

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.

Procurement Process

Contractual Projections

Asset Management

Selected Partner

Proposal Specifics

Construction Cost Comparison

Community Investment Commitment

Local Economic Impact

MBE Mandatory Minimums

Identified MBE/CBB Participation

Next Step and Questions?



PROCUREMENT PROCESS

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

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



PROCUREMENT PROCESS

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 PGCCPS 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

PGCCPS 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

CONTRACTUAL 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



ASSET MANAGEMENT



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

ASSET MANAGEMENT

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

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

SELECTED PARTNER



PRINCE GEORGE'S COUNTY EDUCATION & COMMUNITY PARTNERS

FENGATE ASSET MANAGEMENT | GILBANE DEVELOPMENT COMPANY

GILBANE BUILDING COMPANY | STANTEC | HONEYWELL

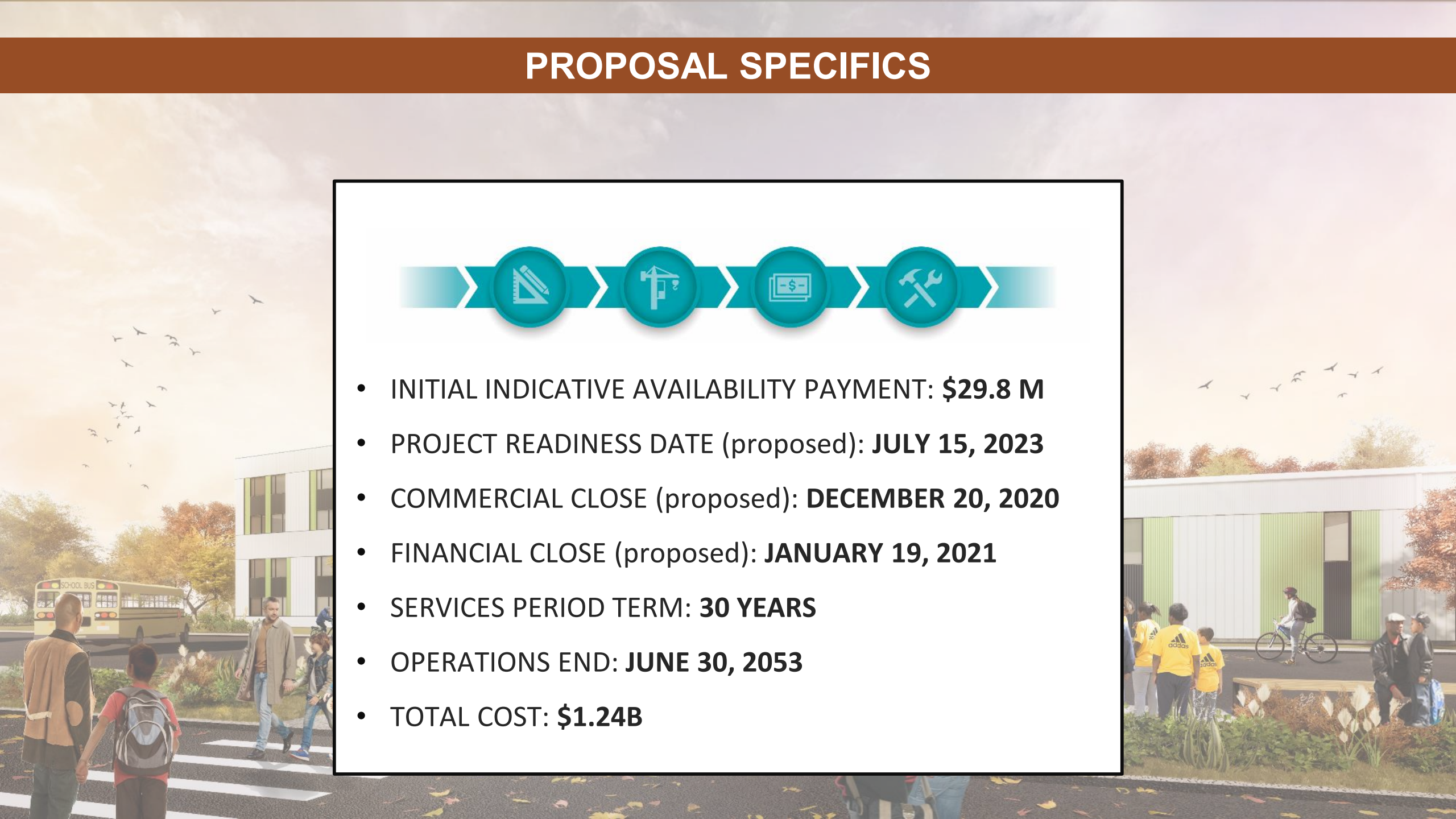
Prince George's County Education & Community Partners

- 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**



CONSTRUCTION COST COMPARISON

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		
	 Design-Bid-Build	 Design-Build-Finance-Maintain
Nominal design and construction costs¹	\$868.8m	\$485.8m
Nominal deferred maintenance cost²	\$235.9m	\$0
Nominal PGCPS DB payment obligations³	\$1,104.7m	\$930.8m ⁴
Year of completion for all schools	2036	2023

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

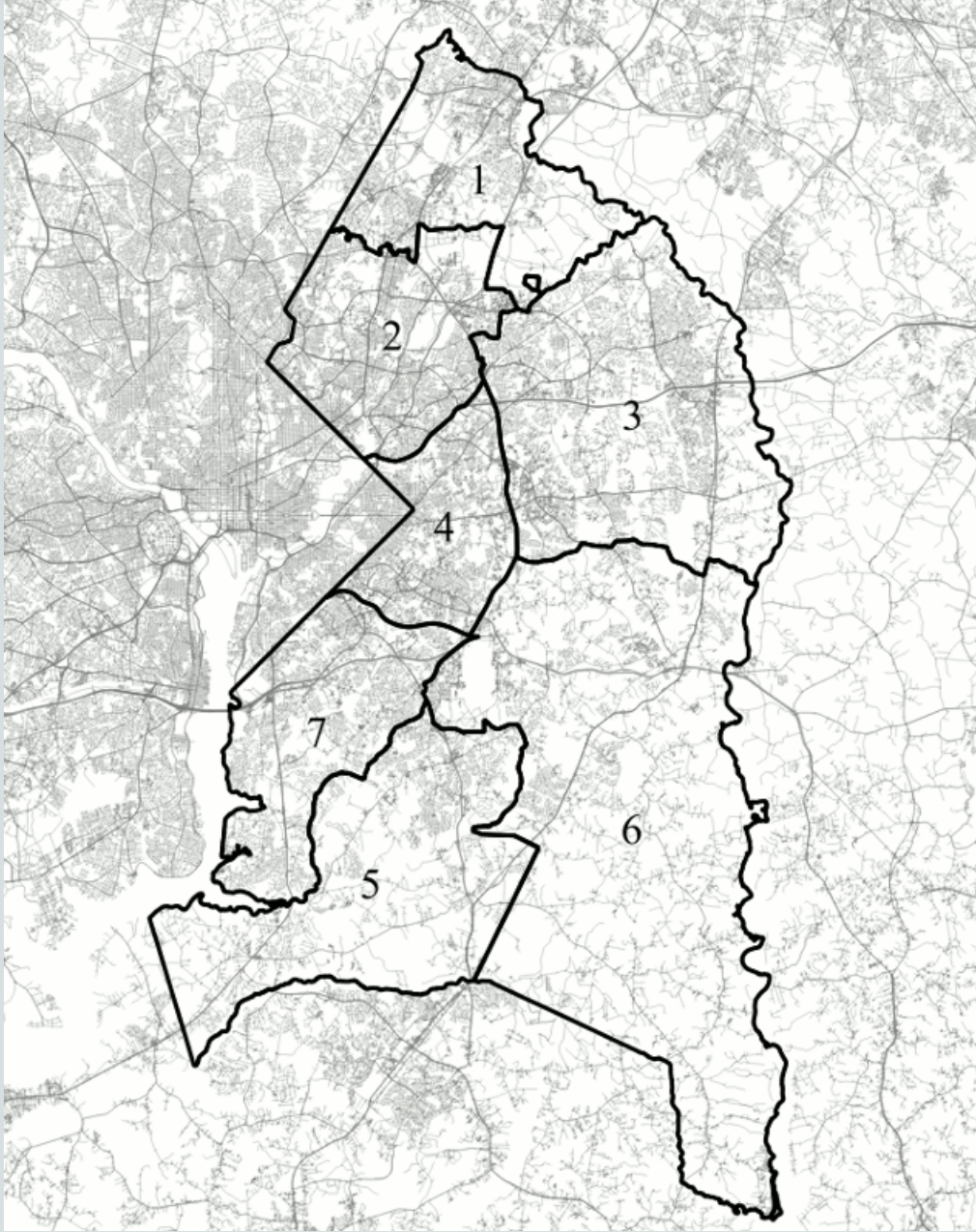
⁴ Total Capital Charge contained in Fengate/Gilbane Proposal (30 years)

COMMUNITY INVESTMENT COMMITMENT



- Workforce Development
- Community Services and Amenities Plan
- Mentor Protégé Program
- Internship and Apprenticeship Programs
- Mentor Programs
- Scholarships

LOCAL ECONOMIC IMPACT



- 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

Total Anticipated Design-Build Period Costs	\$459,250,000
MBE Participation Requirement	\$137,775,000
Total Anticipated Services Period Costs	\$306,500,000
MBE Participation Requirement	\$91,950,000
<i>Total Anticipated MBE Requirement</i>	<i>\$229,725,000</i>

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?

