

MCPB Item # 2
July 14, 2005

DATE: July 8, 2005

TO: Montgomery County Planning Board

FROM: Michael F. Riley, Chief, Park Development Division (PDD) *MR*
Mary Ellen Venzke, CIP Coordinator, PDD *MEV*

SUBJECT: Strategy Session No. 1 on Parks FY 2007-2012 Capital
Improvement Program

Staff Recommendation:

Obtain guidance from the Planning Board on screening criteria, goals, and priorities for the Parks FY 2007-2012 Capital Improvements Program (CIP).

Executive Summary:

Staff has compiled a lengthy list of candidate projects for consideration for inclusion in the next CIP. Staff proposes that candidate projects be subjected to the following criteria in order to be selected and prioritized within the six-year CIP. Projects meeting multiple criteria would receive priority funding in the program as funding allows.

- (1) The project is consistent with the Department's mission, which is "To improve the quality of life by conserving and enhancing the natural and developed environment for current and future generations".
- (2) The project is mandated by law or regulation.
- (3) The project's need is justified by adopted studies, plans, or policies.
- (4) The project is already programmed in the FY 2005-2010 CIP.
- (5) The project repairs or replaces existing park facilities necessary to preserve the current, safe use of the park.
- (6) The project enhances, interprets, or preserves natural or cultural resources that otherwise might be lost or degraded.
- (7) The project increases revenue, results in cost savings, and / or improves operational efficiency.
- (8) The project leverages an opportunity such as a partnership, contribution, donation, or grant.

- (9) The project provides a new park or park facility that meets unmet recreational needs.
- (10) The project renovates, upgrades, or enhances an existing park or park facility to better meet current recreational needs.

Staff seeks feedback and guidance from the Planning Board on these screening criteria, and any particular goals and objectives for the FY 2007-2012 CIP.

How do projects become candidates for inclusion in the CIP?

(1) Adopted FY 2005-2010 CIP: The CIP is adopted every two years, but is approved as a six-year program, based on the premise that projects shown in the later years will be the basis for the initial years of the following CIP. The currently adopted CIP, as represented in **Attachment 1**, programs projects for the six-year period of 2005-2010. As the FY 2007-2012 CIP is prepared, projects in the adopted CIP, which are not completed, are presumed as candidates for the FY 2007-2012 CIP. Projects in the current CIP can be categorized into common themes. Major themes with bulleted examples follow:

- (a) Land Acquisition Projects
 - Legacy Open Space
 - Acquisition of Local Parks
- (b) Facility Planning Projects
 - Facility Planning Local Parks
 - Facility Planning Non-local Parks
- (c) “Stand Alone PDFs” for New Parks and Park Facilities
 - Laytonia Recreational Park
 - Montgomery Village Local Park
 - Olney Skate Park
 - Woodstock Equestrian Center
 - Ovid Hazen Wells Recreational Park
- (d) “Stand Alone PDFs” for Park Renovations, Infrastructure Replacement, and Upgrades
 - East Norbeck Local Park
 - Jessup Blair Local Park
 - Winding Creek Local Park
 - Silver Place
 - Black Hill Trail Renovation
 - Little Falls Parkway Bridge

- (e) “Level of Effort PDFs” for New Parks and Park Facilities
 - Trails: Hard Surface Design and Construction
 - Natural Surface Trails
 - Minor New Construction
 - Cost Sharing

- (f) “Level of Effort PDFs” for Park Renovations and Upgrades
 - Planned Lifecycle Asset Replacement (PLAR) for Minor Renovations & Playgrounds
 - Ballfield Initiatives
 - Resurfacing Park Roads and Bridges
 - Roof Replacement

- (g) Environmental Protection / Stewardship of Natural and Cultural Resources
 - Stream Protection
 - Energy Conservation
 - Restoration of Historic Structures
 - Storm Water Management Structural Rehabilitation

These categories of projects reflect the diverse nature of our CIP. The categories and projects compete against one another for limited fiscal resources. Staff attempts to find the right balance with the creation of each six-year CIP.

- (2) Area Master Plans: Area master plans may make recommendations for future capital improvements. Recent area master plans, such as the Upper Rock Creek Master Plan, include a “Park and Trail” component that focuses on park needs.

- (3) Park Master Plans: Park master plans, such as the Woodstock Equestrian Park Master Plan, typically make recommendations for capital improvements.

- (4) The Adopted 1998 Park, Recreation, and Open Space (PROS) Plan: The PROS plan provides a set of comprehensive recommendations and guidelines for the use of publicly owned parkland in Montgomery County. It outlines need and demand for recreation and resource preservation. In June of this year, the Planning Board submitted the draft 2005 Land Preservation, Parks, and Recreation Plan (LPPRP) to the State for review. The LPPRP updates and refines projected needs for recreation, parks, and open space. It also focuses on agricultural land preservation and natural resource conservation. Key pages from the staff presentation on the LPPRP appear as **Attachment 2**.

- (5) Park Functional Plans: Park Functional Plans study specific assets, facilities, or resources within parks for the purpose of establishing management and development strategies. An example is the Countywide Park Trails Plan, which prioritizes trail construction projects. During review of the Department's FY 2006 operating budget, the County Council approved \$100,000 for a functional plan for recreation buildings on park property.
- (6) Requests: Individuals, groups, and staff make requests for projects by the following methods:
 - (a) The CIP Public Forum – The Planning Board hosted a CIP public forum on April 7, 2005. A summary of testimony submitted appears as **Attachment 3**.
 - (b) Letters / C-Tracks – Individuals or groups commonly send letters to the Chief of Park Development, the Superintendent of Parks, the Director of Park and Planning, the Planning Board Chairman, the County Council President, or the County Executive requesting park projects. These requests are also summarized on **Attachment 3**.
 - (c) Staff – A formal process exists to allow staff of the Department to request CIP projects. This process was initiated in February 2005. Forms detailing this process appear as **Attachment 4**.
- (7) Planning Board, Council, and Executive Priorities and Studies: Efforts such as the Long Branch Task Force and the Infrastructure Task Force recommend specific CIP projects. As a result of the recent Infrastructure Task Force, \$150,000 was added to our operating budget to conduct the initial phase of a park facility inventory and assessment and \$2.6 million was added to our FY 2006 capital budget for repair and replacement of aging park facilities.
- (8) Subdivision & Development Districts: Parkland is commonly dedicated through the subdivision process. It is desirable to bring recreational facilities on line in conjunction with the completion of the subdivision.
- (9) Public / Private Partnerships, Donations, and Grants: The Department actively supports partnerships and seeks grants. These efforts commonly create and give priority to capital projects.

Factors to consider in the shaping of the next CIP:

- (1) **Available Funding Sources:** Funding sources are listed in order of six-year funding level from the FY 2005-2010. The six-year funding levels are shown in parentheses.

- a) General Obligation Bonds (\$75.0 million)

General obligation bonds (GO bonds) are the Parks CIP largest fund source. They are issued by the County and are typically used to fund projects for public use that serve the residents from all over the County. The County provides funding for the debt payments on GO bonds.

- b) Program Open Space (\$17.1 million)

Program Open Space (POS) is one of our largest sources of funding. POS funds can be used to cover 100% of acquisition costs and 75% of development costs for new parks or additional acquisition. This funding allows the Department to leverage local funds. One half of the annual allocation is dedicated to acquisition of land to preserve open space. Approximately 16% of the second half is allocated among 19 municipalities based on population. The remainder is used for development projects within the Park and Planning CIP. All POS funding is subject to State approval.

- c) Park and Planning Bonds (\$16.6 million)

Park and planning bonds are typically used to fund projects for public use within local, neighborhood, or urban parks. The Park Fund pays the debt payments on these bonds.

- d) County Current Revenue (\$3.4 million)

County current revenue is provided by the County's general fund revenue and is used for non-local parks and facilities. The County may use current revenue to fund specific planning projects or selected improvements with a short useful life that are not appropriate for debt financing.

- e) Park and Planning Current Revenue (\$1.1 million)

Park and Planning current revenues support local parkland and facility improvements, which are not eligible for debt financing. Park and planning current revenue is typically used for projects that are in the facility planning stage or for projects that have a private use component.

- f) Revenue Bonds (\$0.6 million)

Revenue bonds are sometimes issued to fund projects at revenue-generating facilities. These types of bonds have been used for improvements at

Enterprise facilities. An example would be renovations at Cabin John Ice Rink.

g) Other Funding Sources

The CIP is funded from sources other than the issuance of debt or current revenue sources. Many projects are supplemented by contributions from outside sources, private/public partnerships, development district funds, donations, and state and federal grants.

- (2) **Fiscal Capacity – Local Park New Construction and Renovation:** Both General Obligation (GO) Bonds and Park & Planning (P&P) Bonds are subject to Spending Affordability Guidelines (SAG) established by the County Council. The Council sets a SAG for GO Bonds, but does not specifically set a limit for each agency competing for GO bonds. For order of magnitude, the County's SAG for GO bonds for FY 2006 is \$190.0 million with \$9.3 million, or approximately 5% dedicated to Parks.

However, a specific SAG limit is set for P&P Bonds. The P&P Bond SAG is \$3.1 million in FY 2006 and increases to \$4.1 million in FY 2007 and subsequent years.

Historically, an additional \$1.0 to \$2.0 million in POS and /or contributions is available on an annual basis for new construction or major renovation of local parks. Coupled with P&P Bonds as limited by SAG, this provides approximately \$5.0 to \$6.0 million annually for construction or major renovation of local parks. Of this amount, approximately \$2.5 million annually is dedicated to "level of effort" type projects such as Local Park Acquisition, Legacy Open Space, PLAR, Roof Renovation, Resurfacing Parking Lots & Paths, Cost Sharing, and Minor New Construction, leaving approximately \$2.5 to \$3.5 million annually for "stand-alone" projects for new local parks or major renovation of existing local parks.

Staff anticipates that five local park facility plans will have been completed and approved prior to the submission of the FY 2007-2012 CIP with a combined design and construction cost of \$19.0 million. These projects are listed on **Attachment 5**. Considering that approximately \$3.0 million in funding is available annually, the 5 approved facility plans would more than consume all available funding in the six-year CIP. This presents a significant problem, in that we have compiled a lengthy list of needed and worthy projects (also shown on **Attachment 5**), that pending approval of facility plans, would desire funding long prior to FY 2013, which would be the first year with available funding capacity under current levels if all five approved facility plans were programmed in FY 2007-2010.

Solutions to this problem, which staff will explore further, may include:

- a) Increasing the P&P Bond SAG. The Planning Board can request that the Council further increase the P&P Bond SAG beyond the \$4.1 million for FY 2007 and beyond. However, affordability issues must be considered regarding payment of debt service on bonds. Specific considerations include:
 - i) Debt Affordability – the total amount of debt the Commission can issue in a given year. As a general rule, this amount should not exceed 10% of the total estimated revenue in the operating funds.
 - ii) Mandatory Tax Limit – The debt service payments must remain under the revenue generated by the 9 cent personal and 3.6 cent real mandatory tax for debt service as described in Article 28.
 - b) Continuing pursuit of public / private partnerships, donations, and grants. Partnerships, donations, and grants could be specifically sought to support new park construction and renovation needs.
 - c) Support of continued and increased levels of Program Open Space allocation, and apply POS primarily toward local park projects. POS allocation has fluctuated in past years. The FY 2006 allocation was the highest in recent years at \$8.1 million, as compared to \$2.7 million in FY 2005.
 - d) Request the application of GO Bonds for selected local park projects. This option would require considerable evaluation and discussion with Finance, OMB, and Counsel staff, but warrants consideration.
- (3) **Operating Budget Impact:** Every proposed capital project must be reviewed for operating budget impact (OBI) prior to consideration for funding. OBI estimates operating costs for staff, maintenance, utilities, that would be incurred after the project is built and opened. A common theme at the forefront of Parks operating budgets as we discuss them with the Executive and Council each year is the need to restore and increase maintenance resources to meet the demands of a park system that has grown dramatically in order to meet community needs and demands. The construction of capital projects that add OBI should be made with the understanding that the resources shown in the OBI will be approved in subsequent operating budgets.
- (4) **Executive's Readiness Criteria:** The Office and Management and Budget establishes "readiness criteria" to screen requests for capital projects. Among other things, they look for evidence of need, a clear definition of project scope and objectives, a program of requirements, compliance with adopted plans and laws, evidence of public input, preparation of detailed cost estimates, identification of fund sources, and establishment of project

schedule. The Park Development Division has adopted and advocated the concept of facility planning for projects of complexity in order to meet the Executive's readiness criteria prior to requesting design and construction funding.

- (5) **Implementation Capability:** The Department's ability to implement the CIP has been a consideration in shaping the CIP. An implementation report for FY 2005 will accompany the next CIP strategy session tentatively scheduled for July 28, 2005.

Remaining Schedule for Preparation, Review, and Approval of FY07-12 CIP:

- July 28, 2005 – Second Planning Board strategy session
- August 2005 – CIP Task Force meetings and divisional operating budget impact preparation
- September 15, 2005 – First Planning Board work session
- October 6, 2005 – Second Planning Board work session
- October 20, 2005 – Planning Board adoption of CIP Program
- November 1, 2005 – Mandated submission to of CIP to County Council and County Executive
- January 2006 – Executive releases recommended CIP
- March & April 2006 – PHED and Council work sessions
- May 2006 – Council adopts FY 2007-2012 CIP
- July 1, 2006 – FY 2007-2012 CIP takes effect

Conclusion

Staff seeks feedback and guidance from the Planning Board on goals, objectives and priorities for the FY 2007-2012 CIP.

Attachments:

- 1) Adopted FY 2005 –2010 CIP
- 2) Recreation, Parks, and Open Space Needs Data from Draft Land Preservation, Parks, and Recreation Plan
- 3) Summary of Testimony
- 4) CIP Project Request System
- 5) Facility Planning - Local Parks Summary