

**Southside Network Authority  
Summary Minutes  
November 21, 2022**

The November 21, 2022 meeting of the Southside Network Authority (SNA) was called to order by Chair Susan Vitale at 11:08 AM. Chair Vitale thanked everyone for their attendance at the meeting and requested Mr. Steven DeBerry, SNA Executive Director, call the roll to determine meeting attendance.

**Southside Network Authority Voting Members in Attendance:**

Susan Vitale, Chair, Chesapeake	Al Moor, Suffolk
Andria McClellan, Norfolk	Tonya Chapman, Portsmouth**
Rosemary Wilson, Virginia Beach	

**Other Participants:**

Steven DeBerry, SNA Executive Director	Laura Fitzpatrick, Alternate, Chesapeake*
Sheila Wilson, HRPDC CFO	Mike Lockaby, Guynn, Waddell, Carroll & Lockaby, PC*
Peter Wallace, Alternate Virginia Beach	Matthew DeHaven, CTC Technology & Energy*
Charles Kiriakou, Alternate, Suffolk	Michael Garber, PBMAres*
Catheryn Whitesell, Alternate, Norfolk	
Cliff Hayes, City of Portsmouth	

**Others Recorded Attending:**

Jay Krail and Ellen Bergren (Chesapeake); Lavonda Graham-Williams (Portsmouth); Tom Mueller (Suffolk); Debra Bryan (Virginia Beach) and Rob Cofield, Matt Klepeisz, Cynthia Mulkey, Dmitry Rekhter & Chris Vaigneur (HRPDC Staff).

*\*Indicates participation by electronic means*

*\*\*Indicates late arrival or early departure*

Mr. DeBerry welcomed Mr. Cliff Hayes and recognized him as the City of Portsmouth's new Chief Information Officer.

**Approval of the Agenda**

Chair Vitale called for a motion to approve the agenda for the meeting. Ms. Wilson Moved to approve the agenda; seconded by Vice Chair McClellan. The Motion Carried.

**Public Comments**

Chair Vitale invited members of the public to address the Southside Network Authority. There were no public comments.

**Submitted Public Comments**

There were no submitted comments.

## **Approval of the Minutes**

Chair Vitale called for a motion to approve the minutes of the October 14, 2022 meeting. Vice Chair McClellan Moved to approve the minutes; seconded by Ms. Wilson. The Motion Carried.

## **Presentation of Audit Results**

Mr. DeBerry recognized Mr. Michael Garber from PBMares to address the Authority.

Mr. Garber briefed the Authority on the review of the FY 2022 financial audit of the Southside Network Authority. He noted the Authority had its first influx of revenue last year at \$25 million and many of the internal controls run through the Hampton Roads Planning District Commission (HRPDC). Mr. Garber stated that after its review, PBMares was able to issue an unmodified or clean opinion on the financial statements and issued a no findings report for internal controls for compliance. He noted there were new disclosures included in the financial statements this year due to having investments in the Local Government Investment Pool (LGIP). Mr. Garber offered to answer questions.

Ms. Whitesell asked if the audit would be posted on the website. Mr. DeBerry replied affirmatively.

## **Project Management Update**

Mr. DeBerry stated he intended to provide a brief update on the following items:

- Project permitting status
- City of Chesapeake co-build savings
- Portsmouth in-kind contribution savings
- Construction contract with Danella and construction contract change order summary
- Analysis of total estimated project costs and income
- Cash flow analysis of the Authority

Mr. DeBerry displayed a chart outlining the permit submission timeline and noted the Authority is making significant progress. Danella began construction in Portsmouth the week of October 17th, which constitutes about eight miles of conduit. Two additional permits have been submitted to Virginia Beach and are nearing final review; and Norfolk has approved 9.5 miles of construction. Mr. DeBerry directed members to the timeline noting that it illustrates the progress to date and anticipated phases through April of 2023.

Mr. DeBerry continued by displaying a map depicting the permit submission zones for the fiber ring. He noted the segments in Portsmouth that are currently under construction as well as additional segments in Norfolk that were ready for construction. Chair McClellan asked if the map would be available on the website so SNA members as well as the public could reference the location of the fiber route as well as progress made. Mr. DeBerry replied affirmatively.

Vice Chair McClellan asked inquired about the actual connections in Virginia Beach and if it was depicted on the map. Mr. DeBerry noted that each city has its own process and the six permits the SNA is working on with Virginia Beach must be permitted in one-mile increments. The six miles in question are near Virginia Beach City Hall, and the actual connection will be seen later in the process.

Mr. DeBerry turned everyone's attention to the Chesapeake co-build section of the fiber ring. He reviewed the net project cost savings and noted the financial benefit to the Authority through a cost avoidance of approximately \$700,000. Mr. DeBerry then reviewed the Portsmouth in-kind cost-savings arrangement between the SNA and the City. He noted the actual net project cost savings would be a little over \$800,000.

The presentation continued with an overview summary of the Danella change order. Mr. DeBerry noted that the original contract amount was approximately \$24.5 million. With an upgrade to the Corning brand of fiber from the originally proposed brand by Sterlite, there is an additional cost of just over \$275,000. After removing the costs savings from the Portsmouth in-kind arrangement, adding the fiber capacity upgrade for the Western Freeway and installing cable in the existing conduit for the Western Freeway bridge crossing, the revised value of the contract with Danella is approximately \$22.7 million.

## **Budget Update**

Mr. DeBerry reviewed a chart illustrating the SNA's estimated project income versus planned expenses and obligations from the first quarter of fiscal year through the second quarter of fiscal year 2025. He noted his appreciation for Ms. Whitesell's assistance in helping him compile the information. The following figures were highlighted:

- Total project costs including expenses and obligations: \$25.4 million
- Income – including city contributions and interest earnings: \$25.7 million
- Unrestricted cash balance (includes recommended contingency) \$2.5 million

Mr. DeBerry then reviewed a chart illustrating the SNA's projected cash flow, not including contingencies, noting that Mr. DeHaven and the CTC team developed the chart. Outflows and inflows have been prorated, and the SNA's member city contributions have also been included. Mr. DeBerry noted that all financial information is available by month if any member is interested in the details.

*Ms. Tonya Chapman arrives*

## **Authorization of Public Hearing on Interim Agreement**

Mr. Lockaby provided a brief review of the process the SNA has gone through to get to the point where it is now in entering into a draft interim agreement with Global Technical Systems (GTS). He reminded the Authority that the purpose of the interim agreement is not to govern the long-term relationship between the parties, but instead it lays out a list of contingencies that need to be worked through; some contingencies still need to be agreed upon. What is currently being discussed is that the SNA will lease to GTS at least 96 strands of the 119.4-mile ring and GTS will have the responsibility to operate and maintain that ring

to their standard. That information will be put forth in a contract with the SNA, but it generally means that if there is a failure, it becomes GTS' responsibility rather than the SNA's to remedy the failure. GTS will also pay \$2 million in base rent (each year for 20 years) to the Authority for the use of the ring. There is a commercialization plan, but it is still under development. Mr. Lockaby conveyed to GTS the SNA's view of the importance of bringing in universities, research labs, etc. at rates at or below market, as well as defining community metrics for economic development and defining benefits for historically disadvantaged communities.

Mr. Lockaby reported that the next step in the process is to have a public hearing on the interim agreement in which the SNA will receive public comment. Afterwards, the SNA will then be able to adopt the agreement after a 30-day waiting period. He suggested the SNA move forward with the public hearing during the December 9, 2022 meeting which would then put the Authority in a position to consider the adoption of the interim agreement at the January 13, 2023 meeting.

Vice Chair McClellan asked Mr. Lockaby to clarify the number of strands GTS would have access to. Mr. Lockaby noted that the initial number of strands GTS would have access to is 96 strands. GTS would then have the subsequent ability to take additional strands once they had used or leased 60% of the strands they initially received.

Chair Vitale called for a motion to authorize a public hearing on the interim agreement. Ms. Wilson Moved to authorize the advertisement of a public hearing on December 9, 2022; seconded by Vice Chair McClellan. The Motion Carried.

### **Closed Session**

Chair Vitale called for a closed session and asked Mr. DeBerry to provide the language for the motion. Mr. DeBerry read the following motion into the record:

*Motion to convene a closed session pursuant to subsection A.28 of § 2.2-3711 of the Code of Virginia, 1950, as amended, for the purpose of discussion or consideration of information subject to the exclusion in subdivision 11 of § 2.2-3705.6 by a responsible public entity; pursuant to subsection A.33 of § 2.2-3711 for the purpose of discussion or consideration by a local authority created in accordance with the Virginia Wireless Service Authorities Act (§ 15.2-5431.1 et seq.) of confidential proprietary information and trade secrets subject to the exclusion in subdivision 19 of § 2.2-3705.6; pursuant to subsection A.29 of § 2.2-3711 for the purpose of discussion of the award of a public contracting involving the expenditure of public funds, and discussion of the terms or scope of such contract, where discussion in open session would adversely affect the bargaining position or negotiating strategy of the public body; and pursuant to subsection A.6 of § 2.2-3711 for the purpose of discussion or consideration of the investment of public funds where competition or bargaining is involved, where, if made public initially, the financial interest of the governmental unit would be adversely affected.*

Chair Vitale asked that the closed session also include the SNA localities' legal counsel representatives, Mr. DeBerry, Mr. Lockaby, Mr. DeHaven, SNA Alternates and Chief Information Officers.

Ms. Wilson Moved to proceed into closed session; seconded by Ms. Chapman. The Motion Carried.

The Authority proceeded into closed session.

### **Return to Open Session**

The Authority reconvened into open session. Mr. DeBerry read the following motion into the record:

*Move to reconvene in open session and to certify by roll call vote, pursuant to subsection D of § 2.2-3712 of the Code of Virginia, that (i) only public business matters lawfully exempted from the open meeting requirements of the Freedom of Information Act and (ii) only such public business matters as were identified in the motion by which the closed session was convened were heard, discussed, or considered in the closed session.*

Vice Chair McClellan Moved to certify that only public business matters lawfully exempted from open meeting requirements as identified in the motion were heard, discussed or considered in the closed session; seconded by Ms. Wilson.

Roll Call Vote:

Ms. Vitale	Yes
Ms. McClellan	Yes
Ms. Chapman	Yes
Mr. Moor	Yes
Ms. Wilson	Yes

The Motion Carried.

### **Old/New Business**

There was no old/new business.

### **Adjournment**

With no further business to come before the Southside Network Authority, the meeting adjourned at 1:06 PM.