

**Southside Network Authority
Summary Minutes
February 5, 2021**

Pursuant to the declared state of emergency in the Commonwealth of Virginia in response to the COVID-19 pandemic and to protect the public health and safety of the Authority members, staff, and the general public, the February 5, 2021 Southside Network Authority (SNA) meeting was held electronically via Webex with the following in attendance:

Southside Network Authority Voting Members in Attendance:

Susan Vitale, Chair, CH
Andria McClellan, Vice-Chair, NO
Daniel Jones, PO

Albert Moor, SU
Rosemary Wilson, VB

Other Participants:

Steven DeBerry, SNA Executive Director
Robert Crum, HRPDC Executive Director
Debra Bryan, VB
Karla Carter, SU
Regina Chandler, Alternate SU
Scott Fairholm, Alternate CH
Andrew Fox, NO
LaVoris Pace, Alternate PO
Fraser Picard, NO

Chris Price, CH
Jay Stroman, CH
Peter Wallace, Alternate VB
Catheryn Whitesell, Alternate NO
Mike Lockaby, Guynn, Waddell, Carroll &
Lockaby, P.C.
Matthew DeHaven, CTC Technology &
Energy

Mr. Robert Crum, HRPDC Executive Director, stated that per the requirements of the Code of Virginia, the meeting notice, agenda, and supporting documentation were posted on the HRPDC website for public review. Electronic copies of the information were provided to Authority members and other interested parties. Additionally, the meeting was being live-streamed and was available for viewing on the Regional Connection YouTube channel. A recording of the meeting will be available on the HRPDC website. This electronic meeting is required to complete essential business on behalf of the region.

Mr. Crum noted that, although not received within the 48-hour time frame allotted for public comment, the SNA received one public comment within the hour preceding the Authority meeting. He suggested that at the appropriate time on the agenda, the comment be read aloud into the record of the meeting.

Mr. Crum reviewed a few important housekeeping rules to help the meeting run smoothly:

- Participants were asked to please remain on mute before and after providing any comments to avoid unnecessary background noise and potential feedback.
- All votes taken must be by roll call vote and recorded in the minutes.
- Participants were asked to identify themselves when speaking and/or providing a motion or a second.

Chair Vitale called the February 5, 2021 meeting of the Southside Network Authority to order at 2:06 PM and asked Mr. Crum, to conduct a roll call to determine Authority members' attendance.

Mr. Crum stated that it was anticipated there would be a lengthy discussion on Agenda Item #6 – Development of an Approach to Fiber Ring Ownership, Funding and Operation. Consequently, it was recommended that the agenda be modified in order for the remaining action items - Agenda Items #7, #8, #9 and #10 - be discussed prior to Agenda Item #6.

Chair Vitale called for a motion to approve the Agenda with the noted reorganization of agenda items for discussion. Ms. Andria McClellan Moved to approve the Agenda as modified; seconded by Mr. Daniel Jones.

Roll Call Vote:

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

The Motion Carried.

The roll call vote also served as the record of attendance. Mr. Crum recognized others participating in the electronic meeting.

Public Comment

One written public comment by Mr. Ben Davenport was received within one hour of the beginning of the Authority meeting. Mr. Crum recognized Mr. Davenport and asked him if he would like to speak. Hearing no response, Mr. Crum read Mr. Davenport's comments into the record (see attachment to these summary minutes).

Introduction of Newly Appointed Members

Chair Vitale recognized Ms. Regina Chandler, Interim Chief Information Officer, City of Suffolk, as an alternate voting member of the Authority.

Approval of the Minutes

Chair Vitale called for a motion to approve the Minutes of the December 11, 2020 meeting.

Ms. McClellan Moved to approve the minutes of the December 11, 2020 SNA meeting; seconded by Mr. Jones.

Roll Call Vote:

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

The Motion Carried.

Southside Network Authority 2021 Bylaws

Mr. Steven DeBerry, Southside Network Authority Executive Director, noted that bylaws for the Authority allow it to conduct and transact public business. The only revision noted by Mr. DeBerry was that the bylaws are for calendar year 2021.

Mr. Al Moor Moved to approve the 2021 Bylaws for the Southside Network Authority; seconded by Ms. McClellan.

Roll Call Vote:

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

The Motion Carried.

Election of Officers

Chair Vitale stated that it is incumbent upon Authority members to elect officers for the upcoming year and asked Mr. Crum to present this item. Mr. Crum reviewed the current officers of the Authority:

Chair – Susan Vitale, City of Chesapeake
Vice Chair – Andria McClellan, City of Norfolk
Secretary/Treasurer – Steven DeBerry, SNA Executive Director

The Authority currently has a Memorandum of Agreement with the HRPDC to support Mr. DeBerry in his roles as Secretary and Treasurer. Mr. Crum outlined the options available to Authority members in their election of officers. Mr. DeBerry commented that both Ms. Vitale and Ms. McClellan have agreed to continue in their current roles as Chair and Vice Chair respectively, if agreed upon by the remaining Authority members.

Mr. Jones commended the current officers for their leadership during the past year and Moved to retain the officers in current roles for the upcoming year; seconded by Ms. Rosemary Wilson.

Roll Call Vote:

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

The Motion Carried.

Fiscal Year 2021 Budget Execution

Mr. DeBerry directed the Authority members to Attachment 9 in their agenda packages that addresses the Authority's operating budget status through December 31, 2020. He informed Authority members that the day before this meeting he received the most recent budget summary through the period ending January 31, 2021. Mr. DeBerry noted the SNA has a balance of approximately \$564,000 and is in a good financial situation as it heads into the new year. This item was provided for informational purposes only and required no action.

Fiscal Year 2022 Proposed Operating Budget

Mr. DeBerry directed Authority members to Attachment 10 and presented the proposed operations and maintenance budget for Fiscal Year (FY) 2022. He noted the FY22 budget is very similar to the current FY21 budget with slight increases in the areas of marketing and communications, and it also includes funds for the required annual financial audit. Mr. DeBerry stated today's recommended action would be to approve the FY22 budget with the condition that it be revisited by the Authority once a final decision is been made regarding the funding and operational model for the Regional Connectivity Ring.

Ms. Wilson inquired as to who would be performing the audit. Mr. Crum confirmed the audit firm would be PBMares.

Mr. Jones stated his concern with approving the budget with the condition that it be revisited in June or July is that the five Southside cities would have already approved their FY22 operating and capital budgets and the money may not be available from the five cities. Mr. DeBerry acknowledged Mr. Jones' concerns and noted that the cost would be approximately \$60,000 per locality. He anticipated that the Authority would have a final decision on the funding and operational model before the cities adopt their budgets.

Ms. Wilson asked what would happen with funds that are remaining at the end of the current fiscal year. Mr. DeBerry noted that with the approval of the Authority members, any remaining funds would rollover into the next fiscal year budget.

Chair Vitale called for a motion to approve the budget. Ms. McClellan Moved to approve the FY22 budget with the condition that it be revisited by the Authority once a final decision is been made regarding the funding and operational model for the Regional Connectivity Ring; seconded by Mr. Jones.

Roll Call Vote:

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

The Motion Carried.

Development of an Approach to Fiber Ring Ownership, Funding and Operation

Mr. DeBerry reported that at the December 11, 2020 SNA meeting, a presentation was made to the Authority that summarized the goals for the regional fiber ring along with a business case analysis overview that identified cost estimates for construction, operations and maintenance, conduit configuration of the fiber ring, and strategies for financing and operating models. Mr. DeBerry introduced Mr. Matt DeHaven of CTC Technology and Energy to present this agenda item.

Mr. DeHaven provided a brief recap of the Regional Connectivity Ring (RCR) design status and cost estimates and the cost avoidance business case analysis that was provided at the December 11, 2020 meeting. He noted that CTC has completed the 50% design route, aligning it with economic development needs. Mr. DeHaven continued with a review of the RCR cost estimates relating to capital construction and equipment and fixed operations and maintenance.

Mr. DeHaven continued this presentation with an overview of cost avoidance opportunities and reviewed the various business case analysis considerations. Charts were displayed depicting existing internet expenditures and forecasted near-term internet expenditures. Mr. DeHaven noted the forecasted monthly fees are based on average existing monthly costs per megabit for internet and data center connectivity.

Ms. McClellan inquired as to the differences noted in the charts in the internet service, specifically asking about the internet in Virginia Beach. Mr. Peter Wallace, Virginia Beach Chief Information Officer, stated the city has built in redundancy (i.e., a primary and secondary carrier) and that may account for the differences between Virginia Beach and the remaining Southside cities.

Mr. DeHaven continued his recap with the Authority members on the following items:

- Break-even analysis (cumulative cost of the RCR versus forecasted commercial services)
- Market perspective on dark fiber revenue potential
- Net cumulative costs (example dark fiber lease revenues)
- Overview of RCR investment profile

Mr. DeHaven then turned the presentation to the strategic path forward. He stated it is critical to balance the following goals for the RCR:

- Scalable infrastructure for internal needs
- Promotion of competition/economic development initiatives
- Promotion of private investment that addresses service availability and affordability
- Revenue generation

Three primary strategic path options were outlined:

- SNA Funded – the Authority outsources operations and dark fiber leasing
 - CTC takes the design to 100% completion
 - SNA funds construction through the release of an RFP for construction and maintenance
 - Authority releases an RFP for a private entity to manage the excess fiber (i.e., fiber not used by the Cities/region)

- SNA Funded – the Authority operates the fiber ring in-house
 - CTC takes the design to 100% completion
 - Authority funds construction through the release of an RFP for construction and maintenance
 - Authority leases fiber directly to internet service providers and other anchor institutions to offset some costs

- Public-Private Partnership – Turnkey approach funded and operated by a private entity
 - SNA seeks a private partner to design, construct, finance, maintain, and operate the RCR. The Authority would require access to fiber capacity and services needed to meet municipal needs.
 - Other key elements of the partnership would be negotiable with parameters set by the SNA, including:
 - Ownership of the fiber and conduit assets
 - Capital contributions, operating expenses, and revenue sharing
 - Operating policies and service delivery aligned with regional goals for economic development, digital equity, broadband competition, etc.

Mr. DeHaven proceeded to outline the projected timelines for each of the strategic paths presented and noted key decision points for next steps.

Chair Vitale thanked Mr. DeHaven for his presentation and suggested the Authority take a brief five-minute break before continuing the discussion.

Five-Minute Break

Chair Vitale reconvened the meeting and opened the meeting up to questions from Authority members. A variety of questions were asked of Mr. DeHaven as it related to annual maintenance, timelines, capital costs, location of security operation centers and 100% design completion.

Mr. Crum offered to the Authority that deciding on which strategic path to pursue depends on the financial position of each of the localities and how they decide to finance approximately \$24 million. Mr. DeBerry agreed, but offered that perhaps it was a conversation best had in open session after a closed session discussion.

Closed Session

Chair Vitale called for a closed session and requested Mr. Mike Lockaby read the motion for the Authority.

Mr. Lockaby read the following motion into the record for the Authority:

“Move to enter into a closed session pursuant to §2.2-3711(A)(29) of the Virginia Code for the discussion of the award of a public contract involving the expenditure of public funds, especially the discussion of the terms and scope of such contract, where discussion in an open session would adversely affect the bargaining position or negotiating strategy of the Authority; and §2.2-3711(A)(33) discussion or consideration by a local authority created in accordance with the Virginia Wireless Service Authorities Act of confidential proprietary information and trade secrets subject to the exclusion in subdivision 19 of § 2.2-3705.6. This closed session specifically concerns the scoping of potential RFPs for partners, as well as potential contracts relating to

the use of middle mile fiber and conduit. The Board finds that in addition to the voting and alternate members of the Board, the following persons are necessary and desirable to attend the closed session: Steven DeBerry, Executive Director; Robert Crum, Hampton Roads PDC Executive Director; Mike Lockaby, Authority Counsel; Matthew DeHaven, CTC Engineering Consultant.”

Ms. Wilson Moved to proceed into closed session; seconded by Mr. Jones.

Mr. Crum suggested that the Board consider additional attendees to the closed session, including City Managers, local legal counsels, and HRPDC administrative staff supporting the meeting. Mr. Lockaby noted this would be an advisable and acceptable amendment to the motion.

Roll Call Vote:

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

The Motion Carried.

The Authority proceeded into closed session.

Return to Open Session

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

“Motion that the Board of Directors certify, by roll call vote, pursuant to Section 2.2-3712, Subsection D, of the Code of Virginia, 1950, as amended, that (i) only public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the meeting by the Board of Directors.”

Ms. McClellan Moved to certify that only public business matters lawfully exempted from open meeting requirements as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the meeting; seconded by Mr. Jones.

Roll call vote:

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

The Motion Carried.

Chair Vitale noted the remaining time for the meeting and asked that the Authority focus on the path on which the Authority prefers to follow.

Ms. McClellan stated she felt strongly that the Authority should maintain ownership of the fiber ring. Other parts of the initiative, such as marketing and maintenance, are areas in which the Authority may need outside assistance; however, she felt it is important for the region's future to retain ownership of the asset.

Mr. Moor noted that the full cost allocation per locality, if spread over multiple fiscal years, may be more doable for localities.

Mr. Jones reminded the Authority that this decision does not affect just the five Southside cities, but the entire Hampton Roads region. He stressed the importance of making the decision and getting the foundation of the fiber ring right.

Ms. Wilson noted this is a big decision and suggested that they go back to their individual councils and discuss this with their respective members as they all have competing funding needs within their localities.

Ms. McClellan suggested that the Authority schedule another meeting to continue this discussion.

Chair Vitale asked Mr. DeBerry to schedule another meeting of the Authority within the next couple of weeks.

Adjournment

With no further business to come before the Southside Network Authority, the meeting adjourned at 4:06 PM.

Respectfully submitted,

Robert A. Crum, Jr.
HRPDC Executive Director
Recording Secretary

Southside Network Authority Public Comment

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**Name:** Ben Davenport

**Date:** February 5, 2021

**Subject:** SNA

### **Comment:**

My comments for consideration of public comment for the Feb 5, 2021 SNA Meeting,

.1) Slide 21 CTC slide deck Feb 5 (Attachment 6) **Financial Risk (long term):** states that the potential risk to the cities for options A&B are “Low”. If this project is financed through the traditional financing model (options A or B) each city’s bond credit rating is in jeopardy. This is an important consideration that must be carefully examined. A downgrade in credit ratings would be devastating for any city and would increase the cost of borrowing money for all important infrastructure projects. That alone makes options A&B HIGH Risk for all involved. Option C removes the risk from the cities and will not put any bond credit ratings in jeopardy.

2) Slide 21 CTC slide deck Feb 5 (Attachment 6) **POLITICAL RISK:** Is marked as “Low” for options A&B. Options A&B will require the member cities to approve budgets with large capital contributions to the SNA. These two options will require all 5 cities to have public meetings and input that will layout the potential risks the biggest of which is putting each city’s bond credit rating in jeopardy. The political risk of placing each city’s bond credit rating will be very High and extremely unpopular.

3) Slide 21 CTC slide deck Feb 5 (Attachment 6) **Timeline to activation of municipal services:** states that options A&B can be activated in less than 2 years. Unless funds have been allocated in the FY21 or are approved in the upcoming FY22 budgets for each of the five member cities we fail to understand how the SNA is going to obtain funding in the next two years. The entire purpose of a PPP is to speed up the timeline and reduce risks to the taxpayers. In addition option C would free up capital and bonding capacity to each member city for other important projects.

4) Slide 21 CTC slide deck Feb 5 (Attachment 6) **Ownership/Control:** states that “more control comes at greater risk and cost” for option C. If the PPP is providing all of the Capital for the project and the City’s bond credit ratings will not be at risk we don’t agree with this statement.

5) The RCR is critical infrastructure that will allow Hampton Roads to create an offramp for the emerging subsea cable industry taking hold in our region, create a true carrier neutral fiber network that will increase the atmosphere for competition amongst internet providers and will give us a vehicle to begin addressing the digital divide that exists in our rural and urban core communities. We would respectfully ask that more consideration be given to the numerous benefits of going straight to an RFP for potential PPP partners.