

# DRAFT

February 10, 2016

## Final Public Meeting to Discuss Revisions to Criteria for Sale of BT

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

**Member's Absent:** Tim Halvorson

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

**Public Members:** Solveig Overby, Alan Matson, Steven Goodkind, Alex Reutter, Janet Patterson, Pat Robins, Daniel Weiss

Meeting commenced at 5:34 p.m.

### 1. Agenda

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

### 2. Approval of Minutes from February 3, 2016 BTAB meeting

**MOTION** to approve the minutes from the February 3, 2016 Burlington Telecom Advisory Board ("BTAB") meeting, made by *Paul*, seconded by *Shannon*. *Unanimous*.

### 3. Criteria for Sale of BT (final public session) for Recommendation to City Council

**Provost** led the BTAB through the changes that made to the current draft of the Report on Development of Criteria for Sale of Burlington Telecom as a result of discussion at the previous meeting held on February 3, 2016 and opens the public forum.

Public Forum:

**Overby** submitted a written statement requesting additional criteria that any new purchaser must demonstrate a commitment to a profit-sharing ownership structure which insures that Burlington residents will be able to recoup their investment (\$16.9 million) through future BT revenues.

**Matson** representing Keep BT local, raised the question of what the role of the BTAB would be after the criteria for sale is set, what would be the timeline for the process, and what would be the process for BT's extraction from city government (specifically pension funds). Concern was expressed that the recommendation in its current draft does not match the public desire for local

ownership. Stressed that local ownership would provide value to taxpayers beyond the purchase price and that the City would remain one of BT's largest customers after the sale is completed.

**Goodkind** requested criteria that purchase agreement has some means of paying the city back the \$16.9M. Noted that the amount that Bluewater Holdings set as an acceptable sale price is not listed in the criteria. Requested language that BT would not necessarily be sold to the highest bidder, but a purchaser that would look beyond the sale for ways to pay the taxpayers back for their investment in BT.

**Reutter** stated that local ownership and expansion to 100% of Burlington residences must be top priority in the process as not having BT service offered to his address effectively depresses the value of his home.

**Patterson** encouraged additional language to include public investment possibilities that would pay-out to shareholders in years when BT is profitable, similar to City Market Co-op.

**Robins** wanted to clarify that the "hurdle price" set by Bluewater Holdings is the price which a bid must exceed for the City to control the outcome of the transaction. The transaction price/bid itself might be based on the number of subscribers where multiples are in the region of \$3,000 - \$4,500 per subscriber, or on projected cash flow where the multiples tend to run between 6 and 10 times EBITDA in today's market. BT is required to be sold by Citibank and the Public Service Board and a sale must be completed subject to regulatory (PSB) approval by 2 January 2018 in order to maximize the City's percentage share of proceeds, which fall after that date.

**Matson** stated there will come a point where the hurdle price will need to be public knowledge so that potential bidders can lock in financial backers.

**Provost** closed the Public Forum and opened the floor to BTAB members for comment. The following points were raised and documented.

- Councilor Shannon suggested to state more clearly that the Bluewater agreement and other legal criteria mentioned in the document are included as criteria for the sale. *Provost*: Do you mean to add a bullet to include the PSB and City Charter criteria? *Shannon*: Yes, and make the paragraph about the \$16.9M a bullet. *Paul*: A one sentence bullet is not sufficient explanation. Perhaps the entire concluding paragraph should be made a criteria bullet instead. *Dorman*: Any recommendation requiring repayment to the City will require the city to share that amount with Citibank, per the Citibank settlement. Retaining a minority carried interest will not have an obligation to share the proceeds from that down the road. *Shannon* What if it was a percentage rather than a specific amount? *Dorman* I think Citibank would make a demand for half of whatever the City gets. *Nilan* does the settlement specify "minority" interest? *Dorman* I am not sure, but it would be unlikely that anyone would want to bid to purchase a minority, rather than a majority interest in BT.
- Provost believes that the recommendation document as written is informed by the public comments as the BTAB works to balance the desires of the citizens with the legal

requirements that the sale must adhere to. The BTAB believes the criteria, as outlined, makes it advantageous to find partner(s) that support local without making a demand that only offers from Burlington residents will be accepted. There are a number of criteria about continuing support of BTV Ignite, working closely with the City to have carried minority interest. That is the spirit of the BTAB around trying to address desires for local ownership. The forward role of the BTAB is a question for the City Council. The BTAB serves the mayor and the Council and there is a resolution from the City Council that the role of the BTAB is to review options and make recommendations to the City Council on potential purchasers for BT. *Knodell*: As City Council President, I see an ongoing role for the BTAB, I also believe the City Council will have to become very actively engaged in the process too and not just be involved at the very end.

- Councilor Shannon notes that the spirit of the final paragraph of the recommendation is that there is a focus on maximizing the value to Burlington residents whether in upfront cash value or in the value of ongoing future services.

**Provost** reopens Public Forum for late arrivals to comment

**Weiss** in support of the BT Local Cooperative notes that cooperative model is not profit motivated and that a Co-op would be able to pay back the \$16.9 million over time. Requests that the criteria include a mandate of three months for any cooperative bid to provide an opportunity for financial interest and public support to fall into place.

**Provost** closes public forum and opened the floor to BTAB members for comment. The following points were raised and documented.

- Councilor Shannon asked for clarification on whether the reserve amount is not public information per the agreement or for strategic reasons. *Dorman*: It's both. The Public Service Board was asked to keep it out over concern that it would be a misunderstood number due to changes in the market deterring otherwise interested buyers and it is a part of the Bluewater agreement.
- Steven Goodkind questioned whether the statement regarding Bluewater was accurate, citing a letter from Trey Pecor that he believed clearly indicated that Pecor was alright with it being public.
- Councilor Shannon raised the issue of whether any of the criteria were measureable and could they be further defined. E.g. What is meant by "affordability"?
- Councilor Shannon raised the issue of expanding language around the opportunity for local investors. *Provost*: I believe the criteria allows for opportunity for local co-ops and local investors to come forward. *Shannon*: I'm going to read it all again to see if I come to the same conclusion. *Provost*: The work we'll do next Thursday is to finalize all of that, so I urge you all to read it ten times before we send it up to City Council. My goal is that it affords that ability to happen.

- Council Shannon asked for clarification on whether the recommendation would take comments made at this meeting into consideration. *Provost*: Yes, I'm going to incorporate comments made about the final paragraph and all other comments for when we meet again.
- Nilan asked at what point in the process would a buyer be expected to present a business plan. *Dorman* I think that what happens in a typical process is talking to a number of interested parties for a preliminary plan or vision from multiple parties. Then further due diligence for parties that are selected to move forward. There will probably be two points at which the City gets to consider a particular buyer or partner's plan. First the preliminary plan and letter of intent and then the due diligence period. *Nilan*: Would the preliminary plan address the criteria? *Dorman*: It would address a lot of them but there will be areas where we want more specifics. At one point there was a possible acquirer that was rejected by both Dorman & Fawcett and the City as unviable given, for instance, an unwillingness to commit to continued residential services and a price that was unacceptable to Citibank. We can expect a fair amount of high level feedback about criteria and a deep amount of due diligence to further refine any offer.
- Councilor Shannon requests that Terry Dorman look into whether the threshold amount can legally be made public and that reference to it should be added to the recommendation. *Dorman*: Happy to do so. *Robins*: Let's be clear about why the threshold exists. This is how the City controls the future of BT, rather than Blue Water Holdings. BT can be sold for lower than the threshold amount, but if that happens, the City is not in control of the buyer, Bluewater is.
- Councilor Knodell asks Terry Dorman how the criteria will be used as inquiries are made. *Dorman*: The criteria, as a public document, will be made available to all interested parties and Dorman & Fawcett will provide all information to the BTAB in an ongoing basis. The process will be continuing and transparent. Alberghini asks for more transparency and clarity about what the process will be going forward, recognizing that the City Council still has work to do going forward. *Knodell*: I am working with the Mayor to determine the process and hopefully there will be a resolution at an upcoming meeting to clarify that the process will involve BTAB, but also how the City Council will be involved. *Provost*: To be clear, there is a resolution existing to date that say the BTAB's role and responsibility to vet any existing offers and send them to the Council and Dorman & Fawcett's role is to share that information with the BTAB. *Dorman*: We will not make a decision about any potential acquirer. Every single one will come to the BTAB with our views. BTAB is free to disagree with Dorman & Fawcett and proceed on any offer.
- Alberghini requests additional language in the recommendation or in a separate document about how information from potential acquirers will flow from Dorman & Fawcett, through the BTAB, to the City Council.
- Councilor Knodell urges transparency about the process because consideration of offers will take place in an Executive Session.
- Alberghini requested further clarification on the length of the timeline during which potential buyers would come forward with the offer. *Dorman*: A signed agreement needs to be ready for submission to the Public Service Board by beginning of January 2018 for the City to maximize its share of the net proceed. We will work backwards from there for adequate time, but not too much time, because this process is taxing on the business and can be detrimental to the

business and the taxpayers of Burlington if it is too drawn out. Ongoing inquiries will be entertained and then a formal process and calendar needs to be set to be in the best interest of the enterprise.

- Provost: Thank you for everyone's comments. The work this group is doing is very important work to Burlington. BT is an asset that the leadership and management of the team has increased its value and our job is to make sure it lands on safe ground.

**MOTION** to adjourn made by *Shannon*, seconded by *Nilan* at 6:28 p.m. *Unanimous*.

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