



Committee: Directly to Council
Committee Review: N/A
Staff: Craig Howard, Deputy Director
Purpose: To receive testimony/final action - vote expected
Keywords: MCPS, Capital Budget, South Lake Elementary

AGENDA ITEM #11
December 1, 2020
Public Hearing/Action

SUBJECT

Special Appropriation to the FY21 Capital Budget and Amendment to the FY21-26 Capital Improvements Program, Montgomery County Public Schools, Major Capital Projects - Elementary (No. 652101) (South Lake ES), \$5,853,000 (Source of Funds: General Obligation Bonds)

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

On October 26, the Education & Culture (E&C) Committee discussed the Board of Education's request to accelerate funding for the South Lake Elementary School major capital project to FY21 and to provide additional FY21 funding for the HVAC project. To accommodate these requests, the Committee supported a package of CIP amendments reducing expenditures in seven other MCPS CIP projects.

DESCRIPTION/ISSUE

The Council will hold a public hearing and consider action on a special appropriation and CIP amendment for South Lake Elementary School as transmitted by the County Executive as part the package of CIP amendments.

SUMMARY OF KEY DISCUSSION POINTS

- On August 25, the Board of Education (BOE) requested two FY21 special appropriations and amendments to the FY21-26 Capital Improvement Program (CIP): 1) Major Capital Projects - Elementary (South Lake Elementary School) to accelerate construction into FY21 and completion from September 2024 to September 2023; and 2) HVAC (Mechanical Systems) Replacement, MCPS – to provide additional funding in FY21 to address air quality concerns related to the COVID-19 pandemic.
- On September 21, the E&C Committee held an initial meeting to discuss the BOE's requests and asked Council staff to coordinate with MCPS and the Office of Management and Budget (OMB) to identify potential funding options to meet the Board's requests.
- On October 26, the E&C Committee held a follow-up meeting and endorsed a proposed funding approach collaboratively developed by MCPS, OMB, and Council staff. The approach endorsed by the Committee, and reflected in the package of amendments submitted by the County Executive, includes the following components:

- MCPS identified \$9,774,495 in fund balances from several ongoing or pending closeout MCPS CIP projects that will not be needed to finish the projects and therefore can be reallocated. These are funds that were appropriated in prior fiscal years and can be applied to other projects via a “slippage credit.”
- Fully fund the \$5.8 million for South Lake ES in FY21 as requested by the BOE.
- Increase the FY21 funding for the HVAC project by \$3.0 million. This increase (when combined with MCPS’ existing FY21 appropriation) will provide MCPS with sufficient appropriation authority to purchase HVAC equipment that was included in the request to address COVID-19 needs in order to prepare schools for a potential reopening.
- The remaining balance (approximately \$900K) would be held to address potential FY22 needs and/or future emerging facility needs related to the COVID-19 health pandemic.

This report contains:

County Executive Recommendation, Draft Resolution, and Board of Education Request ©1-8
October 26 and September 21 E&C Committee Staff Reports (excluding attachments) ©9-18

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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Marc Elrich
County Executive

MEMORANDUM

November 6, 2020

TO: Sidney Katz, President, County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Amendment to the FY21-26 Capital Improvements Program #10-A21-CMCPS-01
Montgomery County Public Schools
Clarksburg Cluster ES (Clarksburg Village Site #2) – (P651713);
Clarksburg HS Addition – (P116505);
Kensington-Parkwood ES Addition – (P651505);
S. Christa McAuliffe ES Addition – (P651502);
Judith Resnick ES Addition – (P651507);
Shady Grove Transportation Depot Replacement – (P651641);
Blair G. Ewing Center Relocation – (P651515);
Amendment to the FY21-26 Capital Improvements Program and Special Appropriation
#11-SA-21MCPS-02 to the FY21 Capital Budget
HVAC (Mechanical Systems) Replacement: MCPS (P816633), \$3,000,000; and
Amendment to the FY21-26 Capital Improvements Program and Special Appropriation
#12SA-21MCPS-03 to the FY21 Capital Budget
Major Capital Projects – Elementary – (P652101), \$5,853,000

I am recommending an amendment to the FY21-26 Capital Improvements Program for the following seven capital projects: Clarksburg Cluster ES (Clarksburg Village Site #2), Clarksburg HS Addition, Kensington-Parkwood ES Addition, S. Christa McAuliffe ES Addition, Judith Resnick ES Addition, Shady Grove Transportation Depot Replacement, and Blair G. Ewing Center Relocation to recognize project cost savings and provide additional fiscal capacity in FY21. I am also recommending the following two special appropriations to the FY21 Capital Budget and amendments to the FY21-26 Capital Improvements Program (CIP):

- \$5,853,000 for Major Capital Projects – Elementary (P652101) to accelerate the completion date for the South Lake ES – Major Capital Project (P652109) to 2023 as requested by the Board of Education; and
- \$3,000,000 as preliminary support for HVAC (Mechanical Systems) Replacement: MCPS (P816633) to fund enhancements to the HVAC systems in Montgomery County Public Schools to reduce the airborne concentration of SARS-Co V-2 and thus the risk of transmitting COVID-19 through the air.

The recommended amendment to the seven capital projects is consistent with the criteria for amending the CIP because they provide fiscal capacity for other needed projects related to health and safety concerns. The special appropriations are needed to support Montgomery County Public Schools' efforts to safely return students to schools during the COVID pandemic and to address aging infrastructure, overutilization, as well as, other site and programmatic challenges in the Major Capital Projects – Elementary (P652101) related to South Lake ES – Major Capital Projects (P652109). These two recommended amendments are consistent with the criteria for amending the CIP because they both address an urgent safety concern.

I recommend that the County Council approve the amendments to the FY21-26 Capital Improvements Program and the following special appropriations and amendments to the FY21-26 Capital Improvements Program:

- \$3,000,000 for the HVAC (Mechanical Systems) Replacement: MCPS (P816633) and specify the source of funds as Recordation Tax; and
- \$5,853,000 for the Major Capital Projects – Elementary (P652101) and specify the source of funds as GO Bonds.

I appreciate your prompt consideration of these actions.

ME:vmj

Attachments:

- Memorandum from the Superintendent of Schools with Transmittal of Board of Education Agenda Item #11.6
- Memorandum from the Superintendent of Schools with Transmittal of Board of Education Agenda Item #11.7
- Project Description Forms

Resolution No: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Council President at the Request of the County Executive

SUBJECT: Amendment to the FY21-26 Capital Improvements Program and Special Appropriation #12SA-21MCPS-03 to the FY21 Capital Budget Montgomery County Public Schools Major Capital Projects – Elementary – (P612101), \$5,853,000 (South Lake Elementary School)

Background

1. Article 3, Section 308 of the Charter of Montgomery County, Maryland provides that a special appropriation: (a) may be made at any time after public notice by news release to meet an unforeseen disaster or other emergency, or to act without delay in the public interest; (b) must specify the revenues to finance it; and (c) must be approved by no fewer than six members of the Council.
2. Section 5-306 of the Education Article of the Annotated Code of Maryland requires that the County Council adopt a six-year capital improvements program for the Board of Education. This section also allows the Council to make amendments, revisions, and modifications to the program.
3. Section 302 of the County Charter provides that the Council may amend an approved capital improvements program at any time by an affirmative vote of six Councilmembers.
4. On September 8, 2020 the Board of Education (BOE) transmitted a supplemental request for \$5.86 million to the County Executive and County Council to accelerate by one year the completion of the South Lake Elementary School major capital project. Completion would occur by September 2023 instead of September 2024.
5. On October 26, 2020 the County Council’s Education and Culture Committee discussed the Board of Education’s request and preliminarily supported the acceleration of the South Lake Elementary School major capital project. To provide additional fiscal capacity to offset the FY21 impact of the South Lake project, the Committee also supported amendments reducing expenditures in seven other MCPS CIP projects.

6. 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>
Major Capital Projects - Elementary (South Lake Elementary School)	P612101	Site Improvements & Utilities Construction	\$3,218,000 <u>\$2,635,000</u>	GO Bonds GO Bonds
		TOTAL	<u>\$5,853,000</u>	GO Bonds

7. Notice of public hearing was given and a public hearing was held.

Action

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

1. A special appropriation to the FY21 Capital Budget and amendment to the FY21-26 Capital Improvements Program (CIP) is approved as follows and as noted on the attached project description form:

<u>Project Name</u>	<u>Project Number</u>	<u>Cost Element</u>	<u>Amount</u>	<u>Source of Funds</u>
Major Capital Projects - Elementary	P612101	Site Improvements & Utilities Construction	\$3,218,000 <u>\$2,635,000</u>	GO Bonds GO Bonds
		TOTAL	<u>\$5,853,000</u>	GO Bonds

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council



Major Capital Projects - Elementary (P652101)

Category	Montgomery County Public Schools	Date Last Modified	05/19/20
SubCategory	Countywide	Administering Agency	Public Schools
Planning Area	Countywide	Status	

	Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
EXPENDITURE SCHEDULE (\$000s)											
Planning, Design and Supervision	10,536	-	2,483	8,053	2,681	1,525	2,804	1,043	-	-	-
Site Improvements and Utilities	22,353	-	-	22,353	4,944	6,605	8,382	2,100	322	-	-
Construction	107,306	-	-	107,306	3,024	9,478	17,320	31,560	29,255	16,669	-
Other	6,232	-	-	6,232	-	775	2,525	2,932	-	-	-
TOTAL EXPENDITURES	146,427	-	2,483	143,944	10,649	18,383	31,031	37,635	29,577	16,669	-

FUNDING SCHEDULE (\$000s)											
G.O. Bonds	146,427	-	2,483	143,944	10,649	18,383	31,031	37,635	29,577	16,669	-
TOTAL FUNDING SOURCES	146,427	-	2,483	143,944	10,649	18,383	31,031	37,635	29,577	16,669	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)											
Appropriation FY 21 Request				6,365	Year First Appropriation						
Appropriation FY 22 Request				62,178	Last FY's Cost Estimate						
Supplemental Appropriation Request				5,853							
Cumulative Appropriation				7,536							
Expenditure / Encumbrances				-							
Unencumbered Balance				7,536							

PROJECT DESCRIPTION

MCPS contracted with an external entity to conduct full facility assessments of all schools during the spring and summer of 2018. This provided an important baseline of facility condition information across all school facilities to inform decision making about capital projects, systemic replacements, and other work needed to address facility infrastructure challenges. The Key Facility Indicator (KFI) data was compiled into a public facing website in the spring of 2019. As part of the amended FY 2019-2024 CIP, the superintendent identified the first set of schools to be included in the Major Capital Project project. At the elementary level, the first set of schools identified are Burnt Mills, South Lake, Woodlin, and Stonegate Elementary Schools. An FY 2021 appropriation was requested to begin the architectural planning and design for these first four projects. Burnt Mills, South Lake and Woodlin Elementary Schools have scheduled completion dates of September 2023 and Stonegate Elementary School has a scheduled completion date of January 2024. However, due to fiscal constraints, the County Council, in the adopted FY2021-2026 CIP, approved the completion dates for South Lake, Woodlin, and Stonegate elementary schools one year beyond the Board of Education's request, but maintained the planning funds. South Lake and Woodlin elementary schools now have a scheduled completion date of September 2024 and Stonegate now has a scheduled completion date of January 2025.

FISCAL NOTE


South Lake ES - Major Capital Project : FY21 supplemental in G.O. Bonds for the amount of \$5,853,000 to accelerate completion to 2023.

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

September 8, 2020

MEMORANDUM

To: The Honorable Marc Elrich, County Executive
The Honorable Sidney A. Katz, President, Montgomery County Council

From: Jack R. Smith, Superintendent of Schools 

Subject: Transmittal of Board of Education Agenda Item #11.6

Fiscal Year 2021 Supplemental Appropriation and Amendment to the Fiscal Year 2021–2026
Capital Improvements Program for Major Capital Projects Elementary—South Lake Elementary
School

BOE Meeting Date:	August 25, 2020
Amount	\$5,853,000
Type of Action:	Approval

JRS:DGT:EM:SA:AK

Attachment

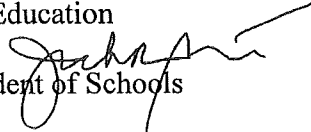
Copy to:
Mr. Turner
Ms. McGuire
Mr. Adams
Ms. Karamihas
Montgomery County Office of Management and Budget

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

August 25, 2020

MEMORANDUM

To: Members of the Board of Education

From: Jack R. Smith, Superintendent of Schools 

Subject: Fiscal Year 2021 Supplemental Appropriation and Amendment to the Fiscal Year 2021–2026 Capital Improvements Program for Major Capital Projects Elementary—South Lake Elementary School

The *Board of Education's Requested Fiscal Year (FY) 2021 Capital Budget and FY 2021–2026 Capital Improvements Program* (CIP) included planning and construction funds for the South Lake Elementary School Major Capital Project. Based on the Board of Education's requested expenditure schedule, the project was scheduled to be completed in September 2023. South Lake Elementary School was included as a Major Capital Project based on its aging infrastructure as identified through the Key Facility Indicators assessment; its overutilization, with 13 relocatable classrooms on-site; as well as a variety of site and programmatic challenges.

Due to the shortfall that existed between the Board of Education's request and the county executive's recommendation, the Montgomery County Council requested that Montgomery County Public Schools (MCPS) submit a list of non-recommended reductions to more closely align with the county executive's recommendation. The list of non-recommended reductions did not include the South Lake Elementary School Major Capital Project; however, as part of the Montgomery County Council's review and approval process, the adopted CIP for MCPS included a one-year delay, with a completion date of September 2024, for the South Lake Elementary School Major Capital Project. Therefore, the expenditures for this project were shifted into the later years of the CIP.

WHEREAS, The Board of Education's Requested Fiscal Year 2021 Capital Budget and Fiscal Year 2021–2026 Capital Improvements Program included planning and construction funds for the South Lake Elementary School Major Capital Project, with a completion date of September 2023; and

WHEREAS, Due to revenue shortfalls, the Montgomery County Council requested that Montgomery County Public Schools submit a list of non-recommended reductions, by project, to align with the county executive's recommended Capital Improvements Program; and

WHEREAS, The South Lake Elementary School Major Capital Project was not included in the list of non-recommended reductions submitted by Montgomery County Public Schools; and

WHEREAS, The Montgomery County Council, in the adopted Montgomery County Public Schools' Capital Improvements Program, approved a one-year delay for the South Lake Elementary School Major Capital Project, with a scheduled completion date of September 2024; and

WHEREAS, South Lake Elementary School was included as a Major Capital Project based on its aging infrastructure as identified through the Key Facility Indicators assessment; its overutilization, with 13 relocatable classrooms on-site, as well as other site and programmatic challenges; now therefore be it

Resolved, That the Board of Education request a Fiscal Year 2021 supplemental appropriation and amendment to the Fiscal Year 2021–2026 Capital Improvements Program to shift expenditures from the later years for the South Lake Elementary School Major Capital Project in order for this project to be completed by September 2023; and be it further

Resolved, That \$5.853 million be shifted into Fiscal Year 2021, \$1.381 million be shifted into Fiscal Year 2022, and \$4.473 million be shifted into Fiscal Year 2023; and be it further

Resolved, That \$1.707 be shifted out of Fiscal Year 2024 and \$10.0 million be shifted out of Fiscal Year 2025; and be it further

Resolved, That the expenditure shifts previously noted will allow the South Lake Elementary School Major Capital Project to be completed in September 2023; and be it further

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

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

JRS:DGT:EM:SPA:ak

MEMORANDUM

October 21, 2020

TO: Education and Culture Committee

FROM: Craig Howard, Deputy Director
Keith Levchenko, Senior Legislative Analyst
Nicole Rodriguez-Hernandez, Legislative Analyst

SUBJECT: Update: Funding Options for the MCPS Board of Education FY21 Supplemental Appropriations and Amendment Requests for the FY21-26 CIP: South Lake Elementary School- Major Capital Projects Elementary and Heating, Ventilation, and Air-Conditioning (HVAC) (Mechanical Systems) Replacement: MCPS

PURPOSE: Receive update and have discussion, no action required

Expected Participants:

- Essie McGuire, Associate Superintendent of Operations, MCPS
- Adrienne Karamihas, Director of the Division of Capital Planning, MCPS
- Seth Adams, Director of the Department of Facilities Management, MCPS
- Mary Beck, CIP Manager, Office of Management and Budget (OMB)
- Veronica Jaua, Fiscal and Policy Analyst, OMB

On September 21, 2020 the Education & Culture (E&C) committee held an initial meeting to discuss the Montgomery County Board of Education's (BOE) request for two FY21 special appropriations and amendments to the FY21-26 Capital Improvement Program (CIP):

- Major Capital Projects - Elementary (South Lake Elementary School) – to accelerate construction into FY21 and completion from September 2024 to September 2023.
- HVAC (Mechanical Systems) Replacement: MCPS – to provide additional funding in FY21 to address air quality concerns related to the COVID-19 pandemic

Council staff presented information on the requests including a summary of the specific requests, a history of the projects, a review of the Council's actions during the FY21-26 CIP approval process, and affordability concerns. MCPS and OMB staff also answered questions from the Committee. At the conclusion of the meeting, the Committee asked Council staff to coordinate with MCPS and the Office of Management and Budget (OMB) to identify potential funding options to meet the Board's requests. The purpose of this Committee meeting is to outline the requested potential funding options and next steps.

A. Overview of Proposed Funding Approach

MCPS, OMB, and Council staff worked collaboratively to identify funding sources and appropriation amounts that minimizes the fiscal impact while still meeting MCPS’ needs for each project. Staff’s proposed approach includes the following components:

- MCPS was able to identify \$9,774,495 in fund balances from several ongoing or pending closeout MCPS CIP projects that will not be needed to finish the projects and therefore could be reallocated. These are funds that were appropriated in prior fiscal years and can be applied to other projects via a “slippage credit.”
- Fully fund the \$5.8 million for South Lake ES in FY21 as requested by the BOE.
- Increase the FY21 funding for the HVAC project by \$3.0 million. This increase (when combined with MCPS’ existing FY21 appropriation) will provide MCPS with sufficient appropriation authority to purchase HVAC equipment that was included in the request to address COVID-19 needs in order to prepare schools for a potential reopening.

The remaining balance (approximately \$900K) would be held to address potential FY22 needs and/or future emerging facility needs related to the COVID-19 health pandemic. Details and considerations for each component are included below.

B. Financial Context and Funding Source

The COVID-19 health pandemic has required local governments to evaluate how to leverage limited financial resources most efficiently in a time of unprecedented need for County residents, agencies, and businesses. During the FY21 budget process, the Council approved a “continuity of services” budget and kept capital projects on track while also meeting the emerging needs resulting from the pandemic. In addition, projected substantial reductions in FY21 and FY22 revenues; a limited FY21 G.O. bond set-aside; the County Executive’s FY21 Savings Plan; and the loss of construction state aid due to the Governor’s veto of the Kirwan Commission legislation have caused subsequent affordability concerns.

As a result, MCPS, OMB, and Council staff looked at potential funding options that would minimize the need to appropriate new dollars. MCPS staff conducted a thorough review of ongoing or pending closeout projects and identified \$9.78 million that could be reallocated as detailed in the table below. MCPS notes that these fund balances would typically be used to address additional facility needs within each building, but they will instead try and address any of those need through the PLAR project in the future.

Project No.	Name	PROJECT BALANCES
347001	Clarksburg Cluster/Village Elementary School #2	\$ 3,183,970
249003	Clarksburg High School Addition	\$ 1,215,562
783006	Kensington-Parkwood Elementary School Addition	\$ 98,757
110002	S. Christa McAuliffe Elementary School Addition	\$ 732,410
514002	Judith Resnick ES Addition	\$ 871,000
992501	Shady Grove Transportation	\$ 2,425,000
236001	Blair Ewing Center Improvements	\$ 1,247,796
Total		\$ 9,774,495

C. South Lake Elementary School

The Board requested a \$5.853 million appropriation increase in FY21 (source of funds is G.O. Bonds) and FY21-26 amendment to advance funds into FY21 from the later years in the approved FY21-26 expenditure schedule. The requested increase would accelerate completion of the school by one year from September 2024 to September 2023. Planning and design work is ongoing for this major capital project.

South Lake Elementary School was identified as a major capital project in FY20 based on the results of the 2018 Key Facility Indicators assessment which noted the school building’s aging infrastructure (near the end of its anticipated life); poor infrastructure and indoor environment; high overutilization; and other site and programmatic challenges.

The following chart presents the FY21-26 Board-requested and Council Approved expenditure schedules; along with the expenditure schedule now being requested as part of the amendment request.

South Lake Elementary School Major Capital Project Expenditures							
	6-Year	FY21	FY22	FY23	FY24	FY25	FY26
FY21-26 BOE Request	34,123	10,182	7,234	6,707	10,000	-	-
FY21-26 Council Approved	34,123	1,329	8,853	7,234	6,707	10,000	-
August 2020 Amendment	34,123	7,182	10,234	11,707	5,000	-	-
change from Approved	-	5,853	1,381	4,473	(1,707)	(10,000)	-

Proposed Funding Option. Council staff, MCPS, and OMB recommend allocating \$5.853 million in G.O. bonds from the identified fund balance total to fully fund the Board of Education’s FY21 appropriation increase request. The increased funding will allow construction to begin in FY21 and it will accelerate the school’s construction completion date from September 2024 to 2023.

Up County Early Childhood Center at Emory Grove. While students are currently not in school, the eventual return to in-person learning and start of school construction will require South Lake Elementary School students and staff to utilize a nearby placeholder facility, Emory Grove Optimal Learning Center. The placeholder school is currently home to the Up County Early Childhood Center, a joint partnership between the Executive branch and MCPS. If the appropriation request is approved, the child care center will need to relocate a year earlier (FY22). MCPS and the Executive branch will collaborate to identify low cost or no-cost relocation options.

D. HVAC Replacement

The Board requested an appropriation increase in current revenue for FY21 to address issues related to air filtration and air exchange rates as a result of the COVID-19 health pandemic. MCPS states the improvements, based on evolving best practices, will help prepare school facilities for the eventual return to in-person learning and activities in school buildings.

MCPS has been actively preparing school facilities for the return to in-person learning, including the purchase of necessary HVAC equipment. Councilmembers have previously noted that the health and safety of students and staff returning to schools is a top priority and that funding needs such as HVAC equipment and operating costs will be addressed if current funds do not suffice. In response to follow-up questions, MCPS identified the following components of the HVAC request:

- Upgraded air filters
- Portable air cleaners
- Increased air filter change frequency
- Increased run time of equipment
- Preventative maintenance/energy management system

Proposed Funding Option. Using the fund balances identified by MCPS, the proposed option would allocate an additional \$3.0 million to the HVAC project. This additional funding (combined with the \$191.4 million already appropriated by the Council in FY21 for Category 10, Operation of Plant and Equipment, and Category 11, Maintenance of Plant) provides MCPS with sufficient appropriation authority to purchase the portable air cleaners and high-quality MERV13 or higher-rated air filters needed to prepare for reopening of schools.

The remaining HVAC costs were based on projected increased operating costs. Additional funds may be needed later in the fiscal year to meet heightened operating costs (net any operating savings) from maintenance and cleaning, increased filter replacement, electricity costs, etc. If so, MCPS and the Council can address those costs at that time.

As the equipment does not meet G.O. bond requirements, OMB is preparing a funding source switch from identified G.O. bonds slippage credits to recordation tax revenue. MCPS would come back to the Council if these costs do in fact occur and cannot be covered with existing appropriations.

E. Next Steps

If the Education & Culture committee endorses the proposed approach to utilize existing MCPS project balances to fund these two requests as detailed above, Council staff will:

1. Work with MCPS and OMB to finalize the amendments for all the projects that will have funding changes (the original projects requested by MCPS as well as any other project that will have a change in funding amount or source).
2. Schedule the package of amendment for Introduction as soon as finalized, followed by Public Hearing and then final Action.

M E M O R A N D U M

September 16, 2020

TO: Education and Culture Committee

FROM: Craig Howard, Deputy Director
Keith Levchenko, Senior Legislative Analyst
Nicole Rodriguez-Hernandez, Legislative Analyst

SUBJECT: MCPS Board of Education FY21 Supplemental Appropriations and Amendment Requests for the FY21-26 CIP: South Lake Elementary School- Major Capital Projects Elementary and Heating, Ventilation, and Air-Conditioning (HVAC) (Mechanical Systems) Replacement: MCPS

PURPOSE: Receive update and have discussion, no action required

Expected Participants:

- Adrienne Karamihas, Director of the Division of Capital Planning, MCPS
- Seth Adams, Director of the Department of Facilities Management, MCPS
- Mary Beck, CIP Manager, Office of Management and Budget (OMB)
- Veronica Jaua, Fiscal and Policy Analyst, OMB

On August 25, 2020 the Montgomery County Board of Education (BOE) approved the transmittal of two FY21 special appropriations and amendments to the FY21-26 Capital Improvement Program (CIP):

- Major Capital Projects - Elementary (South Lake Elementary School) – to accelerate construction into FY21 and completion from September 2024 to September 2023
- HVAC (Mechanical Systems) Replacement: MCPS – to provide \$6.8 million in additional funding in FY21 to address air quality concerns related to the COVID-19 pandemic

Both projects were recently approved by the County Council as part of the FY21 Capital Budget and FY21-26 CIP on May 21, 2020.

The purpose of this Committee meeting is to have an introductory discussion of the BOE's request and the factors the Council will need to consider as part of the review process. The Committee will take up these items again in the coming weeks after further work between Council, MCPS, and Executive staff. The Council has not yet received a recommendation from the County Executive on either request.

To help facilitate this introductory conversation, the staff report includes the following information:

- A. Summary of the BOE’s supplemental appropriation and amendment requests
- B. Major capital project history for South Lake Elementary School
- C. Review of Council actions during the FY21-26 CIP approval process
- D. CIP affordability concerns
- E. Proposed next steps

A. BOE’s Supplemental Appropriation and Amendment Requests

On August 25, the Board approved the transmittal of two FY21 supplemental appropriations and amendment requests for the FY21-26 CIP as described below:

South Lake Elementary School (©1-3). The Board is requesting a \$5.853 million appropriation increase in FY21 (source of funds is G.O. Bonds) and FY21-26 amendment to advance funds into FY21 from the later years in the approved FY21-26 expenditure schedule. The requested increase would accelerate completion of the school by one year from September 2024 to September 2023. Planning and design work is ongoing for this major capital project; however, extensive construction work is expected, and the school will be relocated to a holding school (Emory Grove Center) during construction.

The following chart presents the FY21-26 Board-requested and Council Approved expenditure schedules; along with the expenditure schedule now being requested as part of the amendment request.

South Lake Elementary School Major Capital Project Expenditures							
	6-Year	FY21	FY22	FY23	FY24	FY25	FY26
FY21-26 BOE Request	34,123	10,182	7,234	6,707	10,000	-	-
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August 2020 Amendment	34,123	7,182	10,234	11,707	5,000	-	-
change from Approved	-	5,853	1,381	4,473	(1,707)	(10,000)	-

The Board and Superintendent identified South Lake Elementary School as a major capital project in FY20 based on the results of the 2018 Key Facility Indicators assessment which noted the school building’s aging infrastructure (near the end of its anticipated life); poor infrastructure and indoor environment; high overutilization; and other site and programmatic challenges. The school has a program capacity of 694 students and the utilization rate during the 2019-2020 school year was 128.7% (893 students). As a result, there are 13 relocatable classrooms on site with 9 placed on the staff parking lot. The Board recently approved the construction of a temporary parking area elsewhere on the property to address the loss of parking spots.

HVAC (Mechanical Systems) Replacement (©4-7). The Board is requesting a \$6.8 million appropriation increase in current revenue for FY21 to address issues related to air filtration and air exchange rates as a result of the COVID-19 health pandemic. MCPS states the improvements will help prepare school facilities for the eventual return to in-person learning and activities in school buildings.

The following chart presents the FY21-26 Board-requested and Council Approved expenditure schedules; along with the FY21 increase now being requested as part of the amendment request. Unlike the South Lake project, the HVAC request would increase the overall funding for the project.

HVAC Replacement Project: MCPS Expenditures							
	6-Year	FY21	FY22	FY23	FY24	FY25	FY26
FY21-26 BOE Request	115,000	25,000	25,000	17,500	17,500	15,000	15,000
FY21-26 Council Approved	126,000	16,000	20,000	20,000	18,000	24,000	28,000
August 2020 Amendment	132,000	22,800	20,000	20,000	18,000	24,000	28,000
changes from Approved	6,800	6,800	-	-	-	-	-

The Board’s request identifies the following uses for these funds:

- Purchase MERV13 or higher-rated filters for our HVAC equipment;
- Allow for increased filter replacement frequencies;
- Purchase approximately 2,800 portable air cleaners;
- Perform preventative maintenance and equipment cleaning;
- Contract energy management contractors to perform control system modifications required for operational changes;
- Perform minor equipment and control device replacements on an as-needed basis; and
- Fund increased electricity costs associated with longer equipment run times and increased ventilation rates.

B. Major Capital Project History: South Lake Elementary School

This section describes the major capital project history for South Lake Elementary School from FY19 to FY21 budget approval.

FY19-24 CIP (Approved May 2018)

- As part of MCPS’ transition from the long-running Revitalization/Expansion (modernization) program to a more flexible process, the Board of Education proposed, and the Council approved, a “Major Capital Projects” placeholder project.
- The Council approved \$120 million in the six-year period with expenditures beginning in FY20 (\$4.2 million). These dollars were not tied to specific projects or schedules.

FY19-24 CIP Amendments (Approved May 2019)

- The Superintendent identified nine schools for further consideration as major capital projects, including four elementary schools: Woodlin, Burnt Mills, Stonegate and South Lake. Of the four elementary schools, only Stonegate Elementary School had been part of the prior modernization queue.
- The Council appropriated \$10.2 million for planning across all nine projects.
- The Council approved expenditures of \$4.2 million in FY20 and \$4.7 million in FY21. The approved six-year cost for the project remained at a placeholder level of \$120 million.

FY21-26 CIP (Approved May 2020)

- MCPS requested \$375.2 million for Major Capital Projects (broken into two projects - secondary and elementary). This request reflected the first time the Major Capital Projects showed full design and construction funding for the nine projects noted previously as under review. Combined, the projects reflected a 313% increase from the placeholder project in the FY19-24 Amended CIP.
- The Major Capital Projects - Elementary included \$34.1 million for South Lake Elementary School with construction to begin in FY21 and to be completed by September 2023. The school was assumed to relocate to the Emory Grove Center for the second half of the 2021-22 schoolyear and the 2022-23 schoolyear.
- The Council approved fully funding all four elementary school projects within the FY21-26 CIP. Planning dollars were kept on schedule in FY21 for each project. However, for fiscal reasons, construction was pushed back one year from the Board request for South Lake, Woodlin, and Stonegate elementary schools. Burnt Mills ES was kept on its requested construction schedule.
- For South Lake Elementary School, completion was pushed back one year to September 2024. *NOTE: There was no impact on the Subdivision Staging Policy (SSP) Schools test, since the project would still be completed prior to the September 2025 test date.*

C. FY21-26 CIP Approval and Reconciliation Process

- The Council's Approved FY21-26 CIP Spending Affordability process for GO Bonds resulted in a \$90 million decrease (-4.8%) in overall bonds available for programming in the six-year period.
- The Proposed MCPS CIP included a \$74.2 million increase (+4.3%) in six-year spending with the first four years of the CIP heavily front-loaded. The first four years were proposed to increase by \$320.4 million.
- The Executive's Recommended CIP included an affordability reconciliation project for the MCPS CIP which reduced bonds by about \$100 million in the six-year period and by about \$300 million in the first four years.
- Revenue shortfalls and competing CIP priorities throughout County Government and outside agencies led the E&C Committee to request a list of non-recommended reductions from MCPS to address the funding gap.

- The Council noted its highest priorities for funding in the MCPS CIP as the approved Woodward and Northwood HS projects. These projects have substantial dollars programmed in the early years of the CIP and resulted in the need for the Council to look at other MCPS projects with new spending requested in the early years of the CIP (such as the major capital projects; see earlier discussion) and systemic projects (such as Roof Replacement, Planned Lifecycle Asset Replacement, and HVAC (Mechanical Systems) Replacement). MCPS' HVAC \$25 million request for FY21 was ultimately reduced to \$16 million.

D. CIP Affordability Concerns

- The chart below presents the Approved CIP General Obligation Bond set-asides.

	6-Year	FY21	FY22	FY23	FY24	FY25	FY26
Approved Bond Set-Aside	150,463	10,548	17,060	21,180	22,688	32,301	46,686

- Without other offsetting expenditure changes, the South Lake ES amendment would reduce the FY21 GO Bond set-aside by more than half with still three quarters of the fiscal year remaining and other CIP needs under consideration.
- Since the HVAC/IAQ Projects amendment involves \$6.8 million in FY21 current revenue, there would be no impact on the GO Bond set-aside. The impact instead would be on the County's Operating Budget.
- The current pandemic is expected to result in substantial reductions in County revenue in FY21 and FY22. As a result, in early July, the CE recommended an FY21 Savings Plan for the Operating Budget (approved by the Council in late July) and current revenue/PAYGO reduction targets in the CIP.
- The FY21-26 Approved CIP assumes substantial increases in State aid for school construction related to the Built to Learn Act. This funding is now at risk given Governor Hogan's veto of the Kirwan Commission legislation with which the Built to Learn Act was linked.
- Major revisions to the CIP may be needed during the FY21-26 amendment process next spring.

E. Proposed Next Steps

To assist both the Executive's and Council's review of these requests, Council staff (in collaboration with County OMB staff) has already submitted a list of questions to MCPS for additional information in the following areas:

- MCPS timelines/deadlines to implement improvements on the requested expenditure schedules;
- Opportunities for any potential offsetting CIP and/or operating budget actions that would provide fiscal capacity for these amendments;

- More detailed cost information for the specific components of the HVAC funding request; and
- Status of already appropriated MCPS CARES Act funds and availability for use on the HVAC project.

Given the need for additional information and the overarching CIP affordability issues in advance of receiving the Executive’s recommendation, Council Staff suggests the following next steps: Further work with MCPS and Executive staff be done to obtain additional information and to develop options for approving these two amendments in the context of the County’s significant fiscal constraints. Potential fiscal and policy impacts and/or trade-offs would be identified with each option.

This report contains:

	<u>Page #</u>
<ul style="list-style-type: none"> • BOE Supplemental Appropriation and Amendment Request Major Capital Projects – Elementary (South Lake Elementary School) 	©1-3
<ul style="list-style-type: none"> • BOE Supplemental Appropriation and Amendment Request- HVAC (Mechanical Systems) Replacement: MCPS 	©4-7

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