

# DRAFT

April 12, 2017

**Members Present:** Clem Nilan, Tim Halvorson, Karen Paul (via phone), Joan Shannon, Dave Hartnett, Theresa Alberghini DiPalma, David Provost (via phone)

**Member's Absent:** Dave Hartnett, Jane Knodell

**Others Present:** Stephen Barraclough, Stacey Trudo, Nicholas Martin, Dawn Monahan, Jeremy Patrie, and Terry Dorman (via phone)

**Public Members:** None

Meeting commenced at 5:47 p.m.

**MOTION** to elect Joan Shannon as acting Chair made by *Halvorson*, seconded by *Alberghini DiPalma*. *Unanimous*.

1. Agenda

There was no motion to approve the agenda.

2. Approval of Minutes from February 8, 2017 BTAB meeting.

**MOTION** to approve the minutes from the February 8, 2017 Burlington Telecom Advisory Board ("BTAB") meeting, made by *Alberghini DiPalma*, seconded by *Halvorson*. *Unanimous*. *Nilan* abstains.

3. Public Forum: None
4. BT Management Update

*Barraclough*: Update this month is on the budget. Subscribers for the month of March FY16 was Net: 17 and FY17 Net: 40. All in all, we remain on target this year for around 750 Net new subscribers if we continue to add new subscribers for the last 3 months at the rate we did last year.

As we move forward, the number of net new subscribers is becoming a less meaningful figure as we are also having some success in finding more innovative ways of adding business. We previously announced an apartment build in Winooski where every unit will include a Burlington Telecom gig connection as an essential utility in the rent. Since then, we've entered into a similar deal in Burlington, which could potentially be much bigger over time, and are working on a third agreement to do the same that we are negotiating in Burlington.

If we sold individual subscriptions and got 50% market share in a 30-unit building, that would give us 15 subscribers. With the structure of these new arrangements we count it as 1 subscriber, even

though we end up providing service to 30 subscribers. Lots of momentum for BT at the moment, the likes of which the current management team has never seen before, based on new development and expansion opportunities.

Very positive all the way round, we will end this year at around \$3.5M EBITDA which is significantly up from last years \$2.864M EBITDA. That's an almost \$700K EBITDA gain year on year. BT also has an EBITDA margin of 39% and will break \$9M in revenue for the first time ever.

BT is pretty confident in its projected full year revenue figures after 9 months of actual revenue and monthly operating costs are pretty predictable for the balance of the year.

We're also looking for approval to increase the capital spent this year by \$100K. We budgeted \$1.95M and we need to take it to \$2.05M for further network build out for the benefit of residents of Burlington. This additional cost can be more than covered by the additional cash generated from operations this year. The additional spend is to keep the momentum going with the rest of the Downtown build out this Spring and beginning the build out of the next unbuilt area of Burlington budgeted for 2018. FY2017 outlook and FY2018 have been shared and reviewed in detail with Blue Water and Trey Pecor who is highly supportive and approving of both.

FY18 detailed figures have been distributed to the Board prior to meeting. The FY18 budget is part of BT's 3-year plan, which is shared with potential buyers of BT. The FY19 is planned to take BT to \$10 million in revenues for the first time and \$4.7M in EBITDA. Subscriber growth assumptions for both FY18 and FY19 at 750 net new subscribers are in line with what BT is forecasting to achieve for FY17. The unprecedented amount of new growth happening in the city over the next two years offers additional upside.

The Capital spend budget of \$2M for next year is planned to enable BT to continue its growth momentum of recent years, with no plan to slow that at all as BT goes through the sale. A more detailed discussion of build out specifics would need to take place in Executive Session given the highly competitive market in which BT operates.

Gross margin for FY18 will remain flat with last year. Although BT has continued to improve its gross margin this year, by the end of the year we'll have realized all of the benefits we made from changes to the telephone call routing side of things and our ability to buy bandwidth more efficiently.

Operating costs include 3 new positions budgeted for FY18, and as practiced in recent years they will only be filled if they are needed to relieve pressure points that emerge in the business as a consequence of BT's ongoing growth. BT has not named specific positions to maintain its flexibility to recruit where needed.

Still predicting to break a new milestone of EBITDA. This we expect to end at \$3.5M and next year we are budgeting \$4M, a margin of 40%.

Cash flow after all expenses for FY18 including CapEx and debt service, will double from \$500K in this FY17 to \$1M in FY18.

*Shannon* – What is happening in the South End at Redrocks? Is this extending into Ledgewood?

*Barracough* – It's specific to Redrocks because that was conduit that BED replaced, which allowed us to piggyback on a new set of rules that BED had written that are open to anyone, not just BT, to actually place fiber in conduit when they replace it. We'll look to take advantage of that wherever BED replaces conduit that can be helpful to us but Redrocks was a discreet project. BT only started selling services there in late September of 2016. I believe our market share at Redrocks is currently 40%.

*Shannon* – I haven't really seen that pushed on Front Porch Forum.

*Trudo* - We've done a lot of specific marketing to Redrocks residents. Direct mail postcards, doorhangers, letters, have been mailed to every Redrocks address.

*Shannon* – So in BT's forward strategy there is a wholesale element for the residential side?

*Martin* – For new developments, yes. We are focused on working with the developers long before anyone moves in, to add value to the units.

*Barracough* – In the Winooski apartment build, their presale rate has been exceptional since announcing a BT Gig in each unit and they're very happy with the outcome.

*Martin* – Yes, since announcing the gig, pre-lease sales have gone up 44%.

*Nilan* – I think the budget seems very reasonable.

*Barracough* – Looking for approval from the board for the FY18 budget and the 3 positions that are assumed within that budget.

**MOTION** to recommend approval of this FY18 budget including the new positions within it made by *Nilan*, seconded by *Alberghini DiPalma*. *Unanimous*.

*Barracough* – Could I also ask the Board for approval the Capital Expenditure budgets for FY17 from \$1.95M to \$2.05M.

**MOTION** to increase the FY17 Capital Expenditure budget as described made by *Halvorson*, seconded by *Nilan*. *Unanimous*.

##### 5. Possible Executive Session

**MOTION** to find that discussion of strategic business interests would be premature disclosure that would be harmful to the City of Burlington made by *Alberghini DiPalma*, seconded by *Halvorson*. *Unanimous*.

**MOTION** to enter Executive Session based upon these findings made by *Alberghini DiPalma*, seconded by *Nilan*. *Unanimous*.

Executive Session entered at 6:06p.m. and exited at 6:12p.m.

**MOTION** to adjourn made by *Alberghini DiPalma*, seconded by *Halvorson* at 6:14 p.m. *Unanimous*.

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