

Board Action Summary

An Outline of the Chief Executive Officer's Recommendation to the Board of Education

New Program: Yes No

Modified Program: Yes No

Subject: Approval of the Blueprint School Phase II Package and Resolution of General Terms for Blueprint Schools Phase II Package (Alternative School Construction Financing Package II) under a Public-Private Partnership Model.

Abstract and Highlights:

The Board of Education accepts the recommendation of the Chief Executive Officer and the Blueprint Schools Phase II Task Force of the Blueprint Schools Phase II Package ("Phase II Package") and general terms for the Phase II Package under a Public-Private Partnership Model.

Prime Vendor Name: NA

MBE Participation: NA

Explanation:

Section 126 of Division II, Title 4, Subtitle 1 of the Education Article of the Annotated Code of Maryland permits county boards of education, with the approval of the county governing body, to utilize certain "alternative financing methods" in order to "finance or to speed delivery of, transfer risks of, or otherwise enhance the delivery of public school construction." Under subsection (a)(2)(iii) of Section 126 of Division II, Title 4, Subtitle 1 of the Education Article of the Annotated Code of Maryland, one such "alternative financing method" is "public-private partnership agreements, in which a county board contracts with a county revenue authority or a private entity for the acquisition, design, construction, improvement, renovation, expansion, equipping, or financing of a public school, and may include provisions for cooperative use of the school or an adjacent property and generation of revenue to offset the cost of construction or use of the school."

The approved 20-year Educational Facilities Master Plan ("EFMP"), Cycle 1 (as amended in FY 2021) establishes the Blueprint for PGCPs to ensure adequate educational facilities are provided to meet the needs of Prince George's County Public Schools' 134,000 students and nearly 22,000 full- and part-time employees, adopting the use of Alternative Construction Financing (ACF) to deliver school facilities in the timeliest and most cost-effective manner possible, while guaranteeing life-cycle asset performance.

Initiated by Built to Learn of 2020, Blueprint Schools Phase 2 ("Phase II") will include state funds to support the implementation of another bundle of schools utilizing a public-private partnership to deliver upon PGCPs' promise of delivering quality, state-of-the-art schools to replace and/or consolidate aging and debilitating schools. To advance consideration of alternative construction financing options, in November 2021, the County Council of Prince George's County, Maryland (County Council), approved Resolution No. CR 131-2021, establishing a Phase II P3 Alternative Financing School Infrastructure Work Group (Work Group) and Task Force for the purpose of supporting, encouraging and establishing a work group to explore a Phase II Public-Private Partnership Alternative Financing School Infrastructure Program for public school construction and replacement projects in Prince George's County. The Work Group is comprised of representatives from the Office of the County Executive, the County Council and Prince George's County Public Schools (PGCPs).

Utilizing the existing Cycle I schools set forth in the EFMP as the bedrock for any determination of potential schools into Phase II, the Work Group engaged both technical and financial advisors to undertake due diligence and evaluate a wide spectrum of potential finance and delivery options, concluding that the delivery of a bundle of six schools under a design-build-finance-maintain structure would accelerate the delivery of critical new infrastructure from over 17 years to three years, while likewise reducing costs and guaranteeing that the schools would meet prescribed performance standards over a designated term.

The Work Group reported to the Task Force that established the criteria for selection of the Phase II Package. The Task Force consisted of elected representatives from the Board of Education, the State House and Senate Delegations, and County Council, along with appointed members from PGCPs, the County and County Council, the Interagency Commission on School Construction and Maryland Stadium Authority.

In the coming months, PGCPs, in cooperation with the Work Group will issue a Request for Qualifications. Interested bidders will then submit their Statement of Qualifications. Upon selection of the top three or four bidders, an RFP will be issued to select the bidders. A preferred partner will be selected through the RFP process. This Board Action Summary provides the final Phase II Package recommendation from the Task Force and outlines the general commitment that PGCPs intends to make in support of the Blueprint Schools Phase II Package.

Recommended Phase II Schools:

- Margaret Brent Elementary School
- James E. Duckworth Regional School
- Hyattsville Elementary School
- Springhill Lake Elementary School
- Brandywine Area K-8 Academy
- Robert Frost K-8 Academy

1. Project Scope:

Four (4) Elementary and two (2) K-8 Schools will be part of the Phase II Package utilizing a Public-Private Partnership delivery model.

2. Transaction Structure:

The anticipated terms of the contract are summarized as follows:

- a) **Contracting Authority:** PGCPs (with financial support from the County, as detailed in a Memorandum of Understanding).
- b) **Contract Structure:** Design-Build-Finance-Maintain (DBFM) for ACF Schools Package 2.
- c) **Scope of Services:**
 - (i) **Schools, Sites and Standards:** Schools, sites and construction standards will be prescribed in the RFP.

(ii) Design-Build: The design and construction scope will include all activities related to the permitting, design, construction and commissioning of specified schools. Requirements will be made for public outreach during the design phase to ensure community input into design elements.

(iii) Financing: The private partner will be required to provide full financing for the project, whether in the form of debt or equity. All financing will be private and without recourse to PGCPs and the County.

(iv) Life-cycle Maintenance: The private partner will be responsible for hard maintenance at service levels prescribed in the RFP and Agreement, thereby ensuring that the facilities are maintained at prescribed standards over the life of the contract.

(v) Hand back Requirements: The private partner shall be required to transfer the facilities back to PGCPs at the end of the term at prescribed standards, ensuring that the buildings are in good condition at the expiration of the Agreement.

d) **Key Excluded Services:**

(i) Custodial and daily facilities management shall be retained by PGCPs.

(ii) PGCPs shall provide swing space and occupancy planning.

e) **Compensation:**

Although some level of milestones or progress payments may be offered upon completion and occupancy of a certain number of schools, primary compensation will begin upon completion and occupancy of the entire Blueprint Schools Package and be in the form of quarterly availability payment, which shall be subject to deductions for performance shortfalls. The maximum availability payment of \$50 million will be comprised of a capital charge, a maintenance and repair charge, and any extraordinary items, and shall be finalized at financial closing. Funding for the Availability payments will be provided on a cost-share basis between PGCPs and the County and a dedicated State contribution.

f) **Anticipated Term:**

The design and construction period is anticipated to be no longer than three years, followed by a maintenance period that is anticipated to be 30 years, pending terms to be negotiated during developer procurement.

g) **Asset Ownership:**

PGCPs will own and hold title to the schools, with the private partner having no leasehold rights over the property other than those indicated in the Agreement.

h) **MBE/Local Business Requirements:**

The minimum MBE and CBB requirement will be 30%. The 30% will be applied to each element of the design, build and maintain portion of the agreement.

i) **Community Investment Agreement:**

Developer will provide both an equity public offering up to \$5 million of the required equity and a written agreement on ways they will support the goals of PGCPS and the broader community through investments such as apprenticeships, scholarship endowments and minority business capacity building.

j) **Minority Equity:**

In the interest of supporting the goals of PGCPS and the broader community, the selected developer will provide at least 20% of equity position to a designated MBE firm or firms.

3. **Implementation Timeline:**

Although the complexity of the transaction requires PGCPS to advance the project carefully and deliberately, as currently anticipated, the Agreement will be awarded in Q1 or Q2 of 2024, with the expectation that all schools will be commissioned and occupied for the 2026-2027 school year.

4. **Governance Framework:**

a) **General:**

The Board of Education plans to enter into one Memorandum of Understanding (MOU) with the County, Interagency Commission on School Construction and Maryland Stadium Authority identifying the governance structure and funding obligations of the parties with respect to this project. The County Council will pass a resolution evidencing its support of terms as well.

b) **Funding:**

The MOU will identify the cost-share responsibilities of PGCPS and the County in addition to the State contribution with respect to this Project. As currently envisioned, each shall contribute up to 50% of the maximum “availability payment.” The terms associated with the payments, including the provision of any additional payments (such as milestone payments upon construction completion or early termination payments), which will be further explored by the County, IAC, MSA and PGCPS, and memorialized in the MOU.

It is anticipated that the MOU will further provide that the Board of Education and the County will enter into an Escrow Agreement with a third-party qualified bank that will receive funds from the County, State and PGCPS on a semi-annual basis and disburse the funds to the developer per the terms of the contract. This funding MOU will serve as a key credit document of the transaction.

c) **Steering Committee:**

Given the funding arrangements associated with this Agreement, a steering committee comprised of representatives of the County Executive, County Council and the Board shall be created to make high-level decisions relating to this Agreement, such as contract modifications, major change orders, etc.

The above Plan is expected to achieve the following for Prince George’s County Public Schools:

- Improves six (6) PGCPs-owned properties;
- Utilizes land currently owned by PGCPs for the replacement schools;
- Improves the instructional environment for staff and students;
- Constructs schools in a cost-effective manner;
- Accelerates delivery of infrastructure versus traditional delivery, thereby expediting public benefits and reducing delivery costs;
- Defers payments until after completion (aligning cash flows with public benefits);
- Life-cycle budget predictability for the selected schools;
- Enforces performance standards (availability payments are subject to deductions in the case that performance standards are not met);
- Provides greater security around cost and schedule risk as a result of the at-risk private finance;
- Life-cycle asset management (better stewardship of public assets) for the selected schools; and
- Design and construction integration with lifecycle maintenance for selected schools.

Explanation:

As noted in the Board approved Amended FY17 Educational Facilities Master Plan (EFMP), the use of a public-private partnership was identified as delivery method for a number of Cycle 1 Schools. The plan calls for the construction of six schools simultaneously over a three-year period using the public-private partnership method. To maximize the effectiveness required, the following criteria, among others, were utilized by the Task Force:

- Reduce the number of Schools in Cycle 1 (per the EFMP);
- Prevent the bundle from exceeding affordability limit (minimum 6 schools);
- Create cost savings through economies of scale and bundling;
- Increase the constructability and limited individual project risks;
- Include facilities conditions which are not ideal for staged renovations; and
- Have a bundle that will have as broad as possible geographic impact.

Based on these criteria above, the six schools that were recommended by the Task Force to be included in the RFP are:

New School	Current School(s)
Margaret Brent Elementary School	<ul style="list-style-type: none"> ● Margaret Brent Regional School ● Glenridge Elementary School
James E. Duckworth Regional School	<ul style="list-style-type: none"> ● James E. Duckworth Regional School ● Calverton Elementary School (boundary adjustment) ● Beltsville Academy (boundary adjustment)
Hyattsville Elementary School	<ul style="list-style-type: none"> ● Hyattsville Elementary School
Springhill Lake Elementary School	<ul style="list-style-type: none"> ● Springhill Lake Elementary School
Brandywine Area K-8 Academy	<ul style="list-style-type: none"> ● Gwynn Park Middle School ● Brandywine Elementary School ● Baden Elementary School
Robert Frost K-8 Academy	<ul style="list-style-type: none"> ● Robert Frost Elementary School

- Charles Carroll Middle School
- Carrollton Elementary School

Contract Amendment Value: \$0

Budget Implications: None

Staffing Implications: None

School(s) Affected: Springhill Lake Elementary School, Robert Frost Elementary School, Carrollton Elementary School, Charles Carroll Middle School, Gwynn Park Middle School, Brandywine Elementary School, Baden Elementary School, Hyattsville Elementary School, James Duckworth Regional School, Margaret Brent Regional School, Glenridge Elementary School

Preparation Date: September 9, 2022

Endorsed: _____
Associate Superintendent of Supporting Services

Person Preparing: Jason Washington

Endorsed: _____
Chief Financial Officer

Board Agenda Introduction Date (Budget Consent): September 22, 2022

Endorsed: _____
Chief Operating Officer

Board Action Date (Budget Consent): September 22, 2022

Approved: _____
Chief Executive Officer

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
Upper Marlboro, Maryland 20772

RESOLUTION

WHEREAS, the proposed Blueprint Schools Phase II Package will allow PGCPs to deliver upon PGCPs' promise of delivering quality, state-of-the-art schools to replace and/or consolidate aging and debilitating schools through an alternative financing delivery model; and

WHEREAS, the proposed package of six (6) schools will allow for the continued development and implementation of the Phase II procurement to identify the best value for Prince George's County Public Schools; and

WHEREAS, the Work Group and Task Force worked in collaboration for the development of the Phase II Package; and

WHEREAS, the Chief Executive Officer and staff recommend the acceptance of the Phase II Package and the general terms outlined above in this Board Action Summary;

THEREFORE, BE IT RESOLVED, that the Board of Education of Prince George's County accepts the Chief Executive Officer's recommendation to procure six elementary and/or K-8 schools as Blueprint Schools Phase II Package, under the general terms outlined above.

Submitted by:	_____	Dr. Monica Goldson, CEO
Prepared by:	_____	Jason Washington
Agenda Date:	_____	September 22, 2022
Discussion:	_____	
First Reader:	_____	
Budget Consent:	_____	September 22, 2022
Emergency:	_____	
Amended:	_____	
Deferred:	_____	
Tabled:	_____	
Approved by the Board:	_____	