

PUBLIC HEARING REGARDING BUDGET AND MINUTES (OPEN SESSION)

MI-Connection Board of Directors Meeting

Date: Thursday, May 26, 2011, 6:30 pm

Location: Davidson Town Hall

Board Members present: John Venzon, Dawn Huston, Leamon Brice, Erskine Smith, Steve Miller, Ken Essex, Brett Ellis and Rodney Short (non-voting)

Others present: Nola Perkins, Alan Hall, David Auger, Eric Hardy, Meagan Davis, Nick Miller (phone), Gail Karish (phone), Stacey Pomrenke (phone), and members of the press.

Chairman Venzon opened the meeting at 6:35 pm.

1) Approval of prior meeting(s) minutes: Ken Essex/Dawn Huston

Mr. Essex presented minutes of the open sessions of the board meetings held on January 28, 2011, February 24, 2011, March 2, 2011, March 25, 2011, and April 13, 2011. He made a motion to approve the minutes which was seconded by Dawn Huston. The motion was unanimously approved.

Ms. Huston presented minutes of the open session of the board meeting held on April 28, 2011, and made a motion to approve the minutes. Mr. Erskine and Mr. Ellis seconded the motion. The motion was unanimously approved.

2) FY 2011 Budget Amendment/FY 2012 Budget Hearing: Stacey Bright/Alan Hall

Mr. Venzon indicated the order of proceedings on the FY 2011 and FY 2012 Budgets would start with a presentation of an amended FY 2011 Budget for Board consideration and approval. Next, the FY 2012 Budget would be presented to the Board and the public, and after Board discussion the public would be invited to comment to fulfill the public hearing requirements.

FY 2011 Budget: Mr. Hall and Ms. Pomrenke presented an amended and restated FY 2011 Budget which included the necessary adjustments to balance the budget. .

Mr. Venzon asked the board for comments on the amended and restated FY 2011 Budget as presented and there were none.

A motion to approve the amended and restated FY 2011 Budget was made by Mr. Ellis and seconded by Mr. Brice. The motion was unanimously approved.

FY 2012 Budget: Ms. Pomrenke and Mr. Hall presented a comparison of the FY 2011 Budget and the Proposed FY 2012 Budget. Mr. Hall clarified that one difference between the two budgets was due to the reclassification of some marketing expenses as facility based expenses. Mr. Hall stated the marketing budget supports projected growth in revenues.

Ms Pomrenke and Mr. Hall discussed the Proposed FY 2012 Budget and responded to questions from the Board members.

Public Hearing on FY 2012 Budget:

Mr. Venzon then opened up the meeting to allow for public comment on the FY 2012 Budget.

Mr. Callen Bryan of Davidson commented regarding the town contribution and when the town pays, whether the budget anticipated the costs of investment in bandwidth expansion needed to meet demand for services such as Netflix and streaming video, and whether MI-Connection has looked at additional revenue streams. Mr. Hall explained that the town contributions are made in March and September, that upgrades to support streaming video needs were being made and actually reduced costs, and that MI-Connection is well-prepared for growth and looking at growth opportunities currently. Mr. Venzon added that MI-Connection stays current with industry advances through trade and other avenues.

Mr. Boraks, davidsonnews.net asked whether the FY 2012 budget was based upon proposed new contract with BVU or the current contract. Mr. Venzon responded that the new contract has not been negotiated and approved by board, and so the FY 2012 Budget is based upon current contract. He indicated that the Board would consider restating the budget as and when needed during the year once a final agreement is reached.

Mr. Bryan of Davidson asked how do we retain customers given the competition? Mr. Venzon responded that MI-Connection works diligently to maintain current customers and grow customers. He added that the MI-Connection team has been successful at retaining customers through special program offers.

Having no other members of the public wishing to comment, Mr. Venzon ended the public hearing on the FY 2012 Budget and indicated that in order to comply with the 10 day public notice required to adopt a budget, a special meeting of the Board will be called on June 7th to consider the budget for approval by the board. Mr. Brice requested that the Board adopt the budget prior to the June commissioner meetings of Davidson and Mooresville.

3) Transition Plan Update: Mr. Auger

Mr. Venzon invited Mr. Auger to update the Board on the status of the transition plan.

Mr. Auger announced that early today the transition plan was presented and very well received by BVU employees in the Mooresville office.

The timeline is for MI-Connection to take over most operations effective July 1 with a 90 day transition period. The operating agreement between BVU and MI-Connection will be presented

at the next board meeting for board approval. Full implementation of transition is planned to be completed by November 1, 2011.

Mr. Auger added that sixteen new jobs will be created in Mooresville and that renovations of the Mooresville facilities will be required to support the new employees. BVU will train the new employees.

The MI-Connection Board expressed its commitment to a seamless transition and applauded Mr. Hall and the Mooresville BVU employees for their support during this transition.

4) New Business

Mr. Venzon indicated that in order to fully capture the diverse talents and expertise of the Board members he wished to establish informal advisory committees. He proposed the following committees of board members:

- i. Operating Committee: meets weekly Brice/Smith/Venzon
- ii. Compensation Committee: meets Ad Hoc for all executive bonus structure Venzon/Huston/Ellis
- iii. Transition Committee: meets weekly through November: Venzon/Brice/Smith
- iv. Marketing Committee: meets monthly starting in November: Huston/+2
- v. Finance Committee: tbd: Ellis/+2

5) Closed Session.

A motion by Mr. Venzon to go into closed session to discuss a personnel matter (N.C.G.S. 143-318.11(a) (6)) and other matters properly the subject of a closed session was unanimously approved.

6) Following the closed session, the board returned to open session.

A motion was made to adjourn and the motion passed unanimously. The meeting was adjourned at 8:40 pm.

approved
3/26/11

MI-Connection Recommended Budget
FY 2012

	2009 Actual	2010 Actual	Reestimate 2011 Budget	2012 Projection
Voice Revenue	\$44,383	\$643,400	\$1,031,775	\$1,381,342
Video Revenue	\$9,694,919	\$9,932,820	\$9,604,825	\$10,585,609
Data Revenue	\$3,863,571	\$4,087,510	\$4,488,896	\$5,123,639
Other Revenue	\$254,022	\$206,368	\$457,440	\$449,557
Total Revenue	\$13,856,895	\$14,870,098	\$15,582,937	\$17,540,147
growth %		7.3%	4.8%	12.6%
Cost of Goods Sold	\$5,429,920	\$6,601,318	\$5,413,880	\$6,667,804
Operating Revenue	\$8,426,975	\$8,268,780	\$10,169,057	\$10,872,343
Gross Margin	60.8%	55.6%	65.3%	62.0%
Facility Based Expense	\$4,562,184	\$4,165,025	\$4,384,905	\$4,553,270
Marketing Expense	\$815,452	\$814,666	\$723,414	\$695,923
as percentage of Revenues	5.9%	5.5%	4.6%	4.0%
Administration	\$2,737,018	\$2,031,808	\$2,030,801	\$2,080,107
Depreciation & Amortization	\$2,657,441	\$3,408,023	\$3,546,112	\$3,637,550
Interest Expense	\$4,083,531	\$4,647,424	\$4,553,523	\$4,552,767
Transition Expense	\$0	\$0	\$138,280	\$23,217
Total Expenses	\$14,855,626	\$15,066,946	\$15,377,035	\$15,542,834
Net Income	(\$6,428,651)	(\$6,798,166)	(\$5,207,978)	(\$4,670,491)
EBIDA	\$312,321	\$1,257,281	\$2,891,656	\$3,519,826
Percent EBIDA	2.3%	8.5%	18.6%	20.1%
percent growth		302.6%	130.0%	21.7%
Beginning Cash Balance		\$5,977,998	\$381,382	\$288,174
Capital Spending		\$2,998,281	\$2,575,800	\$2,240,000
		20.2%	16.5%	12.8%
Debt Service		\$4,596,779	\$7,289,582	\$7,290,250
Reimbursed Sales Tax		\$0	\$420,866	\$0
Escrow Reimbursement		\$164,559	\$0	\$0
Contribution to Capital		\$576,604	\$6,459,651	\$5,888,230
Davidson Contribution		\$180,189	\$2,018,641	\$1,943,116
Mooresville Contribution		\$396,415	\$4,441,010	\$3,945,114
Year End Cash Balance		\$381,382	\$288,174	\$165,980
EOY Voice Customers	580	1,967	2,593	3,265
growth %		239.1%	31.8%	25.9%
EOY Video Customers	13,616	13,384	12,684	12,684
growth %		-1.7%	-5.2%	0.0%
EOY Data Customers	8,481	9,293	9,552	10,128
growth %		9.6%	2.8%	6.0%
RGUs	22,677	24,646	24,829	26,077
growth %		8.7%	0.7%	5.0%
Total Customer Relationships	15,193	15,212	14,945	15,696
growth %		0.1%	-1.8%	5.0%
Average Revenue/Customer	\$76.00	\$81.46	\$86.89	\$93.13
growth %		7.2%	6.7%	7.2%