

An aerial photograph of Virginia Beach, Virginia, taken at sunset. The sky is a mix of orange, yellow, and blue. In the center, a tall, modern skyscraper with a pointed top is illuminated. To its right, a large, multi-story building with a prominent tower is also lit up. The city streets are visible, with cars and lights. A teal-colored rectangular overlay covers the bottom left portion of the image, containing white text.

# VBDA Monthly Cash Flow

City of Virginia Beach Development Authority

October 17, 2023

# Operating Account Summary: September 2023

**Beginning Cash – September 1, 2023**

**\$4,583,391**

## **Significant Cash Receipts**

- **Grand Total of Significant Cash Receipts - \$2,268,596**

- ✓ **\$1,596,785** Atlantic Park Venue Payments for Venture Waves, LLC- Reimbursement from City
- ✓ **\$ 66,509** Innovation Park Offsite Infrastructure-Reimbursement from City
- ✓ **\$ 585,349** Corporate Landing Park Business Pond D and Utility Construction-Reimbursement from City
- ✓ **\$ 19,953** Interest Income

## **Significant Cash Disbursements**

# Cont. Operating Account Summary: September 2023

## Cont. Significant Cash Disbursements

- **Grand Total of Significant Cash Disbursements - \$3,608,184**
- ✓ **\$ 54,253** Atlantic Park Construction Inspection and Support Services
- ✓ **\$ 585,349** Corporate Landing Park Business Pond D and Utility Construction- to be reimbursed by City
- ✓ **\$ 66,509** Innovation Park Offsite-New Roadway, Design Pump Station, and Sewer Design to be reimbursed by City
- ✓ **\$1,596,785** Atlantic Park Entertainment Venue- Reproductions, Special inspections, and State Commission Corporation fees for Venture Waves, LLC to be reimbursed by City
- ✓ **\$1,052,285** Atlantic Park Offsite Infrastructure- Special inspections, Utility Relocations, and Temporary Power for Venture Waves, LLC to be reimbursed by City

# Cont. Operating Account Summary: September 2023

## Cont. Significant Cash Disbursements

- ✓ \$ **118,393** Innovation Park Infrastructure for GoVA Grant reimbursement due to City
- ✓ \$ **49,388** Corporate Landing Parcel Annual Maintenance due to Parks and Recreation
- ✓ \$ **85,222** Virginia Beach National Golf Club Operation Rent and Profit Sharing due to the City

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**Ending Cash – September 30, 2023**

**\$ 4,542,153**

# Incentive & Initiative Account Summary: September 2023

**Beginning Cash – September 1, 2023** **\$ 2,875,769**

## Significant Cash Receipts

**Grand Total of Significant Cash Receipts - \$100,457**

- ✓ \$ 457 Bank interest income
- ✓ \$100,000 Innovation Park Offsite Infrastructure-Reimbursement from City

## Significant Cash Disbursements

**Grand Total of Significant Cash Disbursements - \$ -**

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**Ending Cash – September 30, 2023** **\$ 2,946,572**

# EDIP Grant Summary Reporting: September 2023

<b>Beginning VBDA EDIP Grant Balance</b>	<b>\$ 3,315,616</b>
<b>Earned Interest and Activity Analysis Fee</b>	<b>+\$ 98</b>
<b>EDIP Grants Expired (Closed)</b>	<b>+\$ 0</b>
<b>New Grants Approved by VBDA</b>	<b><u>-\$ 0</u></b>
<b>EDIP Grant Funds Available as of Sept 2023</b>	<b>\$ 3,315,714</b>

# Audit of Virginia Beach National Golf Club

Presented by Lyndon S. Remias,  
City Auditor  
October 17, 2023



# Purpose, Scope and Objective

## Purpose

The purpose of this audit was to determine whether the Virginia Beach Development Authority and Virginia Beach Golf Club, LLC operate in compliance with the terms set forth in the governing contractual agreements. This audit was included in our FY24 Audit Plan.

## Scope and Objective

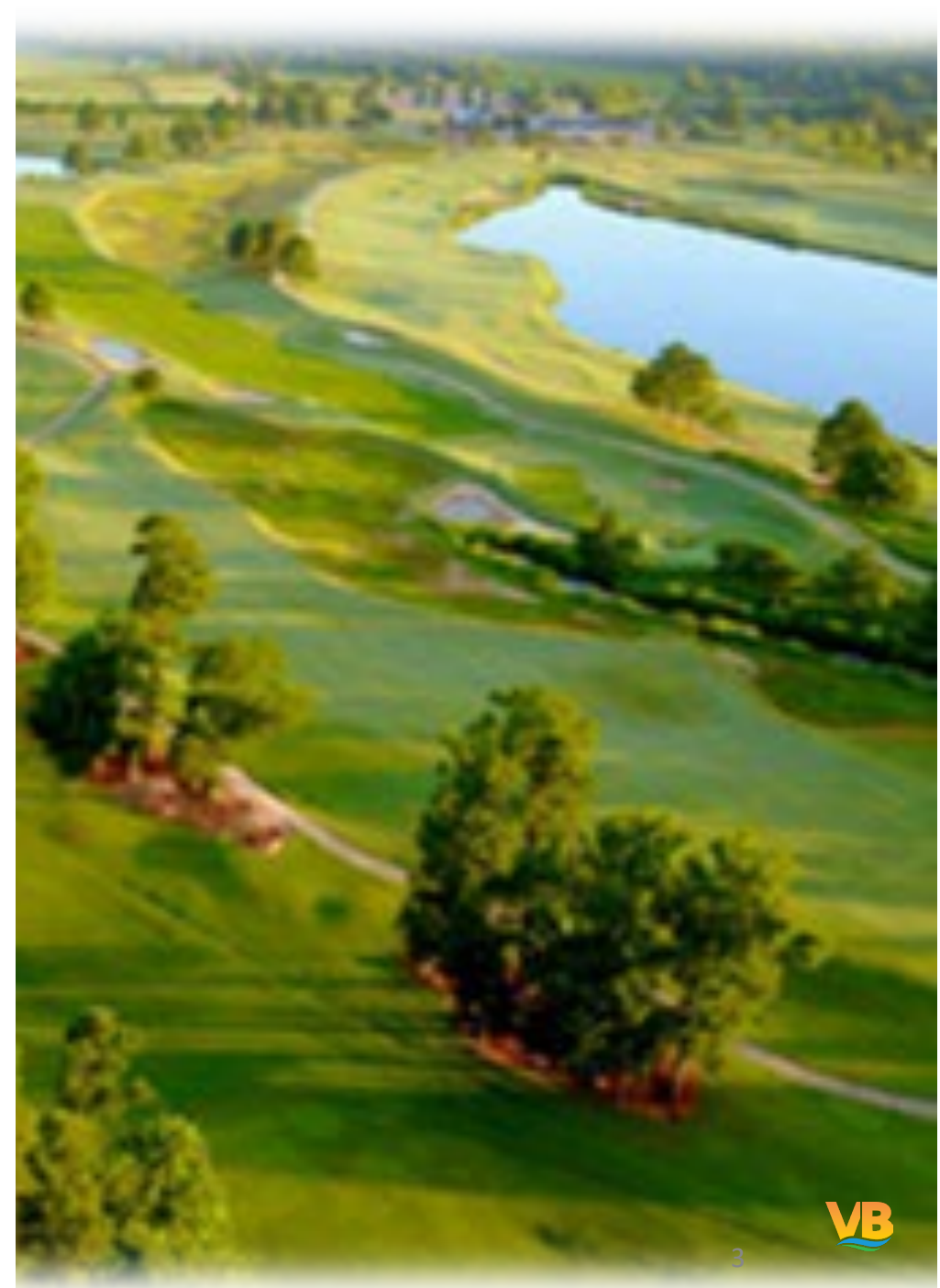
The scope of the audit was for the period FY 21 through FY23 and included policies, processes, and procedures in place at the time of the audit.

The objective of the audit was to determine whether the Virginia Beach Development Authority and Virginia Beach Golf Club, LLC were in compliance with the terms set forth in the governing contractual agreements by ensuring that adequate supporting documentation existed.



# Background

VB National, formerly Virginia Beach Tournament Players Club, was purchased by the City for \$4.5M and has been operating since 2007. The golf course facility at VB National spans over 300 acres of land and consists of an 18-hole golf course designed by Pete Dye, practice areas, and a clubhouse which includes a full-service restaurant.



# Background Cont'd.

Through a 40-year ground lease with the City, signed on October 8, 1997, VBDA has assumed ownership of the golf course facility. VBDA in turn has contracted with Virginia Beach Golf Club, LLC (VBGC) to manage the day-to-day operations of the golf course facility; the current management agreement expires on December 31, 2026. VBGC has, in turn, contracted with VBN Restaurant, LLC (VBN Restaurant) to manage the day-to-day operations of the restaurant.



**1** **CITY**  
Landowner



**2** **VBDA**  
Facility Owner Throughout Term of Ground Lease with City



**3** **VBGC**  
Contracted with VBDA to Manage All Operations of Facility



**4** **VBN RESTAURANT**  
Contracted with VBGC to Manage Restaurant Operations of Facility

# Background Cont'd.

Per the management agreement between VBDA and VBGC, VBGC is obligated to make certain payments to VBDA from the revenues generated while operating the golf course facility.

Under the terms of the ground lease, VBDA is required to remit all operations and profit-sharing payments, which are based on the calendar year operations of VBGC, to the City



# Background Cont'd.

Exhibit 4. Recent History of Operations Payments Made to VBDA

FY Payments Generated by VBGC	Total Operations Payments
FY 21	\$ 139,693.87
FY 22	\$ 179,255.91
FY 23	\$ 205,464.37
	<b>\$ 524,414.15</b>

Exhibit 5. Recent History of Profit-Sharing Payments Made to VBDA

FY Payments Received by VBDA	Total Profit-Sharing Payments
FY 21	\$ 37,260.25
FY 22	\$ 47,150.00
FY 23	\$ 68,275.00
	<b>\$ 152,685.25</b>

# Findings and Recommendations

## Finding 1: Develop Written Procedures Delineating VBDA and Staff Liaison Responsibilities

- During fieldwork, we observed a general absence of written procedures related to VB National. This spanned every function of business operations including the receipt of funds, disbursement of funds, and purchasing, which is described in detail in Finding 2. Although it was noted that certain control activities, such as disbursement authorization and bank reconciliation, were present, the absence of written procedures makes it difficult to ensure that sound control activities will be duplicated consistently.
- It was pointed out during the audit that several key staff members, including a longtime employee responsible for VBDA asset management left in 2019 leaving several gaps in coverage. As a new team has been assembled, a more complete understanding of the scope of VBDA's assets has been developed. Additionally, a Project Planner is in the process of being hired to help adequately track and manage VBDA's assets.

# Findings and Recommendations

## Recommendations:

### Board and Management should:

1. Develop written procedures for all significant tasks surrounding the business operations of VB National. The procedures should include step by step instructions for completing tasks using agreed-upon best practices, which emphasize internal controls. The procedures should also include the roles/titles of those responsible and the source documents involved.
2. Create an organizational chart which is specific to the roles and responsibilities of VB National to establish a chain of command and denote key points of contact.
3. Provide training and orientation to all VBDA members, especially newly appointed members, to ensure they are aware of all assets owned by VBDA and their respective responsibilities for providing governance over these assets.



## Finding 2: Identify and Manage Capital Maintenance Needs

Per the agreement VBDA shall be responsible for all capital maintenance and VBGC shall be responsible for all operations maintenance at the golf course facility. VBDA, or the City, shall conduct semi-annual inspections of the golf course facility to determine the necessity of any capital or operations maintenance.

## Below are examples of some issues noted:

- Semi-annual inspections are not being conducted by VBDA or the City to determine the necessity of any capital or operations maintenance needs in accordance with Section 4.e. of the management agreement.
- There was no prior approval for any of the capital improvement projects determining the necessity and nature of the expenditure (Note: We did determine that proper approval of the expenditures were made after the completion of the project).
- There were no procurement procedures followed prior to the ordering of goods and services.
- No inspection of completed work and, in the case of wet pond repairs, assurance that any local, state, or federal regulations were complied with.

The absence of a formal process governing capital improvement needs increases the risk that critical needs will not be addressed timely. For example, we noted:

- BMPs inspected that were given “serious” and “degraded” grades
- Clubhouse with rotting eaves and fascia board all along the roofline
- Mold in the restaurant and rotted baseboards
- Deteriorating ceiling caused by leaks
- Non-functioning HVAC unit in the kitchen



# Finding 2: Identify and Manage Capital Maintenance Needs

## Recommendations:

### Board and Management should:

1. Develop a formal process to identify, track, and fund capital improvement needs.
2. Routinely inspect completed work on large capital improvement projects for propriety and consider inspecting completed work on small capital improvement projects randomly.
3. Follow the city's procurement practices for all capital improvement needs in accordance with changes to the VBDA bylaws adopted on December 18, 2018, following an audit of VBDA.
4. Provide VBGC with an annual bank statement for the capital improvement account in accordance with the management agreement.

### Finding 3. Maintain Wet Ponds in Accordance with Ground Lease

Section 4.3 of the ground lease with the City states that VBDA is responsible, at no cost to the City, for performing all maintenance, repair, and upkeep as may be necessary to keep the golf course facility clean, safe, and free from deterioration, subject to reasonable wear and tear.



## Finding 3. Maintain Wet Ponds in Accordance with Ground Lease – *Cont'd*

In the annual inspection reports prepared by Public Works, a ratings system is utilized where “Good” is the most favorable rating, followed by “Moderate”, “Degraded”, and “Serious”. VBDA is not receiving the inspection reports and seems unaware of the condition of the wet ponds. The latest annual inspection reports reflect, that regarding erosion, 7 of the 11 wet ponds had component ratings of “Degraded” while 3 of 11 also had component ratings of “Serious”.

### Recommendations:

#### Board and Management should:

- 3.0** Request the annual inspection reports pertaining to the wet ponds in question be sent to VBDA to assess the situation.
- 3.1** Prioritize the repair needs for the wet ponds with all other existing capital maintenance needs of the golf course facility and procure required services in accordance with the City’s procurement practices.

# Finding 4: Completeness and Timeliness of Payments Made to VBDA

The terms surrounding the payments to be made to VBDA are outlined in Section 3 of the most recent amendment to the agreement between VBDA and VBGC. All monthly payments are to be made within 15 days after the end of each month and the annual profit-sharing payment is due on March 15<sup>th</sup> of each year and is based on the previous calendar year's net income of VBGC.

- ❑ Documentation supporting monthly and annual payments made to VBDA is inadequate. For monthly payments, only a one-page summary of the calculation is submitted by VBGC and for the most recent annual profit-sharing payment there was no supporting documentation submitted.
- ❑ VBGC is not consistently delivering its annual financial statements to VBDA as required by Section 14.b. of the management agreement.
- ❑ For 1 of 6 months tested, the monthly payments to VBDA were not properly classified between operations and capital improvement. And for 5 of 6 months tested, revenue was incorrectly categorized by VBGC, resulting in underpayments to VBDA.
- ❑ All monthly payments for FY 22 and FY 23 were analyzed for timeliness. All payments during these periods were remitted late; the delays ranged from 9 days to 48 days.

# Finding 4: Completeness and Timeliness of Payments Made to VBDA - *Cont'd*

## Recommendations:

Administrative controls surrounding the remittance of payments should be enhanced to ensure the completeness and timeliness of payments made to VBDA.

## Board and Management should:

1. Require source documentation to accompany monthly and annual payments to verify the accuracy of remitted payments.
2. Ensure VBGC is delivering its annual financial statements in accordance with the management agreement to determine reasonableness of remitted payments.

*Recommendation:*

*Adopt a written procurement policy (similar to the City's) that requires the person authorizing any expenditure – either a project manager or other – to sign off that they authorize the expenditure, and that it is for VBDA, not the City (if its legitimately for joint use and paid for by the VBDA then consider it a VBDA purchase). The authorizing person's signature is verifying that the purchase has met VPPA requirements by 1) City procurement 2) Code section 2.2-4344 B exemption 3) VBDA compliance with VPPA through its written adopted policy for items not covered by 1) & 2) above - this would require maintaining appropriate documentation.*

## **Finding 5. No Action Taken on Prior Audit Recommendation**

From our audit report of VBDA operations issued November 30, 2018, we made the following recommendation.



# Finding 5 - No Action Taken on Prior Audit Recommendation

While VBDA adopted the city's procurement policy on December 18, 2018, we did not see procurement procedures utilized during the purchase of goods and services. Many of these were large purchases such as the replacement of the irrigation controller's system which amounted to \$134,975 (check #1006) and the replacement of carpet, roof cleaning and fire suppression system amounting to \$64,877 (check #1007). As a result, VBDA is paying for good and services where procurement has not taken place, thus the above goals may not have been met.

## Recommendation:

### Board and Management should:

- 5.0** Adhere to and utilize the adopted Procurement policies and procedures for the purchase of all goods and services.

# Questions

## Conclusion

Overall, based on the findings noted above we determined that the Virginia Beach Development Authority and Virginia Beach Golf Club are not in compliance with all the terms set forth in the governing contractual agreements.







ThayerMahan

# Thayer Mahan EDIP Recommendation

City of Virginia Beach Development Authority

October 17, 2023 | Open Session

*Paige Fox, Business Development Manager*



# Disclosures

- Applicant
  - Thayer Mahan Inc. (Thayer Mahan Offshore)
  - Officers:
    - Chairman/CEO – Michael Connor, Chief Operating Officer/President
    - TM Offshore – Richard J. Hine
    - Chief Financial Officer – Ryan Koenitzer
    - VP/General Counsel – Ross Levine
    - Board of Directors – Morty Schaja, Brian Prince, Kirk Konert, Chad Sweet, Mike Connor, and Richard Hine
    - Real Estate Broker - The Miller Group: Kimberly Erwin
- Owner
  - Thayer Mahan Inc. (Thayer Mahan Offshore)

# Company Profile

- Known for collecting data on and under the world's oceans to deliver knowledge, advantage, and value for Thayer Mahan's customers
- Serves Maritime Security, Defense and Intelligence, Subsea Infrastructure, Offshore Renewables, Living Marine Resources, and Acoustic Sciences sectors
  - Mapping and Survey of Seabed
  - Marine Mammal Monitoring
  - Commercial Monitoring
  - Noise Mitigation and Monitoring
  - Unexploded Ordnance Classification and Removal
- Headquartered in Groton, CT with satellite offices in:
  - Lexington, MA
  - New Bedford, MA
  - Arlington, VA
- About 50% of employees are ex-military – USN/USCG

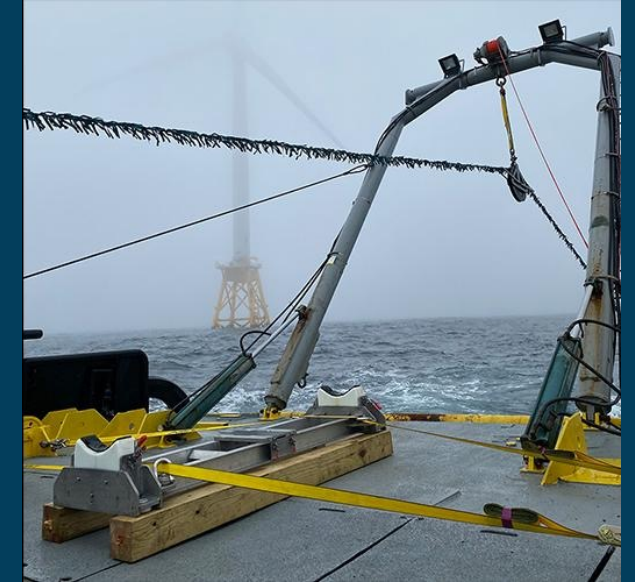
# Company Profile



Big Bubble Curtain Technology  
– First U.S. Based Company to  
provide



SeaScout – Deployable Sonar  
system



Survey Operations at Block  
Island Wind Farm

# Project Summary

- ❑ Leasing pier and warehouse space down at Fairwinds Landing in Norfolk
- ❑ Looking for office space to make Mid-Atlantic headquarters
  - ❑ Considered Norfolk and Virginia Beach
- ❑ Biggest customers in Hampton Roads
  - ❑ US Navy
  - ❑ Dominion Energy
  - ❑ DEME Offshore
- ❑ Positions in the fields of Electrical Engineers, Mechanical Engineers, Mathematics/Computer Science, Acoustics/Physics, Artificial Intelligence/Machine Learning/Data Science, Research
- ❑ Selected Virginia Beach office at 160 Newtown Road

# Economic Impact

JOB	AMOUNT
RETAINED FTEs	0
NEW FTEs	40
TOTAL FTEs:	40
AVERAGE ANNUAL SALARY (Exclusive of Benefits)	\$125,000

Capital Investment	Amount
Construction/Build Out	\$50,000
Furniture Fixtures and Equipment	\$50,000
Machinery and Tools	\$25,000
Total Capital Investment	\$125,000

# Recommendation

- Economic Development Investment Program Grant, Part A - \$130,000
  - ✓ Pursuant to “Part A” of the EDIP Policy for Job Creation
- Target
  - ✓ Offshore Wind



ThayerMahan

**QUESTIONS**



An aerial photograph of Virginia Beach at sunset. The sky is a mix of orange, yellow, and blue. In the center, a tall, modern building with a pointed top is illuminated. To its right, another building has a bright light source on its roof, creating a starburst effect. The city extends to the horizon with various buildings and parking lots. A large red rectangular overlay is positioned in the lower-left quadrant, containing white text.

# Globalinx Corporate Landing Conduit Request

City of Virginia Beach Development Authority

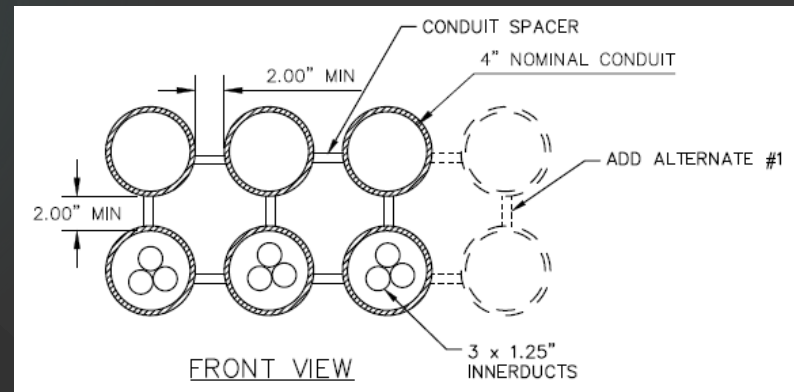
October 17, 2023

# Disclosures (Applicant)

- Applicant: Globalinx Data Center LLC
- President: Greg Twitt
- Accounting: FORVIS
- Legal: Wolcott Rivers Gates
- Engineer: Bylers Engineering & Mastec

# Corporate Landing Conduit System

- Corporate Landing offers a 2.1 miles data conduit system as an incentive to attract subsea fiber optic cables and data center projects
- 2 x 8 (16 total) 4" conduits were installed in 2018 for \$800k
- (2) of the 16 conduits are currently being leased



# Corporate Landing Conduit System

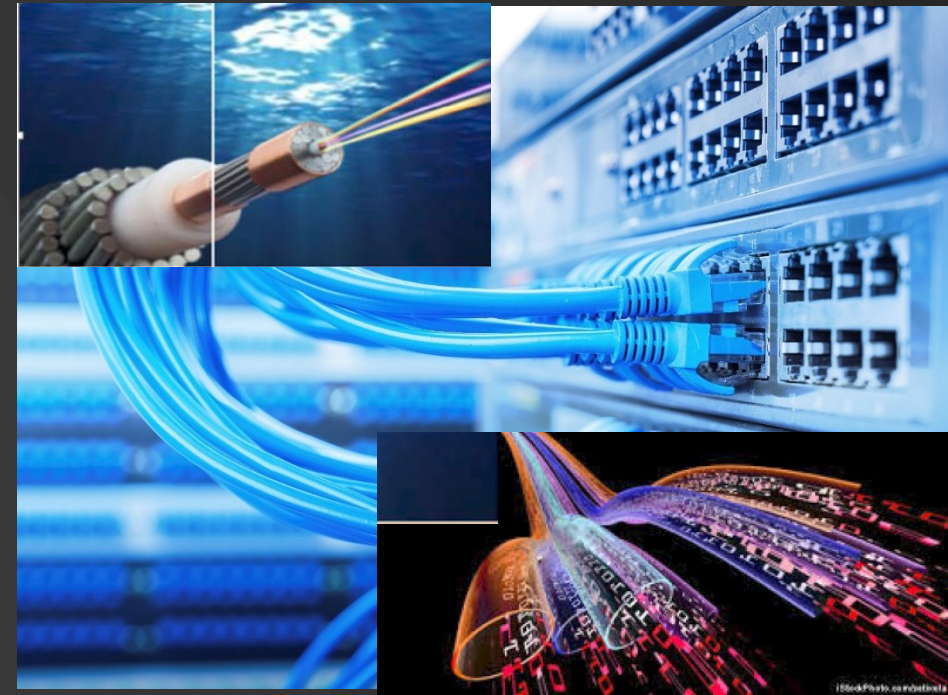
- The (2) conduits are currently utilized by:
  - Level 3 Communications of Virginia, Inc. dba Century Link (leased in 2020)
  - Globalinx Data Center, LLC. (provided as part of their management agreement in 2019)
- Globalinx Data Center, LLC manages the conduit system and leasing of it

Established Single Conduit Lease Rate	AMOUNT
Upfront lease fee	\$25,000 - \$40,000 dependent on length
OR Upfront annual payment	\$3,500 - \$5,500 dependent on length
O&M Fee	\$3,000 annually w/ 2% annual escalation
One time upfront Document Fee (to Globalinx as manager of system)	\$1,500

Established Globalinx Management Fee	AMOUNT
Management Fee	\$14,205.45 per month w/ 3% annual escalation
Lease commission	5% of Leasing Rate, payable monthly
Additional Yearly Costs, inclusive of a 10% contingency for emergency repairs	\$29,211.25 yearly average

# Globalinx Request

- Globalinx has secured additional subsea cable landings at Sandbridge and is proposed to start construction by the end of 2023.
- Requesting a 20-year lease of (4) conduits in Corporate Landing for \$160,000 upfront fee and \$12,000 annual maintenance fee with 2% escalation.
- Globalinx has committed cable customers and plans to extend their campus with a large cable landing station in the coming years.
- Capital expenditure is anticipated to exceed \$60 million.



# Recommendation

- Request aligns with the established conduit lease rates:

Established Conduit Lease Rate	AMOUNT for (4) Conduits
Upfront lease fee	\$160,000 based on an estimated 5,100 LF of conduit use
O&M Fee	\$12,000 annually w/ 2% annual escalation
Lease Term	20-years with one 5-year extension
Increase in management fees or annual yearly costs to Globalinx	\$0
One time upfront Document Fee (goes to Globalinx as manager of system)	\$0
Lease commission Globalinx is eligible for per their management agreement	\$0



# Discussion