



Southside Network Authority

Cost Sharing Options

November 12, 2021

Goal

- Create a fair, relatively straightforward, flexible funding and project control financing arrangement that will be scalable and repeatable for future phases of the ring.

Basic Concepts

- Avoid the SNA issuing debt
- Leave to each city how it funds its contribution
- Provide for a sinking fund to address long term replacement and upgrades of the 119 miles of fiber
- Allocates costs between the initial five cities in a way that is repeatable if other cities or institutional investors wish to expand the ring

Two Options

- **Option 1 Equal Partners** – the 5 cities share equally in control, construction, operations and revenues
- **Option 2 Investors** - each city buys “shares” in the Southside Network Authority, control, construction, operations, access to fiber and revenues are allocated based on the shares purchased.

Option 1 – Equal Partners

- Each of the 5 cities contributes 20% of the cost of construction and operations
 - Construction will require a contribution by each city of \$5 to \$6 million depending upon construction strategy selected
 - Contribution of in-kind infrastructure identified by the ring's design and subject to the SNA board's approval may be offered as a part of the required equal contribution
 - Operations will be set with each year's budget with an equal split
 - There will be a sinking fund created and funded equal to 25% of the value of the ring
 - Funded through annual operating funds for 5 years until it reaches the 25% of value and prior to any distribution of revenues
 - Revenues after all expenses would be shared equally by each city
 - Each of the 5 cities have an equal vote on the board.

Option 2 - Investors

- Each city can buy shares of the Ring and the Southside Network Authority
 - Shares would be sold in \$1 million increments with initially the maximum number of shares bought by a city equaling six. Shares can be split in half but no further.
 - Purchase of less than 20% of the shares available will subject the city to access fees to the fiber ring at market rates or access to a limited number of fiber strands.
 - In-kind contribution of physical pieces of the ring's design subject to agreement of the SNA board may be considered toward purchase of shares
 - If all shares are not purchased initially the cities may buy additional shares at the same cost up to the maximum number of shares authorized by the Board.
 - Number of shares bought determines the proportionate share of ongoing operating costs including funding of the sinking fund
 - Number of shares bought would determine the distribution of revenues from the ring after all expenses and the sinking fund obligation has been met
 - Number of shares bought equals the weight of votes on the board.

Recommendation and Next Steps

- Recommend Option 2 – allowing each city to buy shares
- Board authorizes staff to work with each city's City Attorney's and City Manager's to finalize cost sharing agreement
- Board authorizes staff to request extension of construction bids and work on P3 agreements as appropriate
- Board adopts a resolution at December meeting requesting action by each City Council by mid-January on the recommended cost sharing agreement and the appropriation of funding sufficient to buy shares
- SNA invoices cities for funds
- **Construction begins!!!**