



Burlington Business Association Statement on the Criteria for the Burlington Telecom Sale

The City of Burlington under the guidance of the Burlington Telecom Advisory Board (BTAB) is currently accepting input on the Criteria for Sale of Burlington Telecom.

The Burlington Business Association (BBA) is a member-based organization whose mission is to enhance and promote Burlington, VT's economic vitality. The BBA advocates for community initiatives and special projects that will benefit the local business community. When it was revealed in 2008 that the City of Burlington had transferred more than \$16,000,000 from its cash pool into Burlington Telecom our members were deeply concerned about the impact of this loss of cash on the fiscal stability and economic vitality of Burlington. That action did have impacts including a downgrade of Burlington's credit rating. While the Weinberger Administration has done much to rebuild the city's credit rating and fiscal stability (work supported by the BBA); our membership continues to assert that all efforts should be made to make the city's cash pool whole through repayment.

On behalf of the members of the BBA, we request that BTAB accept the following suggested criteria for the sale of Burlington Telecom:

- Purchaser provides a feasible business plan that includes:
 - A plan to repay all or some of funds due to the City of Burlington and thereby its tax paying residents and businesses.
 - Expansion of service to Burlington's commercial customer base.
 - Expansion of service to Chittenden County communities.
- Purchaser has local ties to the state of Vermont or Northeast US
- Purchase agreement allows the City of Burlington to retain a portion of ownership in Burlington Telecom
- Purchaser recognizes the importance a successful next phase for Burlington Telecom has to the City of Burlington's fiscal stability.
- The Burlington Telecom fiber network is a critical asset for Burlington's future economic vitality. Any sale should include terms that maintain it as a resource for area telecommunication firms.

The members of the BBA appreciate the hard work of BTAB and thank you for accepting our input.

Can Coops Compete?

At Wednesday's Public-Input session with BTAB, David Provost articulated a concern of the Board: Can cooperatives compete successfully with other forms of privately run business? More, specifically, can a cooperatively-owned telecom compete successfully with deep-pocketed corporate competitors, like Comcast?

The Keep BT Local Cooperative believes that the answer to that question is, "Yes", qualified by the fact that, of course, none of us can predict the future. We can, however, point to a substantial body of evidence supporting the competitive fitness of the cooperative model in general, and the telecom cooperative, in particular.

1. There are over 29,000 U.S. Cooperatives. These cooperatives own \$3T+ in assets, and generate \$500B+ in revenue and \$25B+ in wages (1). In Vermont, City Market, with \$39M in revenues and Cabot Cheese, owned by Agrimark Cooperative, with \$952M in revenues exemplify the competitive fitness of cooperatives.

2. Over 250 of the 39,000 U.S. coops are telecom coops. Most of them have grown in size over the years, typically by acquiring neighboring, privately-run telecoms. Many of them have national competitors in their market area. It is important to realize that what makes these cooperatives successful are the differences in ownership and policies, combined with financial returns to members, which drive a virtuous cycle that results in growing numbers of loyal customers. Here are two examples:

ATMC Telecom Coop

Services: Voice, High-speed Internet, Cable TV, Wireless, Business, and Security Services

Large Corporate Competitors: CenturyLink, Time Warner,

Atlantic Telephone Membership Corporation, located in Brunswick / Columbus Counties, NC, in business since 1955. Expanded to Columbus County in 2010.

Over 35,000 customers. NCTA-certified Gig-Capable Provider. 260 mile fiber upgrade, completed in 1 year.

33 percent service take rate for homes passed within the first six months of deployment.

\$35.9 million returned to member-owners, since it began operating.

GVTC Telecom Coop

Services: Voice, High-speed Internet, Cable TV, Wireless, Business, and Security Services

Large Corporate Competitors: Time Warner, AT&T U-Verse

Guadalupe Valley Telephone Cooperative, Inc., located in Texas Hill Country, 60 years old. Upgrading to all fiber in its 2,200 square mile service area. (¼ VT, 4x Chittenden Co.) More than 39,000 gigabit-eligible connections.

More than doubled revenue over the past decade - projected to exceed \$100 million in 2015. \$67 million returned to member-owners, since it began operating. Since 2006 GVTC Foundation has donated more than \$2 million to area nonprofits and for college scholarships.

3. Finally, it is important to clarify what cooperative ownership means, in terms of how the business is actually run. A cooperatively-owned BT would be capitalized appropriately for steady growth, guided by a telecom-expert-developed business plan suited to our locality and competitive landscape, and managed and run by people with industry-appropriate expertise.

Please contact us if you'd like to discuss this question in more depth.

Sincerely,

Alan Wagener, member, Keep BT Local Cooperative Board of Directors

1

1 Research on the Economic Impact of Cooperatives, University of Wisconsin Center for Cooperatives Revised June 19, 2009.



Proposed Criteria for Choosing a New Owner for Burlington Telecom

We think our community is best served by a locally owned, state of the art, gigabit network. The City of Burlington is looking for a new owner for BT. We urge our municipal leaders to consider these criteria when making their decision:

1. **Financial capacity** to purchase and maintain BT as a state of the art public asset with the potential to expand into neighboring communities.
2. **Management experience** and team familiar with systems such as BT and capable of profitably running the operation with a strong emphasis on customer service.
3. Commitment to continue to provide **residential cable, phone and internet service**.
4. Business model is compatible with the **public benefit model** of the City -- a municipal owner, and whether the City and its taxpayers will receive a proper return for their significant investment in BT.
5. **Local partnership** that allows our citizens to retain a meaningful ownership stake in BT.
6. Provision for the City to participate fully in strategic planning, policy and financial decision making, including **right of first refusal** on future sales of the system.
7. Cooperation with the City to preserve **affordable rates**.
8. Continued support for **public, educational and government (PEG) access** comparable to BT's current service. *and special projects like the Civic Cloud.*
9. Commitment to continued **access to key features of the BT network** for anchor institutions, community organizations and local businesses, realizing both the economic and social value of the network to the community and the regional economy.

*Submitted by Lauren-Gleua Dawitain
CCTV. 802.777.7542*

Now is the time to participate in this process and help to ensure that Burlington finds the best owner for this precious municipal asset! Find out more at

<http://bit.ly/1WRZQW3> & make your voice heard!

Center for Media & □ □ □ Democracy

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Proposed Criteria for New BT Owner

Here's what we think the City of Burlington should consider when choosing a new owner for BT:

1. Financial capacity to purchase and maintain BT as a state of the art public asset with the potential to expand into neighboring communities.
2. Management experience and team familiar with systems such as BT and capable of profitably running the operation with a strong emphasis on customer service.
3. Commitment to continue to provide residential cable, phone and internet service.
4. Business model is compatible with the public benefit model of the City -- a municipal owner, and whether the City and its taxpayers will receive a proper return for their significant investment in BT.
5. Partnership with the City so that the citizens can retain a meaningful ownership stake in BT.
6. Right of first refusal permitting the City to re-acquire BT in a future ownership transaction.
7. Provision for the City to participate fully in strategic planning, policy and financial decision making, including right of first refusal on future sales of the system.
8. Cooperation with the City to preserve affordable rates.
9. Continued support for public, educational and government access comparable to BT's current service.
10. Commitment to continued access to key features of the BT network for anchor institutions, community organizations and local businesses, realizing both the economic and social value of the network to the community and the regional economy.

Now is the time to participate in this process and help to ensure that Burlington finds the best owner for our precious municipal asset--a future-proof open network that can assure our cultural and economic prosperity.

Go to <http://bit.ly/1WRZQW3> for more information and ways to get involved.

I will not be able to attend either meeting.
However you are welcome to take in a letter from me saying

I sincerely hope we can keep BT locally owned, run for the benefit of our community and that all jobs stay local. My business would not run so well without BT and its fast internet service and locally owned.

Carolyn L. Bates
20 Caroline ST
Burlington, VT

Nov 17, 2015

Nov. 18, 2015, Burlington Telecom Advisory Committee, Public Hearing on criteria for sale of Burlington Telecom.

Solveig Overby

My opinion may or may not be relevant to the decisions you will make concerning the criteria to use when selecting the next owner of Burlington Telecom. However, I want to remind you of facts relevant to your decision and which I hope you will consider carefully as you deliberate in this process.

You must require public ownership and local control as a mandatory criteria for the future ownership arrangements for Burlington Telecom.

- 1) In 1997, Burlington citizens voted for a municipal fiber network, which is what ultimately became Burlington Telecom. Burlington residents were frustrated with both their cable company which was Adelphia at the time, (later purchased by Comcast), and their phone company Verizon. In contrast, the municipally owned Burlington Electric Department was seen as well serving the needs of Burlington citizens. On March 7, 2000, Burlington voters supported a charter change and approved revenue bonds to build the fiber optic network, and the city administration pursued Vermont General Assembly approval of this charter change.

The public voted to create this municipal fiber-optic infrastructure and you should not reverse those public votes through your actions on this committee. You should respect these votes when defining the criteria for the future ownership of Burlington Telecom.

Consider the comparable history of the municipally owned Burlington Electric Department. In 1903, Burlington voters approved bonds to build a municipally owned electric generating plant. At the time, the city was paying the privately owned Burlington Light and Power Company \$80 per year for each street light, and the company was charging residential customers 14 cents per kilowatt-hour for electricity. On April 29, 1905, BED began providing electricity to the city. The cost per street light dropped to \$8 per year. Residential electric rates dropped to 10 cents per kilowatt-hour.

In setting the criteria for the future of Burlington Telecom, you must insure that you do not put in motion the reverse scenario: a return to costly private ownership after the public has made their significant investment in public ownership of this infrastructure. Only public ownership and local control can insure that the city will be able to maintain cost control, privacy and service support of this infrastructure for residents, businesses and institutions.

- 2) The VT Public Service Board, in response to the city's March 28, 2014 application for acceptance of the CitiCapital Settlement of Jan, 28, 2014, encouraged the city to consider alternatives that would be more favorable financially than the arrangement that was proposed. The PSB stated that the proposed sale of BT's Assets to Blue Water would have a significant effect in reducing the ability of the City and its taxpayers to recover a substantial portion of the City's unauthorized \$16.9 million investment in Burlington Telecom.

In order for the citizens of Burlington to realize a return on their investment in the fiber optic network, they need to insure that the future profitability of the infrastructure goes back to the citizens who had the foresight, and took the risks, to make the investment in this network.

- 3) Burlington citizens have made significant public investments to build the BT fiber optic network infrastructure. From the beginning, it's been an investment in a complex, fast developing technology. It has never been a \$17 million dollar rip-off of taxpayer dollars as characterized by some detractors.

Burlington voters voted for a municipally owned fiber optic network to meet four goals:

- a. Universal Access – at reasonable prices to every citizen, business and institution in the city
- b. Open Access – analogous to common carrier public roads. Anyone can purchase bandwidth or services.
- c. Future Proof – built for the long term to provide flexibility and upgrade capacity
- d. Financially Self-Sustaining – finance by users, not taxpayers

Public ownership and local control are the only way these goals can be met.

- 4) Future technologies are on the horizon that we can only imagine. As a community, we need to maintain control of these to avoid becoming victims of commercial exploitation.

BTVignite and USAignite are beginning to reveal to the general public just what an amazing asset Burlington has in its fiber optic network. We need to maintain control of our infrastructure in order to be leaders, and not followers or simply “consumers” in this future. One only needs to read the terms of service and privacy policies of websites and apps to know how one-sided the arrangements are with commercially, profit-motivated network service providers.

I suggest you listen to an audio program presented by Peter Day, in 2008., discussing the future of fiber optic networks and the use of bandwidth in the future. See “In Business: Bring on the Bandwidth,” originally broadcast on Sept. 4, 2008 at the link below. This will give you a glimpse of the future.

www.bbc.co.uk/programmes/b00d7b61

**Comments to the Burlington Telecom Advisory Board
Dec 9, 2015**

I am Barbara Nolfi. I live at 4 East Village Drive in Burlington and I am a Burlington Telecom customer.

- **To the Burlington Telecom Advisory Board, I urge that most important is that we get local ownership and control that is assured to remain in force.**
- **It is best that the BT ownership be broad based – ideally all households in Burlington and in the greater Vermont community outside Burlington**
- **Whoever owns it must continue to strongly support Public Access as Burlington Telecom already does so well.**
- **Please do not place unreasonable financial history requirements on potential owners. The whole Telecom business is changing rapidly – cable TV as we know it is not likely to be around for much longer and it is this part of Burlington Telecom's business that is so highly regulated by the Vermont Public Service board. It does not make sense to expect the new buyer of BT to have extensive experience with cable TV. The buyers must, of course, be financially competent and have developed solid business and marketing plans.**
- **We encourage any owner to continue to use the excellent current staff.**
- **It would be great if the Burlington citizens benefited in an ongoing share of the profits of Burlington Telecom rather than the short term sale for the greatest immediate profit.**

2/10/2016

To: Burlington Telecommunications Advisory Board

From: Solveig Overby

Additional criteria by which any purchaser or ownership structure is evaluated:

Any new purchaser must demonstrate a commitment to:

- A profit-sharing ownership structure which insures that Burlington residents who voted for a municipal telecommunications infrastructure in 2000, and who have invested millions of dollars in that network, will be able to recoup their investments through a profit-sharing arrangement from BT revenues into the future.

*Notes: On March 7, 2000, city voters approved, by a vote of 5824 to 3612, to expand the Burlington Electric Department's municipal services to include telecommunications and cable TV, both within and without the corporate limits of the city.

On March 7, 2000, voters also approved issuing revenue bonds, by a vote of 5392 to 3851, "for the purpose of constructing a telecommunications and cable television network and associated equipment to be used by telephone, internet and cable television operators providing competitive services to the residents and businesses of the Greater Burlington area."

Charter of the City of Burlington, Acts of 1949, No. 298, as amended, Subpart B, Related Laws, Article 93, Section 431 Definitions, currently states "The term 'electric service' shall mean....Such term may also include ownership, operation and utilization of cable television, fiber optic cable and other telecommunications within the corporate limits of the city."

Additional criteria by which any purchaser or ownership structure for Burlington Telecom is evaluated, in order to conform with the will of Burlington voters in 2000.

2/18/2016 (Same text was provided during the 2/10/2016 BTAB Meeting. The citation to the relevant text of the Charter of the City of Burlington has been updated in this document.)

To: Burlington Telecommunications Advisory Board

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Citation to the relevant Charter of the City of Burlington section which the BT sales criteria should respect:

www.codepublishing.com/VT/Burlington (BURLINGTON CODE OF ORDINANCES, A Codification of the General Ordinances of the City of Burlington, Vermont, CODE PUBLISHING COMPANY | Seattle, Washington. Current through Ordinance 12-16-15(1-4), passed December 16, 2015.)

→Charter and Related Laws

→SubPart B Related Laws

→Title IX, Related Laws


→Article 96 Authority to Improve, Extend, Better, and Add to Its Existing Electrical Plant and to Finance the Cost Thereof Through the Issuance of Revenue Bonds

→Section 431 Definitions

(4) "The term "electric service" shall mean the furnishing of the electric power and energy or gas for lighting, heating, power or any other purpose for which electric power and energy or gas can be used. Such term may include the furnishing of steam and hot or chilled water, and the processing or disposal of solid waste. Such term may also include ownership, operation and utilization of cable television, fiber optic cable and other telecommunications within the corporate limits of the city; provided that the city shall have no power under Chapter 79 of Title 30 to take by eminent domain telecommunications, cable television or natural gas property; and provided further that before the city may sell telecommunications or cable television services it shall obtain a certificate of public good under Section [231](#) of Title 30 from the public service board.

MEMO: BTAB

FROM: STEVE GOODKIND

2/29/16 

RE: BT SALES CRITERIA

I would like to thank the BTAB for the time you have taken to seek public input on the proposed criteria for the sale of BT. I support the criteria that you have identified, however there are two additional items that have been discussed, but have not been included in your recommended criteria to date. They are:

- 1) More detail on how the city will get the \$17 million (it is actually closer to \$20 million) back from the purchasing entity
- 2) Full disclosure of the “reserve” requirements contained in the Bluewater agreement prior to putting BT up for sale.

RECOUPING THE CITY’S INVESTMENT

Based on the BTAB discussions, several things have become clearer. For starters, the payback of the debt to the city that was written off our books cannot directly factored into any obligations from the buyer to ever pay it back. Furthermore, the BTAB is being advised that there are only two ways for the city to recoup any of the money that it has put into BT. One is from the net proceeds of the sale of BT, however, this is unlikely to generate more than a small portion of what we are owed. The other option is for the city to retain an interest in BT and through something like profit sharing, get our investment back over time. It is this option that needs to be articulated and made a condition of the sale.

The heart of this matter is how the city’s retained interest in the future BT will be established. If it is based on the city’s share of the net precedes from the sale, then the higher the sale price, the higher the dollar value of our share and theoretically the

greater our retained interest would be. On the other hand, the higher the sale price, the greater the debt that the future BT will have to incur. In fact, for every extra dollar the city gets in net proceeds, four additional dollars of debt are incurred. It is like one step forward and four steps back for the future BT. This debt is a threat to the viability of BT as a competitive entity and is not in the interest of its' customers. The other problem with this method is that a lower sale price yields a smaller percentage retained interest share for the city. This may reduce our share of future earnings. Fortunately, there may be another way to establish our share of retained interest.

While we would waive our share of the net sales proceeds, they would not be used to determine the city's retained interest in BT. Rather, the city would set the retained interest share and not tie it to the sale price in any way. We would require the buyer to assign xx% in retained interest to the city regardless of the actual sale price. This allows us to accept a lower sale price, which is good for the future BT and its' customers, while it increases the possibility of eventually getting our investment back. The percentage share of the city's retained interest will obviously require further discussion, but the concept is sound. It should be a criteria for the sale.

DEVULGING BLUEWATER SALE CONDITIONS

As for addressing my old bugaboo i.e. releasing the details of the Bluewater agreement that have been kept confidential by the city, it is imperative for two reasons. One is that the public is entitled to know what significantly material conditions their elected officials have agreed to. The other is that some people (including myself), who had closely followed the PSB hearings regarding on the sale of BT, already know some of these details because they were inadvertently revealed at one of the hearings. If knowing this information would give a potential buyer an advantage, then this situation already exists. At this point it will only be unfair not to release the information to everyone.

Please consider my suggestions when you finalize your sales criteria.