

Office of
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MEMORANDUM

TO: City Council

FR: Bob Kiss, Mayor

RE: Piper Jaffray Letter of Intent

DA: December 14, 2009

As you consider the various options on the agenda related to Burlington Telecom for Monday's meeting, I want to again emphasize the importance of moving forward with the preliminary stage of the Piper Jaffray refinancing proposal. This refinancing would address several pressing matters. It would repay BT's debit to pooled cash, bring the City into compliance with Condition 60 of its Certificate of Public Good, and put BT in a good position going forward. These issues are of the highest concern to residents, businesses, and taxpayers. And, even with discussion of BT's long-term future and structure as a City enterprise, a financially stable BT is in the best position to move forward regardless of its future status. Being out of compliance with Condition 60 and with financing uncertain is a poor time to make important decisions about BT's future.

It is possible for the City to issue a request for proposals to qualified firms to handle the refinancing. While this may seem appealing, I do not believe it is prudent at this time and under these circumstances. It is not an accident that it has taken more than a year for the City to receive a reasonable refinancing proposal. As we know, the nation is in the midst of an uncertain recovery from the worst economic situation since the Great Depression. These conditions can change quickly. The Piper Jaffray proposal is one that meets the City's needs and allows BT to achieve financial stability. We cannot move forward with the Piper Jaffray proposal and make a request for proposals at the same time. While the bid process may yield additional proposals, we risk losing the Piper Jaffray proposal, and there is always the risk we will receive no proposals altogether.

This risk is not worth the speculative benefit of receiving additional proposals. Included in your supplemental packet is a memo from the City's financial advisers, the PFM Group, with an analysis of options for the refinancing process. Jessica Cameron of PFM states that "if the City

decides it is in its best interests to continue negotiations with Piper Jaffray, PFM will ensure the financing completed is as flexible as possible and fairly priced in the market.” The memo goes on to point out that Piper Jaffray is a highly-ranked firm with experience in COPs and lease-purchase financing. And, Piper Jaffray was the winning bidder for general obligation bonds sold by City in August.

It is clear that Piper Jaffray is a good option that makes sense under the circumstances. If on the other hand, in mid-January we still have no bona fide or feasible refinancing option, then BT has no ready way of repaying its debit to pooled cash, meeting all of its imminent financial obligations, and bringing itself into compliance with Condition 60.

I believe that you have adequate information to move forward with a preliminary agreement outlined the letter of intent with Piper Jaffray on the BT refinancing, and that this is the most prudent step at this time. To do otherwise takes a risk that I do not believe is necessary nor in the best interests of the City.

Thank you.