



Public Hearing on FY 2013 Budget and Board of Directors Meeting

Davidson Town Hall
216 South Main Street
Davidson, NC 28036
Meeting Room

March 15, 2012

Minutes

Present: John Venzon, Brett Ellis, Dawn Huston, Steve Miller, Leamon Brice, Erskine Smith, Rodney Short, and David Auger

Absent: Ken Essex

Other Attendees: Gail Karish, Nick Miller, Sarah Muller, and members of the press and public.

PUBLIC HEARING ON FY 2013 BUDGET

1) Call to Order/Quorum – John Venzon.

Mr. Venzon determined there was a quorum of the Board and called to order the public hearing on the Fiscal Year 2013 proposed budget.

2) FY2013 Budget Presentation: David Auger

Mr. Auger briefly presented the proposed FY2013 budget. He highlighted that the this budget projects revenue of \$17.1 million, an increase of 7.5% over prior year, as well as a \$500,000 decrease in total expenses compared to FY 2012. He also pointed out that the combined contribution to capital required by the towns of Mooresville and Davidson is budgeted to be \$6.3 million.

3) Public Testimony on Proposed FY 2013 Budget

Mr. Venzon invited members of the public in attendance to make comments on the proposed budget. The following persons made comments:

Mr. Ed Wadsworth, Davidson resident

Mr. Wadsworth asked whether 5 year budget projections were available. Mr. Venzon advised him that MI-Connection did not make 5 year projections at this time. Mr. Venzon also indicated that MI-

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Connection had been through a number of significant changes in its operating and governance structure in recent years, and that with these changes the new team would need at least twelve months of operation under the new structure prior to turning to long term planning. Mr. Wadsworth asked if the board had determined the timing for potentially preparing a 5 year plan, and Mr. Venzon responded no.

Mr. Randy Minken, Davidson resident

Mr. Minken stated his concern that MI-Connection is the largest draw on the town's budget and indicated that he would like to see the last three years financials. He also asked what was the 5 year plan, asked for detailed a marketing plan, and asked what MI-Connection needed to accomplish to break even. Mr. Venzon responded the financials are public documents and are readily available on both towns' websites. He also stated that in early 2012 MI-Connection presented a community campaign which projected that gaining 5,000 triple play customers would make the system break even. Mr. Minken commented that this type of modeling would help the community understand. Mr. Venzon stated that MI-Connection no longer uses this as a direct marketing approach because there was some feedback that this was pressuring the community.

Seeing that no other members of the public were present and wanted to speak, Mr. Venzon called for a motion to end the Public Hearing. Mr. Ellis moved to end the Public Hearing. The motion was seconded by Mr. Smith. The motion to end the Public Hearing passed unanimously.

BOARD MEETING

- 1) Call to Order/Quorum – John Venzon.

Mr. Venzon determined the quorum was met and called to order the Board of Director's meeting at 6:50.

- 2) Approval of the February 23, 2012 meeting minutes- Dawn Huston

Ms. Huston presented the meeting minutes to the Board for the open session on February 23. No comments or changes to minutes were requested. Mr. Brice moved that the minutes be approved. The motion was seconded by Mr. Ellis. The motion to approve the minutes passed unanimously.

- 3) Approval of the re-cast FY 2012 budget- Board of Directors

Mr. Auger presented the re-cast FY 2012 budget which projected \$15.9 million in revenue and a gain of 1,260 customer relationships. Mr. Auger explained total customer gains for 2012 exceeded 2009, 2010, and 2011 combined. He noted that EBIDA of \$2.5 million was down versus original budget, and that the combined contributions to capital by the towns of Mooresville and Davidson would be \$7.01M, an increase of \$1.1 million over the previously approved budget. The factors impacting this amount were noted as including: growth of customers on promotional rates, a delay in the timing of the transition to local control from July 2011 to January 2012, and a billing conversion error that was inadvertently included in the original budget.

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Mr. Auger said revenue growth was flat for the first 4 months of the fiscal year. Growth escalated beginning in November 2011, and is expected to continue through the rest of the fiscal year. Mr. Auger indicated this delay in revenue growth is a typical impact of the use of new customer promotions. EBIDA for the first 6 months was \$756,000 and is now projected to grow to \$1.8 million in the second half of the fiscal year.

Mr. Auger requested the board approve the re-cast budget with EBIDA of \$2.5 million..

Mr. Ellis noted the favorable one-time adjustment of \$600,000 in cost of goods sold due to an adjustment in programming costs. In addition, he emphasized that due to the delay in timing of the transition to local control, MI-Connection is only seeing a partial benefit in FY2012. Nonetheless, FY2012 EBIDA is projected to be up versus FY2011.

Mr. Ellis moved to approve the 2012 re-cast budget as presented. The motion was seconded by Mr. Miller. The motion passed unanimously.

4) Approval of the FY2013 Budget- Board of Directors

Mr. Auger briefly recapped the presentation he had made during the Public Hearing on the proposed FY 2013 budget, indicating that projected revenue is \$17.1 million, an increase of 7.5% over prior year, and that the combined contribution to capital by the towns of Mooresville and Davidson is budgeted to be \$6.3 million. Mr. Auger then requested the board to approve the FY 2013 budget.

Mr. Miller moved to approve the FY 2013 Budget. The motion was seconded by Mr. Ellis. The motion to approve the FY 2013 Budget passed unanimously.

5) Round Table

Mr. Venzon thanked Mr. Auger, Ms. Muller, and Mr. Hall for their time and effort in the preparation of the budget. He also commented that MI-Connection's request for the towns to contribute to capital is difficult and the board does not take it lightly. Mr. Venzon said that achieving real growth during a transition is not an easy task. He thanked MI-Connection management and entire team for their efforts over the past year. Mr. Ellis echoed Mr. Venzon's comments and added that the trend is important and is going in the right direction. He is encouraged by the momentum. Mr. Miller stated that seeing video gains and growth in a universe where cable companies are bleeding subscribers is an accomplishment. Mr. Smith added that MI-Connection has a good story and the right leadership, and that now is the time to get the word out. Mr. Smith thanked the team for their hard work.

Mr. Venzon shared that the leadership of the towns and MI-Connection have planned a trip to Raleigh scheduled for March 19th to review options that would improve MI-Connection's growth prospects.

6) Adjournment

Having no other business, Mr. Brice made a motion to adjourn the meeting and it was seconded by Ms. Huston. The motion passed unanimously and the meeting ended at 7:40 pm.

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