

## **FINAL REPORT**

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 charges 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 five prior meetings. The Workgroup is charged with presenting the findings in a report by Dec. 31, 2022.

### **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 (Attachment B). 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 to address capacity needs when enrollment growth outpaces the current capacity and new construction that is 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.

## Purpose

### Senate Bill 916/House Bill 739

An act concerning a Workgroup to study the fiscal and operational viability of Public-Private Partnerships for Charles County Public Schools. 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.

The Workgroup consists of the following 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.

## Synopsis of Meetings

### Meeting # 1 July 27, 2022

The first meeting began with a welcome statement and introductions. The first action of the Workgroup was to elect a chairperson. Mr. Michael Lukas, Chairperson for the Charles County Board of Education, was selected as the chairperson. The purpose of the Workgroup was stated. Public-Private-Partnerships were defined. Various state and local construction funding sources were highlighted including the Capital Improvement Program (CIP), Built to Learn Act, Enrollment Growth and Relocatable Classroom Program, Healthy School Facility Fund, Aging Schools Program, and local county funding for various maintenance projects. Enrollment projections were provided.

### Meeting # 2 August 23, 2022

The minutes for meeting #1 were approved. Jason Washington, Director of the Office of Alternative Infrastructure Planning & Development for Prince George County Public Schools (PGCPS), discussed how PGCPS has implemented a P3 program to expedite construction of six schools. Jeni Ellin, Director of Fiscal and Administrative Services for Charles County Government, and Jake Dyer, Chief of Budget for Charles County Government, presented the different funding sources such as general obligation bonds, excise tax bonds, fund balance, and general fund operating transfers. Dyer explained the debt affordability model and provided an overview of proposed funded projects and governmental projects broken down by category. Dyer also reviewed proposed Board of Education projects and funding for FY23 and beyond as well as projects not funded for the Board of Education.

### Meeting #3 Sept. 21, 2022

The minutes for meeting #2 were approved. Jason Groth, Deputy Director of Planning & Growth Management for Charles County Government, and Ben Yeckley, Planner for Charles County Government, shared information pertaining to growth in Charles County and the adequate public facilities process. Jeanine Harrington, Director of Planning for the Town of La Plata, reviewed the Town of La Plata seat allocations. She explained the Town of La Plata issues school seat allocations on a fiscal year basis with a minimum of 100 seats issued annually. CCPS staff discussed proposed future projects in the next 10 years to include elementary school #23, elementary school #24 and middle school #9. CCPS staff presented two options for P3 projects; additions at elementary schools for full day prekindergarten as mandated by The Blueprint for Maryland's Future and renovations/expansion of existing facilities to address aging infrastructure and capacity needs.

#### Meeting # 4 Oct.27, 2022

The minutes for meeting #3 were approved. CCPS staff presented the unofficial Sept. 30, 2022, student enrollment numbers for the 2022-23 school year. CCPS staff shared documents detailing the age of each facility, the year when major renovations were completed, and the State Rated Capacity for each building. The documents included the FCI, or Facilities Condition Index, for each school. The FCI score is assigned to each school based on site visits and evaluations conducted under a contract from the State. Chairperson Michael Lukas discussed the letter that was sent to each committee member proposing the design, construct, finance option of P3 as preferred for renovations/expansions and/or prekindergarten program additions.

#### Meeting #5 Nov. 17, 2022

The minutes for meeting #4 were approved. Staff presented potential pros and cons for different P3 models. CCPS staff believes the design, finance, and construct model is the best fit for the school system if a P3 model moves forward for constructing or renovating schools. CCPS staff recommends hiring a financial advisor if a P3 model moves forward for constructing or renovating schools. CCPS staff presented projected construction costs for possible schools to be built within the next ten years. Lastly, the Workgroup discussed the draft report.

#### Meeting #6 Dec. 1, 2022

Approval of the minutes for meeting #5. The Workgroup discussed the final draft and made suggestions for editing the final draft. Another meeting was scheduled for Monday, Dec. 5<sup>th</sup> to review and discuss the edits to the document.

#### Meeting # 7 Dec. 5, 2022

The workgroup discussed additional edits. Delegate Patterson and Delegate Davis requested more specific language regarding the timing to hire a financial advisor. As a result, edits were made to the first bullet of the executive summary. Additionally, Commissioner Coates requested language clarifying the potential investment size to establish future yearly funding needs. The workgroup added additional language to address this request. The committee agreed to review a final draft (emailed on December 7<sup>th</sup> on behalf of chair) and provide any other feedback by Friday, December 9<sup>th</sup>. No other edits were noted by COB on December 9<sup>th</sup>.

## **Recommendations**

One of the Workgroup's charges was to study the fiscal viability of a Public-Private Partnership for Charles County Public Schools. This was discussed by the Workgroup, but the group recommended that a financial advisor be brought on board. The Workgroup was not able to assess the fiscal viability without established funding sources and a full understanding of the private financing market.

### 1. Financial Advisor:

- During the August meeting, as part of the presentation by Mr. Jason Washington, Director of the Office of Alternative Infrastructure Planning and Development for Prince Georges County Public Schools, made a recommendation to incorporate a financial advisor when formulating the P3 package to determine the financial viability of the package in the private market. The Workgroup also agrees that it is necessary to contract with a financial advisor.

### 2. Design/Finance/Construct P3 Model:

- During the October meeting, Workgroup staff suggested that the P3 *Design/Finance/Construct* model was preferred for CCPS. The Workgroup debated this item and suggested this be discussed with a financial advisor. This is the preferred model for CCPS, if a P3 model moves forward.
- 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. For these reasons, 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. For these reasons, CCPS does not believe there is need for the *Operate* component of a P3 in Charles County.

Another one of the Workgroup's charges was to study the operational viability of a Public-Private Partnership for Charles County Public Schools. The practicality was discussed at all the Workgroup meetings and there was a healthy discussion around possible P3 projects that could be viable for CCPS.

### 3. P3 Projects:

- During the September meeting, Workgroup staff presented two options for possible P3 projects; accelerated facility expansion for full day prekindergarten as mandated in the Blueprint for Maryland's Future and renovations/expansions to existing

school facilities to address aging infrastructure and capacity needs. During the October meeting, these two options were discussed at length.

i. Accelerated prekindergarten expansion

1. The current CIP process can take years to implement broad sweeping programmatic changes, such as full day prekindergarten, when facility expansions are required. As an example, full-day kindergarten was mandated in 2006. As of today, CCPS still has two full-day kindergarten additions under construction and four remaining schools yet to receive additions.
2. CCPS can create early learning centers to address the needs for expanded full-day prekindergarten. This model would send the students to a center for pre-k then back to their home schools for the remainder of their elementary experience.
3. A P3 project would 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 within two or three years. Compared to 18+ years as seen through the traditional CIP process with full-day kindergarten expansion in CCPS.
4. In most P3's, there is still a need for varying levels of public funding. As seen in the current P3 model with Prince Georges County Public Schools (PGCPS), \$15 million is paid annually by PGCPS and an additional \$15 Million is paid annually by Prince Georges County Government over the next 30 years. Funding sources have not been established at this stage of the study.
5. Based on input from the IAC, there will be continued discussions around prekindergarten expansion, as all jurisdictions are working to find solutions for this mandate, and it is possible that the State Senate will offer funding for prekindergarten expansions.

ii. Renovation/Expansion of Existing Facilities

1. CCPS conducted a facility analysis with GWWO architect in 2014 to study the improvements needed at all schools to bring them into the 21<sup>st</sup> century learning environment. In 2014, more than \$500 million was needed over a ten-year period to accomplish this goal.
2. The IAC commissioned a study of all 1400+ Maryland schools in 2021. The study established a Facilities Condition Index (FCI), a nationally recognized standard for measuring the remaining useful life of all systems within a building, for all schools in Maryland. The higher an FCI score, the more of the system's life has been used up and less time remaining until replacement is necessary. CCPS presented this information and the schools with the highest FCI scores are Dr. Thomas L. Higdon Elementary School, Indian Head Elementary School, and Matthew Henson Middle School. These

schools would be considered as part of a renovation/expansion P3 project. Most renovation projects need to be phased-while occupied renovation due to the site constraints for a replacement school, lack of available seats at adjacent schools, distance to the Transition School, and other factors. Charles County would enlist a financial advisor in determining the size of a package of schools for renovation and the number of schools included could increase to achieve the best value for CCPS and Charles County Government.

3. Growth continues throughout Charles County. The Town of La Plata recently approved the 3,170-unit development of Pine Grove, formerly called Heritage Green, that will necessitate expansion at schools that serve the La Plata area in the near future. CCPS added La Plata High School and Walter J. Mitchell Elementary School to the renovation/expansion list to address the aging infrastructure at these schools and the expansions that will be necessary with the additional growth in the La Plata area.
4. Current CCPS 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 building prototype schools in a short period of time. CCPS is not at the point where it would have several major projects occurring at the same time. (See attachment A)
5. In most P3's, there is still a need for varying levels of public funding. As with the current P3 model in Prince George's County Public Schools (PGCPS), the funding breakdown is \$15 million annually from PGCPS operating costs and \$ 15 million from county government over a 30-year period. No funding sources have been established at this stage of the study.

iii. New School Construction

1. Charles County Public Schools is not currently recommending this as an option for a P3. The benefits of using a P3 for new construction require multiple new schools under construction at one time. The 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. CCPS does not have the projected demand for multiple schools of the same level, under construction at the same time based on current enrollment trends. This option should be revisited in the future based on enrollment trends.
2. Current CCPS 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 by bulk quantities. CCPS is not at the point where it would have several major projects occurring at the same time. (See attachment A)

3. New replacement schools can be considered under this model but require adequate land on the school site to build a new school, operate out of the existing building and tear down the old building once the new facility is occupied. In some cases, CCPS does not have adequate land available on school grounds to facilitate this model. This option should be revisited in the future.