
DELIBERATIVE AGENDA

SPECIAL MEETING, CITY COUNCIL
CONTOIS AUDITORIUM, CITY HALL
THURSDAY, FEBRUARY 11, 2010
6:10 P.M.

Councilors Present: Caldwell, Bushor, Kaplan, Adrian, Keogh, Ellis, Kehoe, Berezniak, Dober, Decelles and Mayor Kiss

Blue Ribbon Committee Members: Councilors Davis, Paul and Shannon; David Provost, Chair, David Parker

City Attorney's Office: Ken Schatz

Clerk/Treasurer's Office: Jonathan P.A. Leopold, Jr., Lori Olberg and Sue Trainor

1. AGENDA

The agenda was not amended. Council President Keogh credited each Committee member for the work that was done.

2. REPORT: Blue Ribbon Committee Members, re: Blue Ribbon Committee Report on Burlington Telecom

Chair Provost expressed his appreciation for the enormous amount of work done by General Manager Chris Burns and his team for both the Committee and the various consultants that required detailed information. He then outlined the charge that the Council gave to the Committee which was addressed in the report provided: assessing the viability of Burlington Telecom and assessing the financial structure of Burlington Telecom.

The Committee members stated that in order to address the debt, a restructuring of the debt and a partial sale/partnership of BT with an outside company was the best opportunity for Burlington Telecom to survive in the future. They did not believe the outright sale of BT was a good option. They stated the fiber network remained a valuable community development aspect for the City. The network attracted and retained businesses, supported the City's initiatives to become green, could be the backbone for smart metering, enabled telecommuting and provided future proofing for the needs of the City. The Committee believed BT should be treated as the valuable asset it was.

The following recommendations were made for the future of Burlington Telecom:

1. Retain an expert financial advisor for short and long term strategies for dealing with the current debt.
2. Restructure Burlington Telecom's debt to relieve the current debt burden and collaborate with the lender to restructure the debt.
3. Seek equity investment, enter into partnership with a private entity or otherwise obtain some

private investment money. The City should retain an equity interest.

4. A new entity should be created (BT, Inc.) which would manage and operate the tele-communication services. This entity would have a board of directors which would include minority representation from the City.
5. BT, Inc. would need to make some significant staffing operating model changes, consistent with the recommendations of the consultants.

Burlington Telecom is a platform for innovation and is not viable under its current configuration. With the restructuring of the current debt, with the creation of BT as a for-profit corporation, finding a majority investor, implementing operational efficiencies, as well as continued growth of the business, the Committee believed it was possible for BT to be successful. Part of the opportunity would be for BT, Inc. to be able to continue to expand. Because it is capable of supporting 100,000 subscribers, it needs to realize the economies of scale. They believed that BT, Inc in 2 to 3 years could be the premiere local telecom provider in Burlington and throughout the rest of Vermont.

Chair Provost wrapped up the presentation by stating the Committee did not believe that more money should be borrowed and that lowering the debt load was a requirement. The Committee was optimistic that it could be done. The Chair also wanted to note that the report being submitted was the Committee's report. Despite reporting in the newspaper that the Administration tried to have parts of the report changed, that was just untrue. The City and Committee worked well together and the final report is the report of the Committee.

The report is available at the Clerk/Treasurer's Office and the full meeting can be reviewed at www.CCTV.org.

3. PUBLIC FORUM

Council President Keogh opened the public forum at 6:58 p.m.

Name	Ward	Subject
Carolyn Bates	5	Supported Burlington Telecom
David Grossnickle	4	Questions for the Blue Ribbon Committee
Dave Maher	4	Supported the idea of BT, Inc.
Chris Viscomi	6	Supported Partnership Idea
Liz Curry	3	Profit versus Non-Profit Financing
Darien Lynx	Business Owner	Moved to Burlington Because of BT
Roger Kilbourn	4	Charter Change to Remove Mayor
Kim Mason	6	Does Not Support Burlington Telecom

Don Schramm	1	Similar to City Market Struggle/Free Press Misinformation
Christopher Pearson	1	Similar Examples Against Innovation/ Opposes Minority Ownership
Bradley Holt	5	Would Like to Invest in Burlington Telecom
Alex Reutter	4	Supported Burlington Telecom
Hinda Miller	6	Asset is Important/Ownership Not as Important
Dennis O'Brien	7	Asked about Debt Restructuring
Kurt Wright	4	Create a Ballot Item to Seek Approval of the Recommendations

With no one else coming forward, Council President Keogh closed the public forum at 7:33 p.m.

4. GENERAL RESPONSE BY THE BLUE RIBBON COMMITTEE AS APPROPRIATE

Chair Provost addressed some of the questions that were raised. Regarding debt restructuring, the Committee felt strongly about debt reduction. As to the question of being a minority shareholder, the Committee believed that given the debt load, a potential investor might require the City to give up a majority interest.

5. QUESTIONS BY THE CITY COUNCIL AND ADMINISTRATION AS APPROPRIATE IN DISCUSSION WITH THE BLUE RIBBON COMMITTEE

The Mayor noted the importance of Burlington Telecom and its expanding capabilities. Time continued to be of the essence. Burlington Telecom was poised to move beyond Burlington and the Mayor continued to believe that would be the approach that would help increase the assets of BT. The Mayor discussed the legislation that was put in place by the State (Condition 17 and Condition 60) and the work that was currently being done by the Administration to seek relief from these conditions.

Councilor Kehoe asked if the Committee seriously thought a portion of the debt would be forgiven. Chair Provost said this was one of the strategies, to work with the lenders, and the Committee believed it was more attainable to negotiate than to liquidate BT.

Councilor Ellis thanked everyone who worked on the Blue Ribbon Committee and then asked a question regarding the fiber. Chair Provost noted that details of the strategy suggestions needed to remain confidential.

Councilor Bushor expressed her opinion that due to the late disbursement of the report, she felt unprepared to participate fully. She then asked about going to the Public Service Board and asking for relief so that Burlington Telecom could expand outside of the City. The Blue Ribbon

Committee stated they had held one meeting with the PSD. The Committee did not ask that question, nor did they think it was their position to do so. The Committee discussed expanding outside of Burlington and the discussion was more about dealing with the existing investment made to date in Burlington. The Committee was not comfortable expanding outside of Burlington until they had dealt with the current debt load. Councilor Paul stated that Stratum did comment on the financial implications of expansion. Stratum also concluded that expansion was out of the picture until the other communities believed Burlington Telecom was on solid ground financially.

Councilor Berezniak asked if there was a timeline to achieve the goals addressed in the report. Chair Provost noted the Committee was being sensitive to some of the needs that the Mayor spoke of. Addressing the restructuring of the debt, though, needed to be done as quickly as possible.

Councilor Adrian asked if there was a minority report issued or a formal vote taken. Chair Provost stated there was no formal vote taken; that could be done if necessary.

6. COMMUNICATION: Blue Ribbon Committee, re: Discussion (oral)

7. ACCEPTANCE OF REPORT

Councilor Adrian then made a motion to accept both the public and confidential reports of the Blue Ribbon Committee and place it on file. The motion was seconded by Councilor Paul. The motion passed unanimously.

At 8:00 p.m. a motion was made by Councilor Shannon, seconded by Councilor Dober, to go into Executive Session to discuss trade secrets, contract negotiations, and pending litigation, the premature disclosure of which could place the City at a substantial disadvantage. David Provost and David Parker were also part of the Executive Session.

At 10:25 p.m., the Council came out of Executive Session. Councilor Ellis amended the agenda to take action on the Blue Report Committee Report, seconded by Councilor Kehoe. Suspension of the rules to consider the motion passed unanimously.

A motion made by Councilor Ellis, seconded by Councilor Berezniak, to authorize the Council to retain an expert financial advisor or advisors to report back to the Administration and to the Council on issues in the report as soon as practicable (as described on page 11 of the BRC public document). Councilor Bushor further amended the motion as follows: that the three Council members of the BRC will work with the Administration to hire advisors and implement this resolution and to reach out to the non-Council members of BRC as appropriate. Councilor Paul asked Councilors if they were willing to serve. Council President voted against because there had been no notice to the public regarding possible action. A recess was called. Back in Open Session, even though the Council President reiterated again he had an obligation to inform the public about possible action, he reluctantly supported this resolution. The motion passed unanimously.

Unfortunately, since both of us left right before Executive Session, an adjournment time, was not recorded.

Attest:

Lori Olberg, Licensing, Voting & Records Coordinator and Sue Trainor, Assistant to the CAO