

Burlington Telecom Advisory Board

# DRAFT

January 13, 2016

Regular Meeting

**Members:** David Provost, Karen Paul, Clem Nilan, Jane Knodell, Theresa Alberghini, Joan Shannon, Tim Halvorson

**Member's Absent:** None

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

**Public Members:** Alan Matson, Pat Robins

Meeting commenced at 5:30 p.m.

1. Agenda

**MOTION** to approve the agenda made by *Nilan*, seconded by *Alberghini*. *Unanimous*.

2. Approval of Minutes from October 22, 2015 BTAB meeting

**MOTION** to approve the minutes from the October 22, 2015 Burlington Telecom Advisory Board ("BTAB") meeting, made by *Nilan*, seconded by *Provost*. *Unanimous*.

**MOTION** to approve the minutes and materials received from the public sessions held November 18, November 20, & December 9, 2015, made by *Alberghini*, seconded by *Paul*. *Unanimous*.

3. Public Forum: None

4. BT Management Update

*Barraclough:*

- BT's FY2016 6-month financials, draft version, were circulated in advance of the meeting, more detail will be provided at the February BTAB Meeting
- Significantly ahead of FY15 results in terms of both financials and subscriber counts

*Provost:*

- A request has been made by the City Council for the BTAB, and BT management, to update the City Council on progress at BT. Date is to be determined.

## 5. Criteria for Sale of BT (following public input) for Recommendation to City Council

*Provost:* Three public sessions were held, with good attendance. Minutes, materials, and Channel 17 broadcast tapings from those sessions are available. The BTAB has been charged by the Council to present, to them, recommendations of the sale criteria. It is the Council's right to ratify any recommendations and finalize the criteria. Nilan, Alberghini and Provost met with Burlington Administration to draft a starting point to begin tonight's discussion.

The BTAB members worked through the draft document and the following points were raised and documented in the attached presentation.

- Halvorson questioned the language of "arm's-length sale to a private entity" statement in the settlement agreement and the agreement with Blue Water states a "qualified purchaser..." Does that disqualify the City in terms of the Citibank agreement? *Dorman:* It doesn't disqualify the City of Burlington to have a carried interest in the entity.
- Councilor Shannon requested clarification that a CPG is not required for internet services.
- Councilor Paul requested the timeline of the net sale proceeds allocation to be inserted in the document.
- Provost intends for the BTAB to hold another public forum, prior to City Council presentation, to provide another opportunity for public input of the proposed criteria prior to the BTAB presenting to the City Council
- Councilor Shannon questioned the survey in terms of the 216 respondents who responded and how they received the survey. *Tyckocki:* The survey was communicated on Front Porch Forum, VCAM, social media outlets, Channel 17, and via a press release from the Mayor's office. Contact information was obtained to be able to determine where they are geographically located within the City.  
*Tyckocki:* Surveys were collected via Surveygizmo.com and passed the results onto Brian Low at the Mayor's office. Councilor Shannon would like access to the results. Tyckocki will post the results to the website.
- Councilor Paul requested the language of the timeline be revised for the next steps for recommendation to be more precise.
- Council President Knodell requested that the name of Lev Gonic's non-profit and city be added as they had an interesting model. *Barraclough:* Cleveland is unique as there is no residential build, it is a commercial business model.
- Councilor Shannon indicated that numerous people mentioned the \$16.9m but viewed it as Burlington's investment. It is important to remember that Burlingtonians expect that value in some form returned. *Dorman:* The City would benefit by developing criteria that would address this specifically. Any return that Burlington receives, apart from a carried interest, has to be shared with Citibank. *Robins:* If there is a carried interest that the City holds, after the point of sale, the City will share the revenues generated from the build outs to the suburb areas. *Dorman:* Assuming that a carried

interest is important to the City of Burlington, understand that may cause the City to forego some cash today, then having that as criteria becomes essential. It could be noted as either specific or optional criteria.

- Provost is concerned having the criteria indicating a minimum value of BT's asset. A valuation will likely be determined as a multiple of BT's EBITDA or of subscribers or both. Council President Knodell indicated that the minimum threshold valuation of BT necessary for the City to be able to choose the eventual purchaser of BT has been determined and is confidential and should be kept confidential. In evaluating potential new owners of BT the City Council will look at a number of attributes from prospective buyers of which price will be one.
- Councilor Shannon inquired if the knowledge of a price threshold should be made public; Dorman responded that doing so could set the bar too low and could send the wrong signal.
- Pat Robins expressed concern that there would be serious public consequences if there was no guidance on price and a local group came forward with an offer that was way too low. It would be publically damaging and would like to see a ballpark figure given. *Barracough:* An indication of possible price expectation could be given. *Dorman:* Given that it is a fiber based system would indicate a range of \$3-4k per subscriber or 6-8 times EBITDA and similar transactions are happening currently. It would be based on projected EBITDA results and less on historical.
- Councilor Paul would like a statement clearly defined that the City of Burlington does not own Burlington Telecom assets any longer. They were sold to Blue Water Holdings, LLC in the settlement agreement and the City is leasing these assets back meaning that Burlington Telecom cannot remain a municipal entity.
- Nilan indicated that through the public process it was evident that not everyone is aware that the City of Burlington does not own the assets of BT. The City owns a right to direct the sale, nothing more.
- Councilor Paul: As an advisory committee, BTAB has made abundantly clear that the goal isn't to sell it to the highest bidder; it does have to be an entity that embraces Burlington values. / Robins expressed concern that too much focus on local values language, could potentially put off some potential bidders.
- Council President Knodell requested language change to indicate a carried meaningful interest (up to 49.9%) in replace of minority interest. Criteria should be inserted for the City to have a carried equity interest.
- Councilor Shannon suggested adding a section called limitations that outlined the limitations resulting from the different agreements in place.
- Alberghini suggested incorporating the importance of BT's asset in terms of US Ignite/BTV Ignite partnership in promoting economic development within Burlington.
- Nilan stressed that the value to Burlington is in keeping BT as a long-term economic engine and the value will be recognized by maintaining the strong engine and overtime financial recovery will be realized.

- Council President Knodell stated that BT needs someone who will be a good fit for and with the City. If they don't fit, they wouldn't succeed in Burlington. Dorman: Need to determine the criteria essentials vs. non-essential items.

**MOTION** to adjourn made by *Halvorson*, seconded by *Alberghini* at 6:44 p.m. *Unanimous*.