PGCPS ALTERNATIVE SCHOOL CONSTRUCTION FINANCING (ACF) BRIEFING
ABOUT
PGCPS’ growing student enrollment, 2,000+ middle school seat deficit, and 206 rapidly aging school buildings have prompted an alternative construction finance method. Through a unique alternative delivery model PGCPS pays a developer to design, build, and maintain six schools over a 30-year services period. Prince George’s County Public Schools is the first in the United States to accelerate the delivery of a group of modernized public K-12 school buildings through this partnership approach.
The RFP selection process consisted of:

1. Subcommittee/Analysts Reviews & Recommendations
   - 4 subcommittees:
     - MBE
     - Design & Construction
     - Facility Maintenance
     - Financial Advisory Committee

2. 9-member Selection Committee representing Prince George’s County Public Schools, Prince George’s County Council and Prince George’s County Executive
   - Bifurcated Review
   - Scoring was equally split between Technical & Financial Proposals

Competitive two-step process to ensure the selection of a partner that would provide the best value to PGCPS
Availability Payment Components

• **Capital Charge**: Flat amount that will escalate by 1.5%

• **Services Charge**: Flat amount that is Index-Linked (CPI-U)

• **Deductions**: Offsets PGCPS can take based on specified instances of non-performance (subject to a quarterly cap and monthly carry over with interest)

• **Extraordinary Items**: Credit or a charge

PGCPS Capital Investment Obligations

• **Progress Payment**: $15M when 50% of Design-Build Agreement Price expended

• **Milestone Payment**: $5M/School after School Occupancy Readiness Date (one-time payment per school)

• **Availability Payment**: (Paid Monthly after Occupancy Readiness)

• **Extraordinary Construction Payment Events**:
  • Delay Payments, as applicable
  • Relief Payments, as applicable
**Contractsual Projections**

**During the Design-Build Period**
1. Longstop Date
2. Late Delivery Damages
3. Independent Engineer
4. Performance Bonds

**During the Services Period**
1. Performance Monitoring Report
2. Deductions Regime
3. Services Period Reserve Account
4. PGCPS’ Step-In Rights and Rectification Rights
30-Year Services Period

1. Developer-retained responsibilities
2. High-performance Buildings
3. Performance Failure Deductions
4. Joint Technical Reviews
5. Handback Inspections
6. 48 O&M KPIs
7. Full-System Refresh
### Handback Requirements

On Expiration Date (30 years after Occupancy), Schools Condition Standards

<table>
<thead>
<tr>
<th>Project Component</th>
<th>Minimum Remaining Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Structure</td>
<td>30 years</td>
</tr>
<tr>
<td>Heating, Ventilation, and Air Conditioning System</td>
<td>15 years</td>
</tr>
<tr>
<td>High Voltage Distribution and Secondary Distribution Equipment</td>
<td>15 years</td>
</tr>
<tr>
<td>Emergency Electrical System</td>
<td>15 years</td>
</tr>
<tr>
<td>Building Envelope</td>
<td>10 years</td>
</tr>
<tr>
<td>Roads and Walkways</td>
<td>10 years</td>
</tr>
<tr>
<td>Interior Finishes and Millwork</td>
<td>5 years</td>
</tr>
<tr>
<td>Security/Audio Visual</td>
<td>5 years</td>
</tr>
<tr>
<td>Emergency Power Source</td>
<td>5 years</td>
</tr>
<tr>
<td>Fire Suppression System</td>
<td>5 years</td>
</tr>
<tr>
<td>Building Management System</td>
<td>5 years</td>
</tr>
<tr>
<td>Communication System</td>
<td>5 years</td>
</tr>
<tr>
<td>Plumbing System</td>
<td>5 years</td>
</tr>
<tr>
<td>Conveying Equipment</td>
<td>5 years</td>
</tr>
</tbody>
</table>
SELECTED PARTNER

Prince George’s County Education & Community Partners

- Fengate Asset Management (75% Equity)
- Gilbane Development Company (25% Equity)
- Gilbane Building Company (Builder)
- Stantec (Design-Architect)
- Honeywell (Services Provider)
PROPOSAL SPECIFICS

- INITIAL INDICATIVE AVAILABILITY PAYMENT: $29.8 M
- PROJECT READINESS DATE (proposed): JULY 15, 2023
- COMMERCIAL CLOSE (proposed): DECEMBER 20, 2020
- FINANCIAL CLOSE (proposed): JANUARY 19, 2021
- SERVICES PERIOD TERM: 30 YEARS
- OPERATIONS END: JUNE 30, 2053
- TOTAL COST: $1.24B
A nominal capital cost of $235.9m would need to be spent on deferred maintenance while waiting for the new schools to be delivered on the extended traditional timeline. This, combined with the construction cost escalation, results in a costlier project relative to a traditional delivery.

### Traditional and ACF Package 1 Project Construction Comparison

<table>
<thead>
<tr>
<th></th>
<th>Design-Bid-Build</th>
<th>Design-Build-Finance-Maintain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal design and construction costs¹</td>
<td>$868.8m</td>
<td>$485.8m</td>
</tr>
<tr>
<td>Nominal deferred maintenance cost²</td>
<td>$235.9m</td>
<td>$0</td>
</tr>
<tr>
<td>Nominal PGCPS DB payment obligations³</td>
<td>$1,104.7m</td>
<td>$930.8m</td>
</tr>
<tr>
<td>Year of completion for all schools</td>
<td>2036</td>
<td>2023</td>
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</tbody>
</table>

¹ Design and construction costs assumed to escalate at 5% per annum
² Deferred maintenance to keep current schools operational until new school is built - excludes the full renovation costs that would be captured in the $480m design/construction figure.
³ Payment obligations include all payments made to a private party. Inclusive of progress payment, milestone payment, and financing costs to Developer under DBFM
⁴ Total Capital Charge contained in Fengate/Gilbane Proposal (30 years)
COMMUNITY INVESTMENT COMMITMENT

• Workforce Development
• Community Services and Amenities Plan
• Mentor Protégé Program
• Internship and Apprenticeship Programs
• Mentor Programs
• Scholarships
• ACF will be a county-focused economic stimulus program
• ACF will create over 3,000 jobs
• ACF will increase local GDP by at least 2%
• ACF will require Prevailing Wage Salaries
• ACF will require a full-system refresh, which will be a 2nd Stimulus
### MBE MANDATORY MINIMUMS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Total Anticipated Design-Build Period Costs</td>
<td>$459,250,000</td>
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<tr>
<td>MBE Participation Requirement</td>
<td>$137,775,000</td>
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<tr>
<td>Total Anticipated Services Period Costs</td>
<td>$306,500,000</td>
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<tr>
<td>MBE Participation Requirement</td>
<td>$91,950,000</td>
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<tr>
<td><strong>Total Anticipated MBE Requirement</strong></td>
<td><strong>$229,725,000</strong></td>
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</table>

### IDENTIFIED MBE/CBB PARTICIPATION

- WARREN BROTHERS CONSTRUCTION
- CORENIC CONSTRUCTION
- THREE E CONSULTING
- K. DIXON ARCHITECTURE PLLC
- LEUTERIO THOMAS, LLC
- SETTY & ASSOCIATES
- AREL ARCHITECTURAL GROUP
- NYIKOS & GARCIA
- FLOURA TEETER
- LANIER ELECTRONICS
NEXT STEPS

- Memorandum of Understanding
- Exclusive Negotiating Agreement Period
- Finalize Project Agreement
- Commercial & Financial Close

QUESTIONS?