



# *The* Town *of* Davidson

---

College Town. Lake Town. *Your Town.*

# MI-Connection Update



College Town. Lake Town. *Your Town.*

MI-Connection Update  
September 12, 2017

# Presentation Overview

- History / Background
- Financial Information
- Organization and Oversight
- MI-Connection Initiatives
- Looking forward
- Questions

# History / Background



College Town. Lake Town. *Your Town.*

MI-Connection Update  
September 12, 2017

# How did this all start?

- Citizens critical of poor service and lack of broadband
  - 2006-07 Town was receiver of citizen complaints regarding cable due to franchise agreement
- Adelphia Cable declares bankruptcy
- Time Warner tells Towns they will not enhance system's broadband capabilities
- Towns initiate right of first refusal to purchase system; Financial studies showed the system was viable
- Mooresville and Davidson purchase the system and form MI-Connection via interlocal agreement in August 2007



# Financial Information



College Town. Lake Town. *Your Town.*

MI-Connection Update  
September 12, 2017

# Loans

- Town of Mooresville is holder of MI-Connection debt
- The initial financing required a COPs loan of \$80 million (including a required \$10 million reserve) in 2007
- An additional \$12.5 million was borrowed in 2008 to initiate system enhancements and operational needs
- In 2015, the COPs loan was refinanced with a lower interest rate, elimination of the reserve fund, and a prepayment option
- The \$12.5 million installment loan was also refinanced with a lower interest rate

# Loan Principal and Interest

As of September 1, 2017

Loan	Current Principal	Loan Maturity	Interest Rate Percent
COPs	61,135,000	2033	3.243
Installment	6,185,000	2023	2.36



College Town. Lake Town. *Your Town.*

MI-Connection Update  
September 12, 2017



# Current financial situation

	Revenues	EBIDA*	Debt Service Contribution	Total Debt Service	Towns' Contribution
FY 2014	18,414,527	4,019,769	1,600,000	7,279,709	5,679,709
FY 2015	19,768,878	4,960,832	2,400,000	7,179,855	4,779,855
FY 2016	20,897,433	5,679,091	2,800,000	6,336,395	3,536,395
FY 2017 Unaudited	21,482,574	5,381,351	2,919,000	6,357,148	3,438,148
FY 2018 Budget	22,510,587	5,862,929	3,447,929	6,378,967	2,931,038

- FY 2017 did not reach original budget projections, however MI-Connection still grew contribution to debt, while experiencing a slight decrease in revenue generating units (RGUs) and customers

\* EBIDA is Earnings before interest, depreciation and amortization, a key metric used by cable operators to measure performance



# Davidson's Obligation

- Effective in 2013, modified interlocal agreement to lock Davidson's financial interest at 30%
- Capped the Town's annual payment at \$1 million
  - Represents 9% of Town's FY2018 budget
  - Town contributed \$2.34 million in 2012
- 30% of current principal = \$20.196 million
- Deferred Liability to Mooresville = \$1.8 million
- The Town Board has set aside \$1 million for expenses related to MI-Connection



# Organization and Town Oversight



# MI-Connection Board of Directors

- Agency created by interlocal agreement subject to Local Government Commission oversight
- Town Managers are members of the Board
- Davidson and Mooresville Town Boards appoint 5 additional voting members for 2 year terms
- Cornelius Town Board appoints a non-voting member
- CEO of MI-Connection is a non-voting member
- Board meetings are held quarterly
- Annual audit is required



# Davidson Game Plan

- Commissioners request periodic MI-Connection updates
- Game Plan initiative to “Determine Future Options for MI-Connection”

# MI-Connection Operational Initiatives



# Initiatives

- Broadband is key growth area
- Increase service and product options
- Increase commercial customers and revenue
- Continue to upgrade technology
- Extend service to new construction areas
- Evaluate extension into existing service areas

# Looking Forward



College Town. Lake Town. *Your Town.*

MI-Connection Update  
September 12, 2017



# How do we make projections?

- Best information we have available
- Updated as significant changes occur
- Key metric in industry is EBIDA
- Industry standards for EBIDA and margin, as a percentage of revenues
- Projections also require estimate of capital expenditures required to stay competitive in the marketplace
- Certain MI-Connection data falls under the NCGS 132-1.2, and therefore is not public information. Some of this data could be beneficial to MI-Connection's competitors in the marketplace, and therefore harmful to the Town of Davidson if released.

# Financial Projections From Davidson Staff

- Davidson's deferred liability due to Mooresville could be paid off in FY2023 (without spending the \$1 million reserve)
- MI-Connection will likely not require Town contributions starting in FY2024
  - Combination of payoff of installment loan (2023) and projected growth in EBIDA

# System Valuation & Debt

- Key projected target: System valued higher than the debt owed
  - 2-4 years
  - 7X – 10X EBIDA
- Another projection: system valued higher than debt owed and repay both towns for investment
  - 7 – 10 years

# Closing Comments

- Revisit solid waste fee?
- Default on our obligations?
- Projected growth potential
- Holding our own with competition
- Managing \$1M in existing budget
- Other key priorities to serve our citizens
- Please be a part of the solution

# Questions?

