

**P3's**

# **Public – Private Partnerships**



# The Charge

- During the 2022 legislative session, the Maryland General Assembly adopted Senate Bill 916/House Bill 739 *Workgroup to Study the Fiscal and Operational Viability of Public-Private Partnerships for Charles County Public Schools*, which charged the Workgroup to study public-private partnerships as a model for school construction in Charles County. The bill became effective on June 1, 2022.
- In June, Charles County Public Schools (CCPS) contacted the appointed Workgroup members to schedule the first meeting. The first meeting was conducted on July 27, 2022. To date, the Workgroup has participated in seven public meetings. The Workgroup invited staff from Prince George's County Public Schools, Charles County Government and the Town of La Plata to present and discuss various topics at the six prior meetings. The Workgroup was charged with presenting the findings in a report by December 31, 2022.



# The Purpose

- The Workgroup shall study the fiscal and operational viability of using a public–private partnership for financing, constructing, maintaining, and operating schools in Charles County; implementation of a public–private partnership by Charles County Public Schools; and how a public–private partnership may relieve the significant burden for funding new school construction and renovations for Charles County Public Schools; and make recommendations regarding using a public–private partnership for new school construction; and maintenance and rehabilitation of schools to meet the identified needs at lower cost.



# Workgroup Members

- (1) two Senators appointed by the President of the Senate, based on the recommendation of the chair of the Charles County Senate Delegation:
  - a. Senator Arthur Ellis.
  - b. Senator Michael Jackson.
- (2) two Delegates appointed by the Speaker of the House, based on the recommendation of the chair of the Charles County House Delegation:
  - a. Delegate Debra Davis.
  - b. Delegate Edith Patterson.
- (3) two members of the Board of Charles County Commissioners, appointed by the Board of Charles County Commissioners:
  - a. Commissioner Thomasina Coates.
  - b. Commissioner Amanda Stewart.
- (4) two members of the Charles County Board of Education, appointed by the Chairperson of the Charles County Board of Education:
  - a. Board Chairperson Michael Lukas.
  - b. Board Member Jennifer Abell.
5. the Chair of the Interagency Commission on School Construction, or the Chair's designee: Alex Donahue Deputy Director for Field Operations, Interagency Commission on School Construction; and
6. the Executive Director of the Maryland Stadium Authority, or the Executive Director's designee, Eric Johnson, Senior Vice President, Capital Projects Development Group, Maryland Stadium Authority.
7. the Workgroup members shall elect the chair of the Workgroup. Michael Lukas was elected chair.
8. the Charles County Board of Education shall provide staff for the Workgroup. The following CCPS staff members assisted the workgroup:
  - a. Maria V. Navarro, Ed.D., Superintendent of Schools.
  - b. Eric Schwartz, Staff Attorney.
  - c. Michael Heim, Chief of Operations and Supporting Services.
  - d. Steven Andritz, Director of Planning and Construction.



# P3 Defined

- An innovative way to contract for the delivery of public infrastructure and related services. The P3 contract is between a public agency, in this case a school system, and private partner(s). In a typical P3 agreement, the private partners can either finance and construct the facilities or finance/construct and maintain the facilities. The private partner is required to maximize the life of the facilities and hand assets back to the public agency in excellent condition. At the end of the contract, the school system will operate and maintain the facilities.

## P3 Structures

- Design, build
  - Design, build, finance
  - Design, build, finance, maintain
  - Design, build, finance, operate, maintain
- The term of a P3 agreement can vary between 20 to 30 years.



# Executive Summary

- In order to conduct a fiscal feasibility analysis, the Workgroup recommends hiring a financial advisor to examine the viability of a Public-Private Partnership for Charles County Public Schools (CCPS). After speaking with Prince George's County Public Schools and consulting with an individual familiar with the necessary process, it is reasonable to assume that CCPS can contract with a financial advisor no later than April 1, 2023.
- The Workgroup recommends funding sources are identified should a P3 option be considered. The financial advisor will work with CCPS to establish the P3 potential package. The financial advisor will then take the potential P3 package to the private investor market to determine its viability. This will establish the investment size and CCPS will be able to set the P3 term and necessary yearly funding.
- The Workgroup further recommends the P3 design/finance/construct model for any renovation or construction projects for CCPS. Charles County Public Schools staff does not believe a P3 model is needed for new school construction at this time based on current enrollment trends, see elementary, middle, and high school enrollment trends through 2031. CCPS staff believes it could be an option in the future if enrollment growth outpaces the school system's ability to address capacity needs through the traditional Capital Improvement Program (CIP) process.
- The Workgroup recommends considering a P3 option to address capacity needs when enrollment growth outpaces the current capacity and new construction that is needed is not supported through traditional funding sources.
- Additional future considerations for a P3 model for CCPS could include the creation of early learning centers to address the needs for expanded full-day prekindergarten. This P3 option could allow CCPS to accelerate the delivery of prekindergarten classroom space at elementary schools across the county and make spaces available at the existing elementary schools. This option is a need not only for CCPS but across the state given the requirements in the Blueprint law.
- If a P3 model moves forward, the Workgroup recommends that CCPS also package several renovations together in the future to address aging infrastructure, to capitalize on savings through economies of scale, prototype opportunities, deferred maintenance, and accelerated delivery of new schools compared to the traditional CIP process.



# Things to Consider

- In most P3's, there is still a need for varying levels of public funding. Funding sources need to be established.
- Current enrollment data and projected growth data does not support the need for a P3 model to address capacity needs since construction savings come through bundling of projects to incur savings through economies of scale when purchasing building materials and through the building of prototype schools in a short period of time.
- The benefits of using a P3 for new construction require multiple new schools under construction at one time. Schools should be constructed using a prototype design, contracted to one builder to achieve the greatest value through increased buying power and receptive design/construction.
- Charles County Public Schools does not have the projected demand for multiple schools, of the same level, under construction at the same time based on current enrollment trends. CCPS is not at the point where it would have several major projects occurring at the same time.
- This option should be revisited in the future.



# Things to Consider

- CCPS has continually received good reviews from the State's Annual Maintenance Inspections of CCPS facilities. CCPS maintenance staff use an automated work order tracking system and 90% of all work orders are closed within 30 days as shown in the Comprehensive Maintenance Plan. Maintenance staff receive training on a regular basis.
  - **CCPS does not believe there is a need for the *Maintain* component of a P3 in Charles County Public Schools.**
- CCPS has continued to receive high marks on State inspections of CCPS facilities for cleanliness and daily operations. The operations/building service staff implement daily use of technology and automation to keep the buildings clean. Operations foremen visit schools regularly for assessment and guidance of daily operations and cleaning. Operations staff maintain the equipment used in schools for cleaning and ground maintenance.
  - **CCPS does not believe there is need for the *Operate* component of a P3 in Charles County Public Schools.**
- New replacement schools can be considered under this model.
  - Adequate land on the school site is required to build a new building
  - The school will operate out of the existing building during construction
  - The old facility will be torn down once the new facility is occupied.
  - Some CCPS sites do not have adequate land available on school grounds to facilitate this model.
  - This option should be revisited in the future.





# Questions

