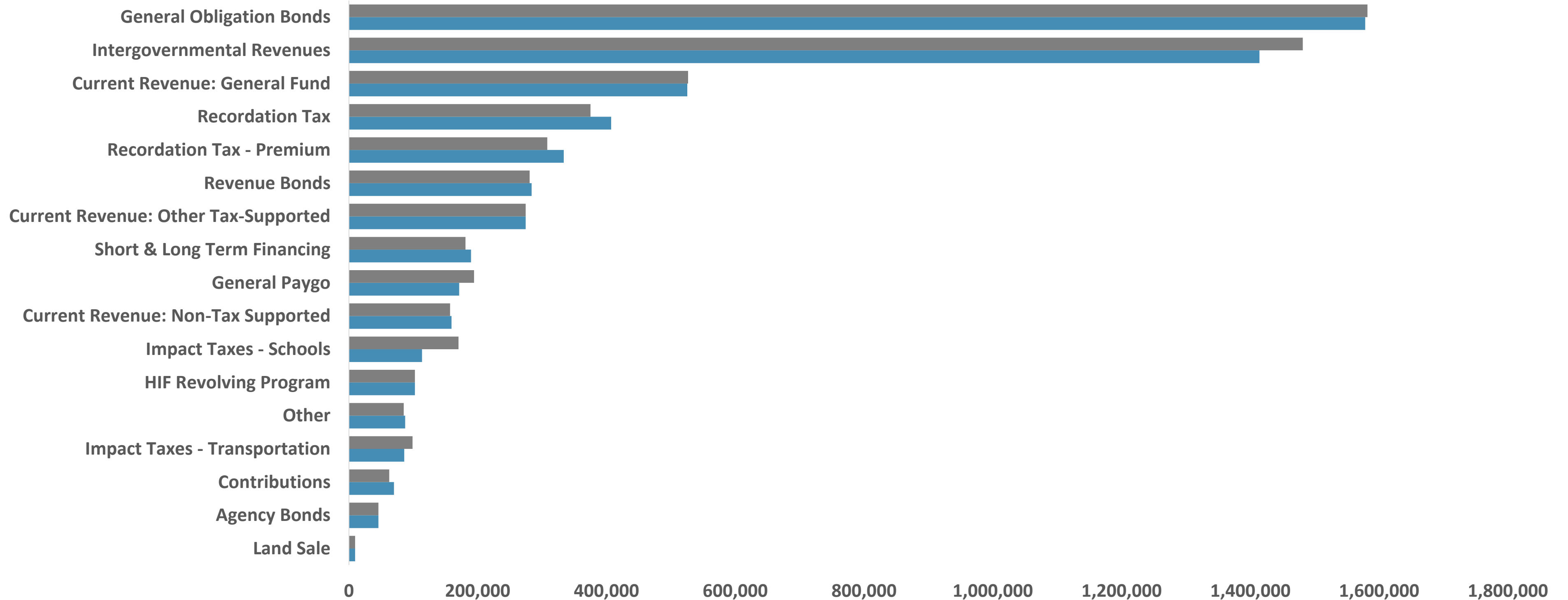
Allocation – County Government (\$000s)





Major Funding Changes by Source FY25-30 Approved vs FY25-30 Amended Recommended (000's)

■ FY25-30 APPROVED ■ FY25-30 Amended RECOMMENDED





Highlights – Education

MCPS

- Provides \$1.740B for school construction
- Holds capacity to fully fund the Board of Education request
- Reflects \$98M in net project accelerations for spending that occurred ahead of schedule
- Includes renovations and additions for elementary, middle and high schools, and other infrastructure investments





Highlights – Education



- Enhancements include:
 - Charles W. Woodward - \$28M to complete interior of the auditorium and associated spaces
 - Crown High School - \$20M to complete interior of the auditorium, shelled classrooms and labs, and construct the originally planned stadium
 - Northwood High School - \$5M for stadium upgrades
 - HVAC – \$4.5M to address backlogs

Montgomery College

- Provides \$410.6M, fully funding the College’s request
- Adds funds for escalation to match additional State aid
- Allocates contributions from fund balance to support enhancements to the Capital Renewal: College and Planned Lifecycle Asset Replacement: College projects
- Leverages \$118.9M in State aid



Highlights – New Projects Leveraging Outside Resources



- **Brookville Depot HVAC:** Replace deteriorating HVAC system funded in part by Green Bank loan proceeds
- **Olney Infant and Toddler Program Site Improvements:** Leverages State aid to support improvements for the Infants and Toddlers Program on the Rosa Parks Middle School property
- **Bus Rapid Transit – Howard County Flash Extension:** Federal aid and intergovernmental contributions support extension of the U.S. 29 Flash line to provide a one-seat ride from Columbia to Silver Spring
- **Olney Community Building:** Acquisition and renovation of facility to provide meeting space for the greater Olney community fully supported by State grants



Highlights – Existing Projects Leveraging Outside Resources

- **North Bethesda Metro Station Northern Entrance:** \$5M Federal earmark to advance this project
- **Bus Stop Improvements:** \$560K Federal earmark to develop Vision Zero standards for bus stops
- **Goshen Road South:** \$500K Federal earmark to support spot improvements
- **Highway Noise Abatement:** \$250K in State aid to conduct a noise abatement study for the intersection of the Intercounty Connector and New Hampshire Avenue
- **Olney Satellite Police Station:** \$1.1M in State aid to design and construct a satellite police substation in Olney



Highlights – Enhancements and Investments in Critical Infrastructure

- **White Oak Science Gateway:** Accelerates funds to construct master-planned road infrastructure necessary to implement Viva White Oak to support the new developer’s schedule
- **Elevator Modernization – Progress Place:** Add \$1.2M to purchase and install elevator equipment appropriate for the service demands at Progress Place to address frequent equipment outages
- **ADA – Germantown Outdoor Pool:** Adds \$3.1M to improve access for users with mobility impairments
- **Gregg Road Bridge:** New project to rehabilitate an existing bridge built in 1958 over Hawlings River Tributary

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Highlights – Enhancements and Investments in Critical Infrastructure

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- **Recreation Facilities Refurbishment:** Adds \$600,000 to support facility assessments to appropriately program and prioritize upcoming projects
- **CASA Rockville Welcome Center Renovations:** Provides \$2.5M to support completion of renovations to provide employment and training services to low-income residents
- **Scotland AME Zion Church 2nd Century Project:** Provides \$400,000 to support the renovation and reconstruction of a historic church following a major flood event in 2019



Highlights – Cost Increases



- White Flint Fire Station
- Judicial Security Improvements
- Dickerson Radio Tower
- Child Care Renovations – Child Care Facility Replacement
- Bikeway Program Minor Projects
- Recreation Facilities Refurbishment – Centers
- Noyes Library for Young Children Rehabilitation and Renovation
- Silver Spring Recreation and Aquatic Center



Project Schedule Adjustments:



- Rockville Fire Station 3 Renovation
- Child Care Renovations – ADA Remediation
- Child Care Renovations – Child Care Facility Replacement
- Child Care Renovations – Playgrounds
- Full Upgrade of Recycling Center Complex
- Martin Luther King, Jr. Indoor Swim Center Renovations
- Library Refurbishment Level of Effort
- ABS Retail Store Refresh
- Kennedy Shriver Aquatic Center Building Envelope
- Recreation Facilities Refurbishment - Indoor Pools
- Recreation Facilities Refurbishment – Centers
- Recreation Facilities Refurbishment - Outdoor Pools
- Energy Conservation
- 6th District Police Station



Highlights – Other Outside Agencies

- **Maryland-National Capital Park and Planning Commission (M-NCPPC):**
 - Provides \$313.2M over six years
 - Funds the M-NCPPC request with small adjustment for out-year inflation
- **Housing Opportunities Commission:**
 - This CIP invests more than \$264M to support affordable housing in our community
 - For HOC, provides \$7.5M over six-years
 - Increased cash contributions in the CIP for Elizabeth House Demolition and Cider Mill Capital Improvements will be considered in March



Prudent Investment of Cash

- GO Bond Premium increase (\$31.4M) supports return of FY25 PAYGO to policy level
- Deferrals for Fiscal Capacity
 - Summit Avenue Extended
 - Outdoor Firearms Training Center
- Project Savings
 - Clarksburg Fire Station
 - Lactation Rooms in County Buildings
 - Montgomery County Correctional Facility Sewer
 - Life Sciences and Technology Centers





Opportunities



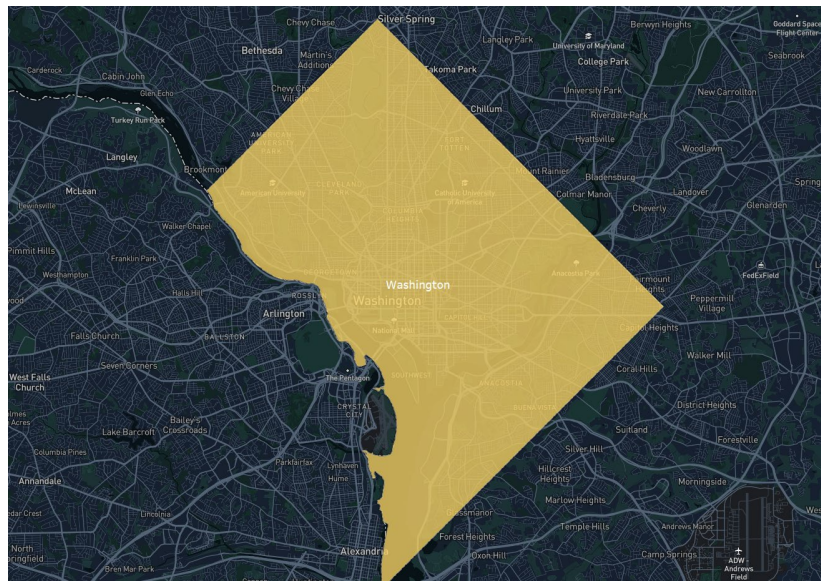
Need for Dedicated Revenues for Transportation

- New State legislation allowing special taxing districts for corporations to support transportation improvements is essential
- Must identify new revenues to address congestion, plan for regional growth, provide transportation choices, and increase accessibility as regional competitors

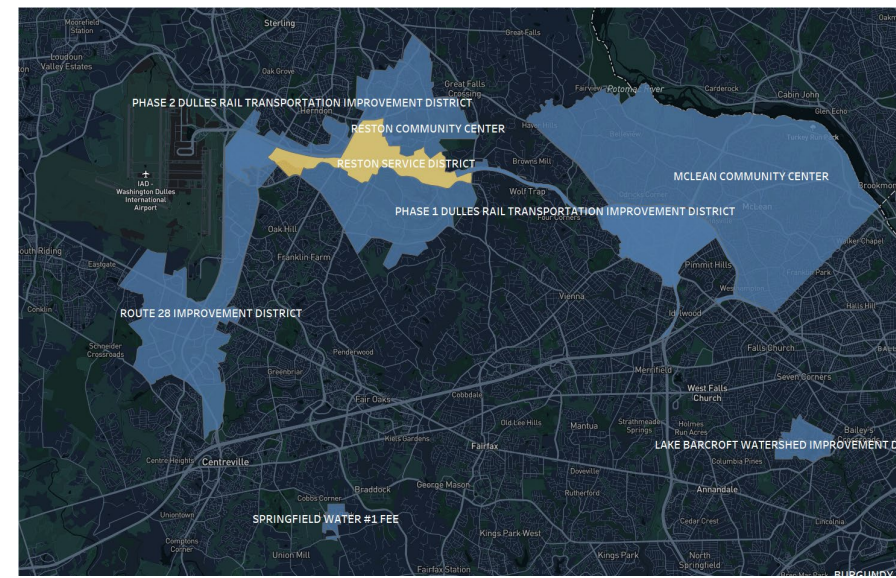


MC Tax Structure Hinders Opportunity

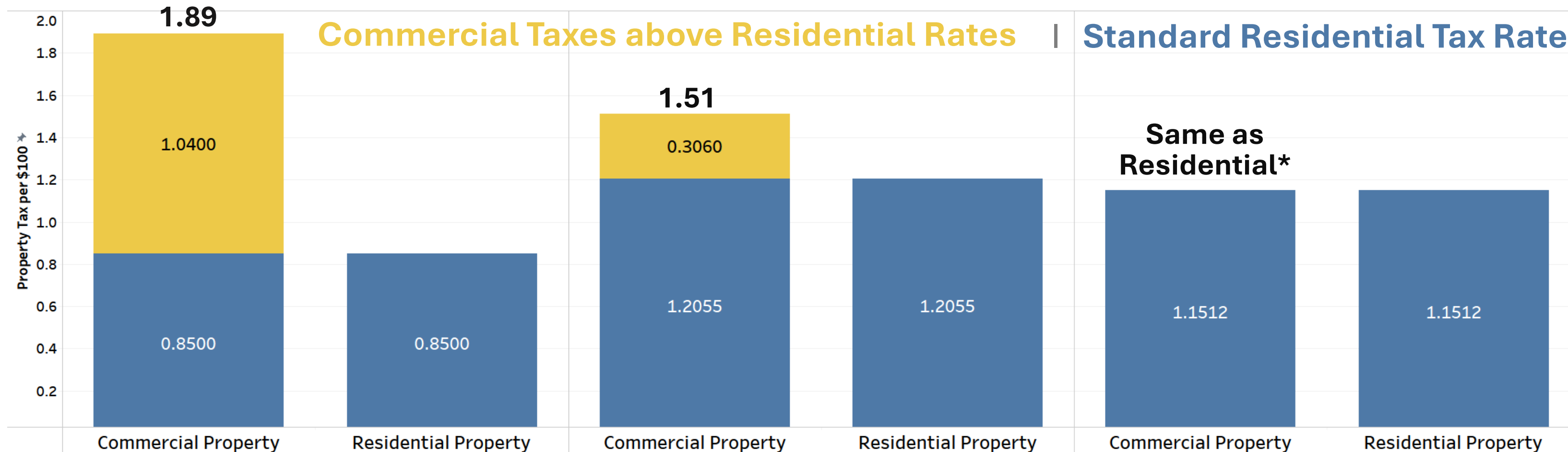
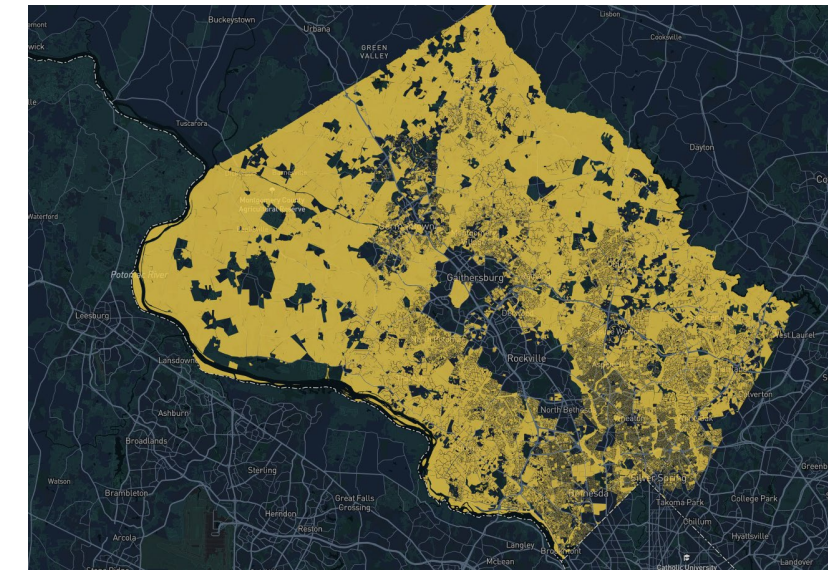
DISTRICT OF COLUMBIA Districtwide



FAIRFAX COUNTY VA Reston Service District 10500/1T5RW



MONTGOMERY COUNTY MD Non-Municipal tax Class 38/42/53



*Includes Maryland state property tax rate of 0.112 and County property tax rate of 1.0392 per \$100 of assessed value



MC Tax Structure Hinders Opportunity

Chart 9: Composition of 2020 Tax Burden of Firm #1 - Small Corporation

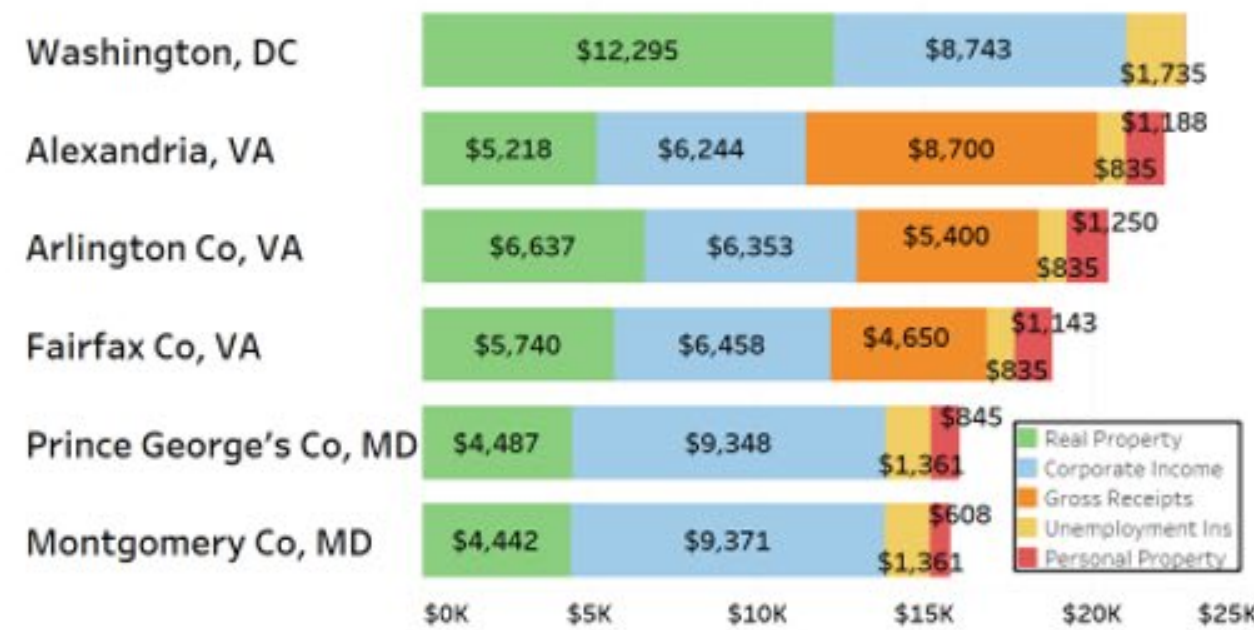
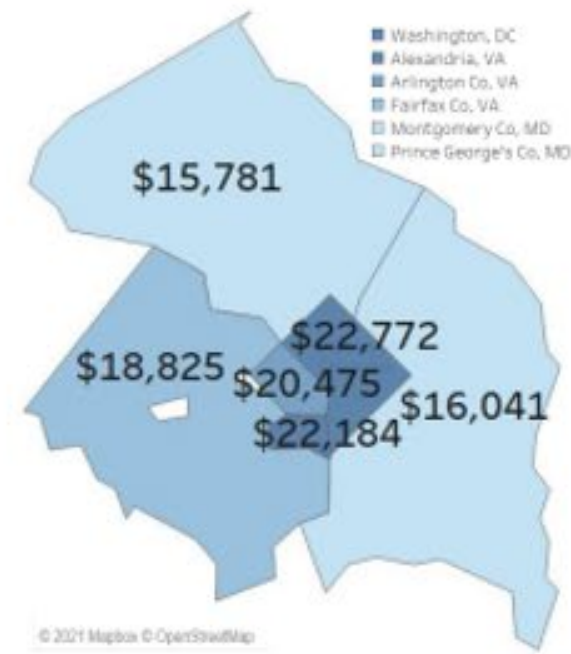


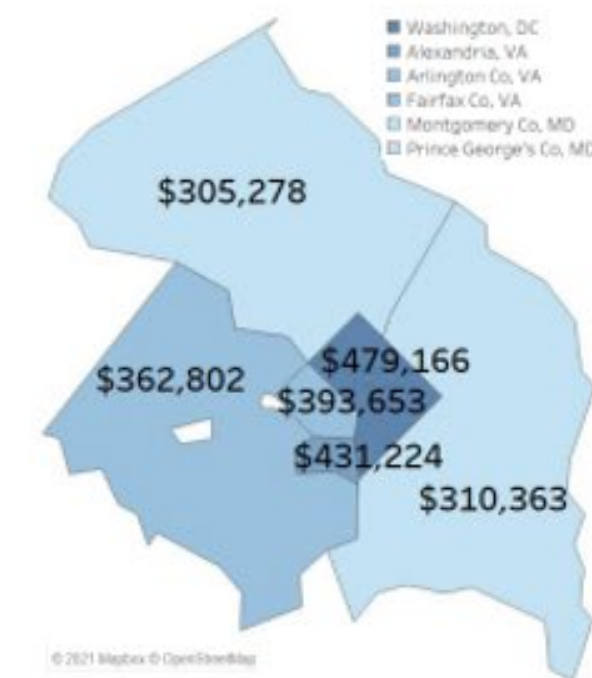
Chart 10: Composition of 2020 Tax Burden of Firm #2 - Large Corporation



Map 1: Firm #1 Total 2020 Tax Burden



Map 2: Firm #2 Total 2020 Tax Burden



Source: District of Columbia, Office of the Chief Financial Officer



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