

January 30, 2013

A called worksession of the Council of the City of Martinsville, Virginia, was held on January 30, 2013, in Council Chambers, Municipal Building, at 6pm, for discussion of the fiber optic business plan with Mayor Kim Adkins presiding. Council Members present included: Mayor Adkins, Vice Mayor Gene Teague, Mark Stroud, Sr., Sharon Brooks Hodge and Danny Turner. Staff present included: Leon Towarnicki, Interim City Manager, Brenda Prillaman, Linda Conover, Eric Monday, and Mike Scaffidi.

Mayor Adkins called the meeting to order.

Overview/background/history: Mr. Towarnicki gave an overview of the need to develop such a plan as well as background and history on the City's current system. At present, the city system is a 4 person crew and has 38 MINet customers with approximate revenue of \$200,000 with 17 businesses on a waiting list for the service.

Legal issues to expanding system: Mr. Towarnicki shared information received from attorneys regarding the legality question which states that the city can provide telephone service and internet service, but not cable television. The city can provide the "pipeline" to cable television providers and make the fiber available, but the city would only own the "pipeline". Mike Scaffidi pointed there will still be a need for legal representation in order to keep up with all the SCC regulations in expansion efforts.

Business plan feasibility study review & potential expansion opportunities: Doug Dawson of CCG Consulting reviewed the proposed business plan. His comments included: the city cannot stay on current path and continue to break even; potential is there to do a lot better by marketing the city's service to get another 50-100 customers; there would be need for another staff person to service the 17 customers on the waiting list; city could set up an enterprise fund to let profits accumulate; city should build a specific plan showing step by step how much the entity would make; in order to see true profitability city will need to build a detailed business plan; other communities are offering this service as incentive for businesses to locate; need to make sure rates are fair and need to charge what the service is worth and not subsidize; need to build a staffing plan and figure out how much it would cost to service 300-400 businesses; Council is not required to set the

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rates; city must be ready to provide the service if decision is made to start marketing the service.

Options for path forward: The consensus of Council is to move forward in developing a business plan for the business component and Council to review business plan before taking next step. Mr. Towarnicki said it will look similar to the electric fund budget and should be able to have ready by budget time. He also thanked Council for putting time into this as he thinks this is a good opportunity for the city and he thanked Mike Scaffidi and his crew for their excellent work.

The meeting adjourned at 7:25 pm.

Brenda Prillaman, Clerk of Council

Kim Adkins, Mayor