

## Open Work Session

### Discuss Summary of Changes to Capital Improvement Program (CIP) for Fiscal Years 2020-2024

April 16, 2019

Mr. Weston Young, Assistant Director of Administration, came before Council, and said Council should be in receipt of a memo, and the revised CIP will be posted on the County website. He said, when he was flipping through it earlier today, he noticed there were some changes made to the Airport projects that were not included in the memo, and that is a mistake on his part.

Mr. Young said he will read down the list of changes. He said they originally submitted the CIP on December 18, 2018, but have since revised it during the budget process. He said, in some cases, as he mentioned earlier when Mr. Steve Miller was before Council, they have proposed using existing pay-go as a funding source. He said they have pushed some projects out a year, sometimes just the first phase of the project, or sometimes a multiyear project has been shifted one year, but he will touch on those.

Mr. Young reported, the general changes to the CIP include adding an existing pay-go category. He said, if they look at the specific page showing project by funding source, the green color shows existing pay-go appropriations, so, as mentioned before, this is old pay-go money they are re-appropriating through this proposed document. Mr. Cannon said he likes that a lot. Mr. Young said they added an Emergency Services project, and he can touch on that project when they get to it. He said, historically, they have added \$200,000 to contingency in a bond combination of having two projects. He said they were bonding \$7 million for Beaver Run, and borrowing \$2 million for the Westside collector, but they are just two projects. He explained, when they have ten projects, they usually want that contingency there because one of them could be off. He said also, with the bond market, they are still in a period where they will provide bond premium, so, in the competitive bidding process of their bonds, they sometimes get additional money that can be spent, which they could use as contingency. He said he has also tried to rank these projects by Department number, but there are some, such as the Public Safety Building, which are listed at the bottom of the list, and he tried to correct that. He said, if there are not any questions, he will go Department by Department.

Mr. Young said, for General Services, they added a project that is for the Finance Department, located in this building, for a customer service counter renovation. He said this will be to redo the counter they have, and also add bullet resistance to it, which they are proposing to fund through existing pay-go. Mr. Dodd asked where this is, to which Mr. Young responded, the front counter in the Finance Department, and it will be bullet resistant. He said it is common practice, and the City has done something similar, so they are trying to modernize it, and now is the time to do that. Mr. Cannon asked if the City is on board with all of this, to which Mr. Young responded, this is for the County. He clarified, with the Government Office Building, if there are common areas, they get the City's buy-in prior, and he thinks they have communicated better than before with the City with this CIP, so the City should have in their capital plans for their half of the common projects for this building. He clarified, this project being purely County Finance, it is all for the County. Mr. Cannon asked if they are going to put the same kind of glass in that they have in the City's Finance Department, to which Mr. Young responded, they are going to mimic how the City upgraded theirs. He explained, they are also going to make more of a work station at the window so they do not have a separate desk, it frees up more space, and they are always at the front window. Mr. Dodd asked if that is the only area that is going to get this bullet proof protection, to which Mr. Young responded, yes, that is his understanding.

Mr. Young said, with General Services, there were three projects where they simply just changed their funding source. He said they were originally put in as general pay-go, but they plan to use existing pay-go. Mr. Cannon asked if the project they talked about earlier today should be in this, to which Mr. Young responded, if they decide to wait, they will add that to Recreation, Parks, and Tourism as a change.

Mr. Young said IT has one project in FY21, and it was originally color coded to be old bond money, when, in reality, it was old pay-go. He said it is not planning to be funded with bonds, but planning to be funded with old pay-go, and that is a year out.

Mr. Young said the second half of the Public Safety Building has been moved from FY20 to FY21, and, for construction, they think they can do that and be fine. Mr. Cannon asked how that impacts their interest expenses, and if it will extend the term of the bond, to which Mr. Young responded, the plan is to have two separate bonds to fund this. He said they had the first half of the project bonded this year, and they think by the time they start construction, and need the second half of the money they will be in FY21. Mr. Cannon asked if it creates any more expenses, to which Mr. Young responded, they do not think so.

Mr. Young said the Department of Corrections roof replacement project was moved out one year, and the flooring upgrade project, which had money all five years, was removed from FY20, but the other four years remain the same.

Mr. Young said he mentioned they added a project for Emergency Services. He said they did a major radio upgrade, but the siren system and the old pagers in certain areas of the County are not getting full service, and, with Emergency Services, they try to have redundant systems. He said, even with the Public Safety Building, there will be two communication lines that come in, so they will, basically, pay double the cost, but, if something happens and one line gets cut, they still have communications with the other one. Mr. Kilmer asked if this will deal with some of the issues they have on the Westside, to which Mr. Young responded, yes. He said, for those specific pagers with the VHF frequency, this will add two new antennae towers to help close the gap. He said the new radios that have been issued are perfectly fine right now. He said they added that project, and they are proposing to fund that with existing pay-go.

Mr. Young said he will lump Public Works all together, even though their Department numbers vary a bit. He said the \$200,000 for WIP they do every year is still unchanged, except the funding source for FY20 will be existing pay-go. He explained, since they have existing pay-go, they will use it for that. He said they reduced the Wicomico River dredging support for FY20 from half a million to \$350,000, so that is a \$150,000 decrease. Mr. Cannon asked if the existing pay-go on WIP is because they did not do anything last year, to which Mr. Young responded, no, this is using other monies. He clarified, instead of using FY20 revenue to pay for it, they reallocated existing pay-go from other projects. Mr. Cannon said, when Council approves a project, they approve that project, but, for all they know, it could be a project like they saw at the meeting earlier today. He said they could be told a project is \$400,000, but it turns out to be \$200,000. He then asked if they just slide that \$200,000 over to another project that is now \$600,000 instead of \$400,000. He said it is hard for Council as a Body of oversight to be able to determine exactly how much they are spending for what, to which Mr. Young responded, he thinks it would be helpful to have a list of where this existing pay-go is coming from, and what projects it is tied to, but they are still seeking Council's approval to reallocate this money.

Mr. Wayne Strausburg, Director of Administration, then came to the table, and said the funds get encumbered, and they get placed in fund 32. He said it can roll for three years, but at the point in time they want to repurpose the funds, they have to come back before Council and go through the process.

He explained, for projects that may have been abandoned, or may have come in at a lower cost, Mr. Young is proposing that instead of those funds staying and/or lapsing back into the general fund, they want to repurpose those for current projects, but it still goes through the Legislative process. Mr. Cannon said he appreciates that it comes back before Council. Mr. Kilmer said, as Mr. Young said, it would be nice to have a list of where the money is coming from. Mr. Cannon said, once Council passes it the first time, they think it is a done deal, and he does not think transferring existing pay-go is something Council is familiar with. Mr. Holloway said he thinks it creates a certain amount of suspicion. He said they are passing the capital budget, but, if they see enough of this, they will ask if it is really going to cost a certain amount to do a certain project because two years ago they had \$400,000 left out of a \$700,000 project. He said, over time, he thinks that is going to build up and just create suspicion, to which Mr. Strausburg responded, he thinks that is why the three-year limit is in there. He said he does not think they ever intentionally pad the projects, and they put the Department Heads through a pretty rigorous process in terms of defending why they need a certain amount of money, and how they came up with that number, but sometimes it is still wrong. He said he thinks that is why the three-year limit is there, so it cannot just stay there in perpetuity, but at some point in time it has to be resolved. Mr. Holloway asked if Council has to approve it going back to the general fund, to which Mr. Strausburg responded, yes, but it would automatically lapse back into the general fund. Mr. Holloway clarified, it automatically goes back into the general fund after three years, so Council does not know that it goes back. Mr. Strausburg said, if it was bonded, once the entire bond issue is completed, and it has to be the whole bond issue, if there are funds left, they have a choice of paying down debt, putting the money back into the general fund, or repurposing the money for appropriate projects, but it still has to come back through the Legislative process. Mr. Taylor said he is not sure about it coming back to the general fund because it does not say that in the Charter. He said it may be something that, essentially, is just common sense, even though it does not say it in the Charter, but he does not know. He said, in the Charter, it sounds like it stays in the capital budget for some other projects. Mr. Strausburg said they really have to be very careful with the Board of Education projects because they do not have direct knowledge of whether or not a project is complete, or if there are payments still outstanding, so they query them on an annual basis as to whether all of their projects in that bond issue are completed, or whether there are still outstanding issues. He said, once they say they have the greenlight, that is when they have to repurpose those funds. He said he thinks, for the sake of clarity, when they reach the point where funds should be repurposed, he thinks they should come back to Council. Mr. Taylor said he thinks, as a general matter, since they have so much capital expenditure anyway, the idea of it going back into the general fund is nice, but, from a practical standpoint, unnecessary. Mr. Cannon said he really appreciates them itemizing all of this because, if they did not, Council would not know. He then asked if there is going to be a time period where they will individually approve all of these transfers, since this is just a Work Session, to which Mr. Young responded, his understanding is this is just still a draft document, and has not been approved yet. He said it will depend on whether Council is okay with what the final draft is, and he needs to add the projects they spoke about with Mr. Miller, and his memo needs to reflect a few other changes that he caught. Mr. Strausburg said, when Council approves the CIP, this is blended into it. He clarified, if they approve the use of the funds, then they are really approving the movement of the funds. He said there are really three points here, which are the current year pay-go portion is approved through the budget cycle, the borrowing is approved through the bond cycle, and the repurposing of existing pay-go funds that, for all intents and purposes, are lying idle, and he thinks would come through the approval of the CIP. Mr. Taylor said he has just another observation on that. He said, by keeping the surplus funds from completed and abandoned projects in the capital budget, it is, essentially, like it is going back into the general fund because that much less new pay-go is needed, so it comes out of the same place. Mr. Strausburg said, further to that, they are repurposing the funds for the original intent of capital improvements as opposed to putting the funds back into the

general fund and using it for some other purpose. Mr. Holloway asked, being it is borrowed money, should it ever go back into the general fund, to which Mr. Strausburg responded, if it is borrowed money, he will have to check with legal on that. Mr. Holloway said he asked a long time ago when they were having road issues why they did not borrow money, and it was always embedded in the County that they did not borrow money to fix roads, but, if they are actually putting this money back into the general fund, and that money is going to other projects, it is borrowed money, to which Mr. Strausburg responded, in fact, that might disqualify those bonds from a tax-exempt status, and they should be careful with that. He clarified, they do not borrow money for maintenance of roads because it does not qualify for tax-exempt bonds, but new construction does.

Mr. Young said, for Public Works-Roads, they removed the equipment storage shed and dry storage building that were both proposed for FY20, which were smaller amounts that were needed to complete projects from a previous year. He said a combination of value engineering helped get those costs down, so they figured out they do not need that additional money, and they removed it. He said, as a surprise to everyone, they moved the Westside Collector Phase 3 from where they had put it in an out-year of FY23, and have proposed it for FY20. He said the thought with that was, when they sat down and dug into those plans, they have been there for a while, and they think they can get significant drainage improvements in that area, as well as in the area of Crooked Oak. He said they think they can do that, and if the State keeps letting Nanticoke Road wash out, it is helpful to have that extra path for their citizens to take. Mr. Kilmer said he has had a lot of people make that comment, so the sooner it is completed, it will make things easier, to which Mr. Young responded, Mr. Kilmer has conveyed that to Administration, and that is what they think they can do drainage-wise to help out that area, which he thinks would be a net positive. He said they also added Three Bridges Bridge in Willards, and they plan to use general fund pay-go, so this is not existing pay-go, but regular FY20 pay-go, and a State grant. He said there are bridge improvement funds out there, and he thinks they pay 5-10 percent of that, and the State covers the rest. Mr. Holloway asked if that is going to be replaced with a bridge or tiles, to which Mr. Young responded, he thinks it is going to be a full bridge replacement.

Mr. Young said, for Public Works-Solid Waste, they have an updated cost estimate on the emergency generator, so they have reduced that from \$250,000 to \$200,000, and they have pushed out the landfill cell 7 construction from FY20-21 to FY21-22. Mr. Holloway said he thought Solid Waste was self-sufficient, and he did not think they borrowed money for that, to which Mr. Young responded, they do not borrow money for Solid Waste, but they still show the capital projects. Mr. Holloway asked why it is being pushed off, to which Mr. Young responded, they think that with cell 9 reaching completion they will have time. He said, with having a recent cell being built, they have a better idea on timeframe, so they think they can wait. Mr. Holloway asked if it is a matter of money, to which Mr. Young responded, no, it is not a matter of money. He said it helps them because they can save more in the process, so they are going to push design off until 2021, and then construction in 2022.

Mr. Young said, next, with Board of Education, they met with Dr. Hanlin and her staff yesterday to clarify these things. He reported, they made some changes to the Beaver Run project where they are not proposing \$9 million in the first two years, but proposing \$7 million, and then adding \$4 million to the last year, and this spreads it out more evenly over three years. He said he thinks it was beneficial to have the MACo staff at the meeting earlier talking about Kirwan. He said, until they know exactly how the dust is going to settle on that, they have reservations about committing to another building, and just having it in the pipeline. He said the official statement is they have put the Mardela Middle and High project on hold until they have a better idea as to what Kirwan, the \$15 minimum wage, and potential recession is going to do. Mr. Holloway asked if they are okay with cutting back the Beaver Run project to

\$7 million, and whether that will hold up the project. He said his thoughts were, if they had the plans drawn and knew how long it was going to take, and were figuring on spending \$9 million each year, will that affect the project at all, to which Mr. Young responded, they are also getting a significant portion from the State each year. He explained, their concern was possibly in the last year, which is FY22. He said, in the next CIP, they may need to do more than \$7 million, but they are working with their staff, and they are going to calculate that and get back to him. Mr. Strausburg added, it does not slow the project down. Mr. Young said they will be able to get started with the \$7 million. He added, as he mentioned, the study and planning for Mardela Middle and High is on pause.

Mr. Cannon asked, with Beaver Run, how do they know everything is going to be so great in FY22 that it is going to dovetail, and they can add \$4 million dollars to the project in that exact year, to which Mr. Strausburg responded, they do not want to start the school and then have to stop it, so that is the reason they are being a little cautious about Mardela. He said, again, with what they heard this morning from MACo, it will probably be when they enter the CIP cycle again next year, and start the budget cycle where they will have a clear idea of just how bad it is going to get in terms of things cascading down from the State. He said he is personally still very concerned about the Statewide shortfall in Board of Education OPEB. He said he forgets what the number is, but it is an astonishing number. He said, if the State does not have money for Kirwan, they are taking a write-down already, and they have a structural deficit, where is the money going to come from to bring OPEB coverage up to some reasonable level. He said he does not know where that money comes from. Mr. Holloway said he hates to see them hanging their hat on gambling proceeds, to which Mr. Strausburg responded, he thought Mr. Holloway made an excellent point because he can see where for all kinds of reasons he would anticipate that casino revenue is possibly going to weaken because of competition, economic factors, on-line gambling, and all kinds of reasons why physical casinos may not be bringing in as much revenue as they are currently. Mr. Cannon said they kind of made them feel like they were thinking casinos are recession-proof, but he does not think that is the situation. Mr. Strausburg said the State finances are a concern, the State spending commitments are a concern, and it will cascade down in some fashion. Mr. Young said, looking in the out-year and the \$4-million-dollar increase to that, their borrowing capacity goes up significantly more in the out-years, so they could borrow. Mr. Strausburg said, with the forecast on the budget, and the borrowing they have anticipated, the interest they have anticipated brings them in at about 10.5 percent on P&I, so they are a point and a half below, and it has given them some head room as they go out. He said they did that intentionally.

Mr. Young continued, and said they made no changes to the proposed Wor-Wic or Library projects that were put in the document. He said, for Public Health, the Hurdle Building carpet replacement project has been moved from FY20 to FY21, so they moved that out a year.

Mr. Young said, for the Airport, he realized he did not record all of the changes he made, and he is going to have to go back and do that. He said they pushed the design part of the old terminal building rehab for \$82,000 out a year. He said they pushed the rehab access control system out a year, and the main terminal HVAC system controls out a year. He said the air traffic control tower equipment has been pushed out from 2021 to 2022. He said the FEMA cargo joint use distribution center has been moved out a year, and that is a three-year project, so 2020-2022 has gone to 2021-2023. He said they then added three projects they have been talking about with USDA Rural Development, which includes box hangars, a corporate hanger, as well as the ARFF station, which they are looking at getting fully grant funded. Mr. Dodd asked if the USDA will pay for the ARFF building, to which Mr. Young responded, his understanding is that it is included in their community facilities program, but he thinks the FAA is another funding source, so that goes under discretionary funds. He clarified, Mrs. Dawn Veatch, Airport

Manager, would be the better one to go into details on that. Mr. Dodd asked what will happen with the existing building, to which Mr. Young responded, ARFF is in a hangar right now, and they intend to move that hangar to another location. Mr. Dodd asked if they are going to tear that hangar down, to which Mr. Strausburg responded, no, they plan to move that hangar across campus. Mr. Dodd asked if they are going to be building a new restaurant in the Airport terminal, to which Mr. Young responded, no. Mr. Dodd said it is supposed to be on the news tonight, to which Mr. Young responded, theoretically, a restaurant owner could very well do a land lease with them and build their own restaurant, and that is probably what she is looking at. Mr. Holloway asked if they communicate much, to which Mr. Young responded, they communicate weekly.

Mr. Young said there are probably a few other Airport changes in terms of years being pushed out, and he will clarify that in a supplemental memo providing where the pay-go monies are coming from, as well as adding the Recreation, Parks, and Tourism project. He said they had a few changes, so that is the last group of Departments he wishes to discuss with Council.

Mr. Young said there was a Harmon Field fencing project scheduled for FY20, which has been removed and replaced with Shoemaker parking lot replacement phase 2, which will be funded through a combination of general fund pay-go and a State grant very similar to how Harmon Field fencing was. He said a project that Mr. Miller will be excited to tell Council about is what they call the Henry S. Parker Athletic Complex Field 7½. He explained, this is a special ballfield that will allow people who cannot normally physically play on a traditional little league or softball team. Mr. Dodd said it is called a Challenger Field. Mr. Young said, for a part of that funding they are looking at getting donations, and Mr. Miller has already made huge headway, and it has not even been fully announced yet. He said they have added that project with what they think it will cost the County, but, depending on the donations that come in, they can likely reduce that amount further. Mr. Strausburg said Mr. Miller is presenting that concept to the Chamber on Thursday at the Legislative Luncheon, and it is a really great idea.

Mr. Young said he owes Council, as he mentioned, a supplemental memo just to catch anything else he missed including the pay-go projects, and the history of where that money was coming from. He said he will then add the project Mr. Miller was proposing earlier to the mix, unless there is a time sensitive issue. He said, in summary, those are the changes made from the December submittal.

Mr. Cannon said he really likes what Mr. Young is doing because it is a project in motion, and they seem to be adapting and adjusting really well, and he thinks he is taking a lot of conservative measures. He said the only concern he has is that he never understood why there were so many stages in the CIP. He explained, back in November they had to start thinking about it, they had Public Hearings, and then they move on and approve one stage. He said he never understood why, but, since it was part of the process, he did it. He said this leads him to wonder if, with where they are now with what is being put on the table today, for the individuals who came to the Public Hearing back in November or December, it is not the same CIP that it was back then, and he is really wondering what the significance is of going through this long process when it is never the same from one month to the next. He said a planning document is one thing, and he recognizes that, to which Mr. Strausburg responded, the planning part is one thing. Mr. Cannon said it is so unpredictable that it is hard to even call it a planning document now. He said, in a good way, what they are doing is great, but his concern, again, is that back in November and December, those people who were anxious about the CIP, and really wanted to know what was going on will not know about this CIP. He said everything seems upside down. Mr. Holloway said it was suggested they put the CIP off a few months ago. He then asked if Mr. Cannon is suggesting they delay the Public Hearing, to which Mr. McCain responded, he is not even sure if they have a choice with that. Mr.

Strausburg said they would have to revisit the Charter because the Charter lays out the timeframe. He said he never quite understood it either, but it is in the Charter, so they do it. He said, in some respects, they are starting too early for the budget year because they do not know how finances are going to fold in, but, in terms of the long-term planning, they have a fairly good idea of what they want to get done with long-term planning. He said it is that budget year and the initial year of any significant project that really gets their attention, and they do not know at that point in time how much they can or cannot afford in that first year, so it is very fluid. He said he thinks what they are doing this year makes a lot of sense. He clarified, they hit the pause button, took a breather, revisited it, and got more comfortable, particularly with that first year and any significant project they are going to take on that will have consequences in the planning years. He said he is much more comfortable with this year's cycle than he has been in the past. Mr. Holloway said he thinks they should put it closer to their budget every year, to which Mr. Strausburg responded, he would agree with that. Mr. Cannon said he certainly would not be sweating it as much in December, but thinks they should look at it again in May. Mr. Kilmer said he thinks it is about time to have a Charter Review Committee formed anyway, and this might be something to throw at them now that they have ten more years of experience looking at this stuff, to which Mr. Strausburg responded, he thinks that is an excellent idea. Mr. McCain said they also have to remember that the purpose of it being in December is that they cannot do anything that is not in the CIP, only those projects, and it has to be in there whether they end up doing it or not. Mr. Strausburg agreed, and said it has to be in the plan, or they cannot do it.

Mr. Cannon said he likes all the initiative Mr. Young is taking, and the clarifications he is making, and it is making it a lot easier for everybody to recognize where they are heading. Mr. Young again apologized, and said the intention of the memo was to include all of the changes, and he sees at least three that did not make it. He said, again, he will provide a supplemental memo, and try to pull all the other information that has been discussed. Mr. McCain thanked Mr. Young for the color coding, and said it definitely helps. Mr. Cannon said it has come a long way in the last four years.

Mrs. Hurley said, going back to Mr. Cannon's question about the Public Hearing, Council had the Public Hearing per the Charter requirement back in February, but that was before these changes were made. She then asked if Mr. Cannon thinks that since they have this many changes they should have another Public Hearing on this document, to which Mr. McCain responded, he does not think so. Mr. Cannon said the question is whether or not this is substantially making that big of a difference to the overall impact of the County and the funding, etc. He said he will think about it. Mrs. Hurley said the adoption of the CIP was extended to June 4, 2019, so they have some time. Mr. Kilmer said they could have it as part of the Budget Hearing on May 7, 2019, and they could just fold it into that, and allow public comments on the CIP. Mrs. Hurley said they are two separate documents though, so they need to keep that in mind. Mr. Cannon said he likes that idea. There was no further discussion.

*Signatures on next page*

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**Discuss Summary of Changes to Capital Improvement Program (CIP) for Fiscal Years 2020-2024**  
**April 16, 2019**




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John T. Cannon, President




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Larry W. Dodd, Vice President, District 3



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Ernest F. Davis, District 1



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Marc Kilmer, District 2


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Josh Hastings, District 4



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Joe Holloway, District 5



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William R. McCain, At-Large



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Laura Hurley, Council Administrator