

**Open Work Session**  
**Capital Improvement Program (CIP) FY2021-FY2025**  
**January 21, 2020**

Mr. Wayne Strausburg, Director of Administration, and Mr. Weston Young, Assistant Director of Administration, came before Council. Mr. Strausburg said they should just go straight to a discussion on Mardela Middle and Senior High School. He said he watched the meeting this morning while he was working on some other issues, and in terms of leading out on that discussion, he thinks a couple of clarifications from this morning would help. He said, first of all, he thinks there was discussion with PKS about the percentage of the debt that is associated with school construction, and that percentage is 73 percent. He said, with regard to the movement of bond funds, it gets a little complicated, but, essentially, they cannot repurpose any bond funds until all the projects that were approved in that bond issuance are certified completed or abandoned. He said, in some instances they can be repurposed, but in others they cannot, and it is totally dependent on the language in the specific bond Legislation that was passed, and they have been somewhat different over the years. He said they have spent time with Mr. Stauffer, Mr. Reid, and the County Finance Department going through all the past bond issuances to see where they stand with regard to what projects were authorized in those bonds, what projects are complete, what projects are not complete, and what money can be freed up. He said he thinks they have the bulk of the money, and the \$4.1 million dollars that was mentioned this morning he thinks is the lion's share of what they can access right now, and probably is still some funding that may be available to them. He said the Finance Department and Mr. Reid are going to meet on that as soon as they possibly can to really scrub that once again.

Mr. Holloway asked if what Mr. Strausburg is saying is that the \$4.1 million mentioned this morning has already been given back to the County, to which Mr. Strausburg responded, it can be repurposed. Mrs. Acle asked how long the County has known they have this, to which Mr. Strausburg responded, about a month. Mrs. Acle asked how long it has been out there, to which Mr. Strausburg responded, he does not recall what projects they were. He clarified, the thing to remember is that the Board of Education has to certify to the Executive Office whether or not the project is completed, and that certification also stipulates that there are no outstanding bills or that type of thing, so it is not something they necessarily control because they have to receive the information from the Board of Education. He said Mr. Reid has been very helpful in that regard, and they are scrubbing that. Mrs. Acle said that is good because her question when she first heard about this was how they got to that amount. She then asked if it was ever picked up last year, or the year before, and how is it just now, to which Mr. Strausburg responded, because projects are not completed all at the same time. Mr. Young clarified, it is shown in the books that it is there, but it would not necessarily say it is cash they can use because it is tied to projects, and they do not always know the status of those projects. Mr. McCain said Ms. Stern addressed that when she was talking to Council. He said Ms. Stern was talking about Bennett High School and how there are still outstanding bills that have not been addressed even though the school has been completed for a while, so those funds related to that still would not be available yet until that is closed out. Mrs. Acle said they really do not know how much because, if they do not have all the bills or invoices, it could be anything coming back, to which Mr. Strausburg responded, he is not quite sure what Mrs. Acle means by that. Mrs. Acle clarified, Mr. Strausburg is basing this on what the Board of Education has told him, to which Mr. Strausburg responded, yes, and he has no reason to doubt them. Mrs. Acle asked if this was just this year, or did this occur last year, to which Mr. Strausburg responded, this is something they do on an annual basis. He said they go through previously issued bonds, and one of the things Mrs. Acle has to bear in mind is that they refinanced most of their bond issuances within the past five years, so a lot of

the bond issuances that are out there are fairly current bonds, and it is not like these are 10-year old bonds. He said some people made it sound very easy this morning, but it gets pretty complicated.

Mr. Holloway said, in running a small business or household, he does a budget for the month or year, but he knows this is a lot more complicated. He then asked, when they started to do this CIP, was there a search done to see how much money they actually had that was available to use, to which Mr. Strausburg responded, it was done in concert with doing the CIP with Ms. Ennis and Mr. Reid. Mr. Holloway asked why this did not pop up, to which Mr. Strausburg responded, they did not know until after the CIP had been given to Council whether or not in fact that \$4.1 million dollars was truly available to them, and he is going to get to that as he goes through the rest of his talking points.

Mr. Strausburg said he thinks Dr. Hanlin provided a very good summary of where they stand at this time, and he will add, they are currently reviewing all outstanding Board of Education bond issuances with Mr. Reid to determine whether or not any additional funds may be available. He said Council will recall, when he originally submitted the CIP, he suggested they extend their period of adoption because of the uncertainties they are facing presently. He said they are into the Legislative cycle now, as Mr. Dodd eluded to earlier, and he can bring Council up to date with what they presently know trying to read the tea leaves. He said the 2021 State budget actions so far appear to be as follows; the County Disparity Grant appears to be intact, and that is critically important at some \$8.9 million dollars. He said there will be a slight increase in highway user revenue, according to the Governor's budget, about \$113,000. He said, alternatively, the Governor is proposing an additional 10 percent down streaming of State Department of Assessment and Taxation (SDAT) local office costs, and that would really be tit for tat with highway user revenue, so it is a net neutral. He said Kirwan is a certainty, and is going to pass. He said what they have right now is the gross number, but they do not know what the County share is going to be, and they do not know how phasing is going to be resolved, so they do not know whether it is going to be front loaded, back loaded, smoothed out, or whatever, so that is still very fluid. He said, on a positive note, and it complicates things a little bit, but he thinks in the long-term is a positive, are Senate Bill 1 and House Bill 1, the Built to Learn Act. He said the sponsors were the Senate President and the House Speaker, and they have already passed second reading, and they are certainly going to pass. He said those two Bills transfer the management of school construction in large part to the Maryland Stadium Authority, and it authorizes \$2.2 billion dollars to fund school construction debt over ten years. He said that is the good news; the bad news is that 88.1 percent of it goes to six metro Counties, and 11.9 percent for the rest of the State; however, Counties with an enrollment of 20,000 students or less are eligible for additional funding from the State to cover soft costs. He explained, heretofore, soft costs have always been worn by the local jurisdiction, so, if these Bills pass, engineering, architectural and consulting will be funded. He said they are given to understand that the funding would be matching funding, 50 percent County, and 50 percent State, so that is a big plus for the County.

Mr. Strausburg said, in moving forward, he heard the commentary this morning that they are going to seek an appropriate resolution of this, and he thinks they have some things working for them in that regard that are helpful. He said, with specific regard to Mardela, he can advise Council that County Executive Culver by no means does not believe that renovations and improvements are required, he understands that they are required. He clarified, Mr. Culver's concerns surround the scope and the associated cost. He explained, if they go back to the 2020 CIP, the project was estimated at \$42.6 million dollars, and the 2021 estimated cost is \$71.8 million dollars, so therein lies Mr. Culver's concern, i.e. can they afford that increased scope, and do they want to proceed with planning expenditures in the near future until the situation clarifies itself. He said it is fluid, and he thinks that is the reason Mr. Culver pulled it out of the CIP because he knew, and he thinks they all believed, they were going to, essentially,

make this a process that would go through until the annual budget adoption, and by that point in time they would know what the State was and was not going to do. He said it is very fluid, and they heard the comments this morning, and he certainly agrees that something has to be done with that school. He said he believes the Executive agrees with that, but it is a matter of coming to an agreement with what and when, and making those decisions in light of State actions, and they need a little bit more time.

Mr. McCain said, given everything Mr. Strausburg just said about the State giving unprecedented monies available for school construction, if there is ever a great time to be building schools in their lifetime, it is probably right now. He said the CIP is just that, the Capital Improvement Plan, so he is just thinking this needs to be in the Plan because, as he said, there is no better time to be planning to build a school and creating that timeframe, and so forth. He said they all have to figure out how they make that happen. Mr. Hastings said now is the critical time to have it in the CIP to say this is a priority for Wicomico now that the State is looking at this and has separate Bills in the budget around that. Mr. Strausburg responded, he would agree that, with the State's actions on the school construction side, and with the interest rate environment they find themselves in, they would look at if this is a high priority necessary project, that this is a good time to proceed, but he thinks they have to come to an agreement, and he thinks it involves more discussion between the Board of Education and the Executive in terms of the scope of the project and the timing of the project. He said, going back to Mr. McCain's comments, at a previous meeting he presented Council with the ten-year forward forecast, and it was not pretty. He said, if the Kirwan costs as they are currently depicted come downstream, and if the other assumptions they made, which he thinks are pretty reasonable assumptions, come downstream, they are going to be under pressure with their operating budget, much less their capital budget, so all he is urging at this point in time is a little bit of patience, gathering more information, and having further discussions so they can come to an agreement that will make sense after June 15, and right now he just cannot give Council those answers. He said his best guess is he is probably about six weeks away from that.

Mr. Holloway said he hears all of Mr. Strausburg's concerns about what might be coming down the track as far as expenses and passthroughs from the State, but when he looks at the CIP and sees \$30 million dollars going to the Airport over the next four to five years, that does not show a lot of concern for the rest of the issues. Mr. Strausburg said that \$30 million dollars is not necessarily all pay-go funding, to which Mr. Holloway responded, a lot of it is. Mr. Holloway said it is \$6.5 million this year, to which Mr. Strausburg responded, \$6.5 million this year, but put that up against the fact they want to keep Piedmont Airlines headquartered in Salisbury. Mr. Holloway said he understands that, but they also have other projects they need to make sure are funded, to which Mr. Strausburg responded, he shares Mr. Holloway's concern with all the capital spending, including the Airport, and they are proceeding with reaching out to State and Federal sources, and grant resources to backfill the spending they need to do at the Airport. He said they have talked quite a bit in the County over the past decade about how much they have deferred spending on schools, which they have. He said this County kicked the can down the road for a lot of years on schools, but they kicked the can down the road for 40 years at the Airport, and at some point in time that comes home to roost, and it has come home to roost. He said, if they want to maintain Piedmont's presence, and if they want that Airport to be the economic asset it can be, they should be aggressive, but, to Mr. Holloway's point, they need to be aggressive within reason.

Mr. Holloway said Mr. Strausburg was saying the big hang-up now with Mardela is the design and how much they are going to spend, and not necessarily the money they have to have to build it. He then asked if that is what Mr. Strausburg was getting at, to which Mr. Strausburg responded, the Executive is not comfortable with the scope of the project, and is concerned about proceeding ahead with spending funds to make that scope real because they have to do their architectural and engineering plans. He said

they have to do all that, and they have to spend all that money, and Mr. Culver is saying he is not sure he agrees with the scope of the project at this point in time because it increased \$30 million dollars in one year. He said he sits on the School Building Commission and went to all those meetings, and he understands how the School Building Commission came to the conclusion that this is the manner in which they would proceed, but it is an increase of \$30 million dollars in the space of one year, and he thinks the Executive is saying he wants to be very deliberate with how they go about agreeing upon the scope, and how they go about spending that money because they do not want to spend money on a scope of work the County may not be able to afford, and they may not believe is the best scope of work.

Mr. Hastings said Superintendent Hanlin mentioned \$1.2 million for the draft overage and \$4 million for the closeout bonds, and she was basically eluding to trying to get to some sort of compromise. He clarified, he totally understands if there is a change of \$40 million to \$70 million, a \$30 million-dollar difference, because that is significant. He then asked if there is a minimum amount they would put out to keep Mardela on track, to which Mr. Strausburg responded, they are going to scrub the numbers with Mr. Reid in terms of the funds. He said he does not want to say they are idle funds because they are being invested, and they are really earning more money on their investment than they are paying in interest, but he can probably come back to Council at the next meeting with that information.

Mr. McCain said everything he is hearing still says Mardela needs to be in the plan. He then asked what the County's estimated cost is because they are talking about construction costs of the school, but the State pays the hard costs, to which Mr. Strausburg responded, the County's share ends up being half of the total project cost. Mr. McCain said, then \$35 million, give or take, would be the County's share, to which Mr. Strausburg responded, that may, in fact, change with SB1 and HB1. He explained, if the State picks up half of the soft costs, that would reduce the County's share by about 25 percent. Mr. McCain said the County is not going to be in line for that if it is not in their plan, to which Mr. Strausburg responded, he does not know that, but he will find out more about this.

Mrs. Acle said, looking at the State CIP for what they are funding and seeing 97 percent of the cost, and the County is 3 percent, and it is not on the State Building CIP. She said it was submitted to them, and it was deferred. She said, if the State is deferring the building of the school, what is the County's obligation, to which Mr. Strausburg responded, the County does not have any obligation right now. Mrs. Acle said the State has to approve the plans, and the State has not approved the plans, to which Mr. Strausburg responded, approving the plans is way down the road. He said, again, HB1 and SB1 will change the manner in which construction plans get approved, so, again, it is very fluid. He said he would say that his obligation right now is to find out from the State decision makers. Mrs. Acle said she would just like to have clarification from the State because, when she looks at their CIP, it is being deferred. Mr. Strausburg said his obligation right now is to find out from the State what drove their decision to defer. He said he heard this morning that they deferred because the County deferred, to which Mrs. Acle responded, the County's CIP did not even come out. She said the State's came out before the County's. Mr. Young said, to touch on that and Mr. McCain's concern, the existing CIP of record is the 2020-2024 that has been adopted by Council, and they can find it on the website. He said it lists Mardela as being a number two priority. He said this is a draft. He said the State is not looking at their draft CIP right now, and the FAA is not looking at their draft Airport projects right now, and they pushed back the approval date of the CIP to be more in line with their budget. He said what they have is an FY 2021 IAC 70 percent approval that show Mardela Middle and High Renovation and Addition that says deferral of planning due to fiscal constraints. He said, going back to Mr. Strausburg's point, the question is why did they defer, and it is not because they are looking at some draft document. Mr. Strausburg said that is his understanding, but he wants to talk to the appropriate people at the State level. He said when he sees

HB1 and SB1, and he sees 88.1 percent of the funding going to six metroplex Counties, and the other 18 jurisdictions are getting a little under 12 percent, it makes him wonder what the reality of significant State funding is going to be, and he does not have that answer for Council right now, but he is certainly going to try to get that for Council. Mr. Holloway said they may be paying more of the soft costs but cutting back on construction costs, to which Mr. Strausburg responded, he does not know what their thinking is because it is too early, but this is important, and they understand this is important, but they just need to get more information so they can come to a decision they believe is satisfactory to everybody involved. He said, again, he urged at the beginning of this process that basically this is a proxy based on what they know right now, and they are in a very fluid environment, so they are going to take their time and get as much learning and information as they can so they can make the best decisions they possibly can, and that is really where they are.

Mr. Dodd asked if they have heard when the State plans on voting on SB1 and HB1, to which Mr. Strausburg responded, they will probably find out tomorrow at MACO. He said he did not see anything on tomorrow's agenda that would indicate there is anything imminent, but that is a big deal for the County. Mr. Dodd said it sounds like there is hope that Mardela will be put back in the CIP. He said Mr. Strausburg mentioned there was a difference in the cost, to which Mr. Strausburg responded, in round numbers, it went from \$42 million to \$72 million. Mr. Dodd asked if they have an idea why, to which Mr. Strausburg responded, yes, he sits on the School Building Commission along with Mr. Davis. Mr. Dodd asked if Mr. Strausburg can explain why, to which Mr. Strausburg responded, the short answer is, and this has gone through months and months and months of discussion at the School Building Commission, that the School Building Commission, Board of Education, Mrs. Liesl Ashby, and Mr. Stauffer do not believe they can provide an adequate structure and learning environment based on what was put forward last year. He said that is the simple answer. He said they cannot renovate their way to a footprint that they think is a long-term footprint. Mrs. Acle asked if there was an initial plan that was going to cost \$42 million, to which Mr. Strausburg responded, he would say there was an initial estimate, but the School Building Commission is very deliberate. He said these people take their time and go through deliberations and scenarios, and try to determine not what is going to be good for the next ten years, but what is going to be good for the next 40 years because that is really the life of a school building they are looking at. He explained, they have to look at proposed enrollment figures and it gets very complex, so, from the Executive's standpoint, the increase from \$42 million to \$72 million was a big surprise, and he wants to be more deliberate about it.

Mr. Holloway said he always remembers the story about Wor-Wic where one of the architects said this was the building they needed, and they said, no, this is not the building they need, they need a different architect. He said they went back to the drawing board and they built a school they could use, and sometimes he wonders. He said Mrs. Wright is sitting in the audience, and they had those arguments over Bennett High, which she can well remember about the extravagance of some of the schools and some of the things that were put into the schools. He said his thoughts sitting there are to just give them a certain amount of money and tell them to build a nice school with it, but he knows that is probably unreasonable. Mr. Strausburg said, again, the scope of work and the cost is of concern to the Executive. He said the Executive does not want to see them moving ahead right now with expending more soft costs on that scope of work until they are better educated on what is going to come out of Annapolis and what the affordability is. He said, quite frankly, speaking for the Executive, he thinks Mr. Culver would say he is not convinced that the scope of work is really necessary. He said that is the discussion he thinks needs to be had, which he thinks Dr. Hanlin mentioned this morning, and he thinks that needs to be revisited and more dialogue has to occur. He said, again, they have until June 15, and he thinks they need to be deliberate, he thinks they need more information than they have right now, and he thinks

they need more discussion. He said he thinks if he were to come back to Council at the first meeting in February he might have more information as to where they think the State is going with this.

Mr. Cannon asked if funds have already been expended for the initial phase of the school, to which Mr. Strausburg responded, the funds expended would have been the funds wherein the School Building Commission and the Board of Education explored the various alternatives and various options, so they would have been soft costs. He said one of the things that, quite frankly, he is not sure of, but he is going to try to determine tomorrow when he is in Annapolis, is whether in HB1 and SB1 they will be able to recover soft costs that have been expended prior to the passage of SB1 or HB1, or is it only soft costs expended prospectively, and he thinks that is an important consideration, and that may guide them in their thinking about this to where they may want to wait for passage because then they will get more money from the State. Mr. Cannon said, based on the commitment from last year's CIP where there was \$700,000 committed for FY20, and then other monies for those following years, he thinks that some of the wheels are already in motion for this, to which Mr. Strausburg responded, that is something they will scrub with Mrs. Ashby and Mr. Reid. Mr. Cannon said he would not have been surprised if maybe this funding had been moved down a year because, as Mr. Strausburg said, it is just a planning document. He clarified, he saw inconsistencies where they have funding authorized through the grant funding at the State level and they are still recognizing \$8 million from the State in FY22, \$9 million in FY23, and \$5 million in FY24. He said they are recognizing this in their current CIP, and that seems to be somewhat inconsistent with the fact that the local portion is now zero across the board. Mr. Strausburg asked if he is talking about the current proposed CIP, or the current adopted? Mr. Cannon clarified, he is talking about the current proposed showing zero funding for the next five years at the local level, but there is still \$22 million listed as grant funding on the State level, to which Mr. Young responded, it still shows the State match, and just the general fund portion of it was removed. Mr. Strausburg agreed, that is inconsistent. Mr. Cannon said, again, he does not think these are going to come about unless the numbers in the beginning of this document on the local level are inserted there, to which Mr. Strausburg responded, again, he thinks by the next meeting they are going to have a much better idea of where the IAC really is, and they will have a much better idea of where these two Bills are, but they are not too sure they are going to have much of an idea on Kirwan. He said he thinks Kirwan is probably going to be closer to the beginning of April, and the current wisdom in Annapolis is that the Kirwan funding in all likelihood is going to be backloaded so it begins to occur after the next election, and that would not surprise him because that is sort of how it works. He said he is just urging a little bit of patience so they can gather more information and have further discussions, and they have time on this document.

Mr. Dodd said Mr. Strausburg mentioned they have until June 15, to which Mr. Strausburg responded, for the adoption. Mr. Dodd said he thought they extended it, to which Mrs. Hurley responded, June 1, unless they extend it again. Mr. Dodd said he just wanted to correct that. He then asked if Mr. Strausburg would like to be at the next meeting for another Work Session, to which Mr. Strausburg responded, that would be fine.

Mr. Hastings asked if they are working with their County lobbyist to try to make changes to the Build to Learn Act. He said he does not know if there is anything Delegate Sample-Hughes could help with, to which Mr. Strausburg responded, he thinks those two Bills are already locked and loaded. He said, when the Senate President and the House Speaker introduce the first two Bills and they pass second reading, he does not think there is going to be much change to them. He said he thinks in the long run it is a good thing for the County, all things considered.

Mr. Holloway said they only talked about Mardela. He then asked if they are going to talk about the rest of the CIP, or is there anything anybody wants to talk about, to which Mr. Cannon responded, he has a million questions, but they are going to have to do another Work Session. Mr. Strausburg said Council can just email any concerns or questions they have about this document. He said, as Council might imagine, this is a huge undertaking, and they are starting the budget process now, so, to the extent Council can give them a heads up so they can provide Council with information along the way, or be fully prepared when they get to the table to answer Council's questions, that would really be helpful to them.

Mr. Cannon said he just has one thing. He then asked what happened to the explanations of the projects. He said that was a beautiful format last year, and the years before. He said it was a 94-page document, and this is a 44-page document, but they completely eliminated all the explanations of the projects, to which Mr. Strausburg responded, he can give Council explanations for any one of the projects they want to talk about. Mr. Young said they have been added to the back of the document. Mr. Cannon clarified, he is not talking about the appendix they have in there now because that is just a broad, general version. He said he is talking about each individual page where it explained what that project was for. He said, for Council to look at it, to look at the numbers, the data, and the graphs, they cannot drill down into that to understand why that is significant more so than another because there are hundreds of projects here. Mr. Young said each individual project had its cost over five years, and a description if there were additional maintenance costs that the project would cause. He said they know what Mr. Cannon is talking about, to which Mr. Cannon responded, that made it able to be evaluated. Mr. Strausburg suggested they bite off one or two Departments at each of the next upcoming Council meetings and just talk in depth or at length about those Departments with regard to any questions or further explanation Council needs. He said they could bring the functional Department Head in because, if they start to get into the technical weeds, it is good to have them there, and that may make Council more comfortable with what they are proposing in the document. Mr. Dodd said they can do that. Mr. Cannon said, again, it was only a small paragraph with an explanation, but it was invaluable.

Mr. Cannon said he agrees with what Mr. Holloway said about being a strong advocate for the Airport, and he recognizes that economic development, but they are looking at millions and millions. He said Mr. Holloway said it perfectly when he asked if they need to pace this, to which Mr. Strausburg responded, he does not disagree, and he is paying very close attention to that because it is a lot of money. He clarified, he is not saying it is not necessary, he thinks it is necessary, but it also has to be currently affordable, and they have a moving target right now. He said he read this morning that the MACO fiscal analyst recommended attacking structural deficit. He said David Roman is the Fiscal Policy Coordinator for DLS, and the Board of Revenue Estimates are both saying that the State structural deficit is going to worsen, and they are looking at a recession in 2021, and that is not a happy pill. He said he shares Mr. Cannon's and Mr. Holloway's concern, and they pay very close attention to that, and the amount of money that is being proposed for spending, the pacing of that money, and the affordability, and they are looking for other opportunities for grant funding and low interest loans and that type of thing so they can shed some of the general fund impact, so they recognize that.

Mr. Dodd said he remembers when Tony Sarbanes, who was a Council President and a former principal of Parkside when it opened, made the statement that if the County renovated the schools every two years, it would take at least 50 years to get to the last one. Mr. Dodd said they cannot continue to delay these projects. He said he knows the citizens and the Board would like to see them continue to move full speed ahead on this, so Council appreciates the Executive's consideration. Mr. Strausburg said the County kicked the can down the road for many years, and it has caught up to them, not only with the Board of Education, but they are seeing it with the Public Safety Building, they are seeing it at the

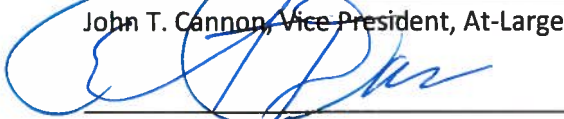
Airport, and they are seeing that their infrastructure is reaching the limits of its useful life. He said they are trying to put a lot of toothpaste back in the tube very quickly, and it is a matter of whether or not it is affordable in an environment that, when they look out at the next five to ten years, is a little concerning, so they understand. Mr. Dodd said he understands Mr. Strausburg asking Council and everyone to be patient, and that is the only choice they have right now, but it sounds like the Executive plans on moving forward and putting Mardela back in the CIP, so they can only hope. Mr. Strausburg said it is an ongoing discussion. There was no further discussion.



Larry W. Dodd, President, District 3



John T. Cannon, Vice President, At-Large

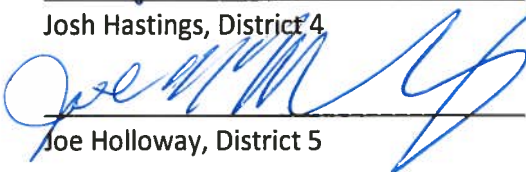


Ernest F. Davis, District 1

Nicole Agle, District 2



Josh Hastings, District 4



Joe Holloway, District 5



William R. McCain, At-Large



Laura Hurley, Council Administrator