

My Turn
Mayor Bob Kiss
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Burlington Telecom: Let's Keep Moving Forward

Burlington Telecom (BT) provides high quality, affordable, state of the art telecommunication services to Burlington's residences, businesses and government. It promises to be even more successful as it looks to expand these services throughout the City, the region, the State and beyond.

Before BT, Burlington residents complained of poor service and frequent price increases. Like numerous Vermont communities today, many households in Burlington either lacked telecom services entirely or were seriously under served. City officials and the people of Burlington decided that a municipally owned and operated alternative telecommunications company could resolve these problems.

Private telecom companies saw this effort as a threat to their domination and control of the industry. National companies doing business in Vermont tried to persuade the legislature to deny Burlington the right to provide telecom services.

While the industry was unsuccessful in its efforts to stop BT, the legislature did place significant restrictions on Burlington's ability to finance this new initiative, including the requirement of "competitive neutrality." This meant the City could not use traditional municipal credit sources such as general obligation bonds to build BT. In contrast, just a generation ago, the state allowed municipalities to use these same credit sources to bring electricity to all Vermonters.

The industry may have thought it had thwarted the development of a publicly owned competitor. But, Burlington built a telecom system that is technically superior to anything the private industry provides in Vermont. To this day, BT is the only telecom system in Vermont that provides the highest quality state of the art internet, telephone and video services by using fiber to the home (FTTH).

The City financed BT construction and start up through a lease purchase agreement with two investment companies. The City paid BT expenses out of the City's "pooled cash" account, then received reimbursement for these expenses from BT revenues and the lease purchase financing. The "pooled cash" account functions as a master checking account for all the different funds and departments of the City.

In January 2008, Jonathan Leopold, Chief Administrative Officer, reported to the Board of Finance that the City would need additional financing to complete the build-out of BT and to sustain BT through start up. The Board authorized him to work with the City's financial advisers to obtain this financing. In the meantime, BT used "pooled cash" to cover expenses that exceeded its revenues.

Just as the City began to pursue additional financing, this country faced the worst financial crisis since the great depression. New lease purchase financing was not available and in August 2008 the City temporarily suspended its efforts to refinance BT.

The City continued to use “pooled cash” to pay telecom system expenses. The alternatives were to stop the build-out, stop hooking up new customers or shut down BT. None of these were acceptable and the first two options would have violated the Certificate of Public Good. This use of “pooled cash” was essential.

However, using “pooled cash” for more than 60 days requires approval of the Public Service Board. The City has petitioned the Board for this approval because it is the best way to preserve what Burlington residents want: a strong, state of the art system that provides competition to a private industry that has under-served and over-charged Burlington residents for decades. And now, as the economy recovers, BT will pursue financing based on an updated business plan that promises completion of the build-out in Burlington with expansion beyond the City.

We must continue to support BT. The City Council and the Board of Finance will continue to participate in making decisions about BT’s future. Together, we will protect the City’s financial security and preserve the strong credit rating it has maintained over many years.

BT provides a public service that is as essential to the economic prosperity of our city and state in this century as the interstate highway system was in the last century. We must keep moving forward.