

## **BLUE RIBBON COMMITTEE ON BURLINGTON TELECOM**

**JANUARY 12, 2010**

**4:30 p.m.**

**PRESENT:** David Provost, Chair; Councilors Shannon, Paul, Davis, Bill Shuttleworth (via phone), David Parker, Patrick Robins

**OTHERS PRESENT:** Mayor Bob Kiss, CAO Jonathan Leopold, Council President William Keogh, City Attorney Ken Schatz, Chris Burns, Amber Thibeault, Nancy Kaplan, John Van Vught, Jan Schultz, Mike Flora, Lisa Geisweit, Robert Valentine

Agenda:

1. Public Forum
2. Update on communication with consultants.
3. Committee members have follow up questions for BT staff.
4. Discuss on the format of report that the City Council will be given.

Chair Provost reported on the conversations Committee members had with HBC and Stratum and explained that these two companies were selected as the consultants. Clarification of the scope of work was provided. Stratum would cost approximately \$25,000. HBC noted they didn't feel comfortable doing a valuation of Burlington Telecom. HBC had their own valuation done which they might share with the Committee, but it should be considered confidential. HBC's cost would be approximately \$21,000. The Chair asked the Council to come up with a Time and Expense budget as this would be in excess of the \$46,000 noted above.

Councilor Shannon mentioned that both firms may be doing similar duties/reviews and wondered if the Committee should split up the work. David Parker noted that at the last Committee meeting it was agreed that two consultants should be working on the same charge. Travel money was an issue and while she agreed that's what was originally agreed to, she was now thinking otherwise.

Bill Shuttleworth stated the only reason the consultants need to be here are:

1. If they physically have to look at the field operations re: installation or 200 Church Street.
2. If we want to have one rep from Hiawatha to be at the Council meeting?

Chair Provost suggested giving them a travel budget number so they know what's available.

Councilor Shannon stated they should be available to come to a Blue Ribbon Committee meeting. Councilor Davis thought the phone was fine as long as we have the work product available to review. The Mayor mentioned Skype as an option. Councilor Shannon agreed the consultants should be given a budget. David Parker's opinion was that a site visit was appropriate, with all else done remotely. Each company could send 2 people for a max of 3 days for one trip which he estimated to be \$3,000 to \$4,000. Councilor Davis noted that Stratum's travel costs would be less costly as they are in Massachusetts.

Chair Provost will ask each consultant to make a proposal for expenses for 1 site visit and to price out a second site visit.

Pat Robins made a motion, seconded by David Parker, to request that a budget be presented from each consultant for one site visit of two days for each of the consultants, with the potential for a possible return to report to the committee. The motion passed unanimously. Chris Burns will work on this request.

The Mayor was concerned about the 2 day limit. David Provost suggested getting the quote first to see what the response is. Chris will coordinate with the Councilors and the Mayor.

At this point in the meeting, Councilor Paul leaves.

Pat Robins asked CAO Leopold about the 6/30/09 financials. The CAO stated it will be provided at the next meeting, along with the P&L. He noted that the financials will be unaudited.

David Parker noted his interest in the future expansion alternatives that make BT viable without going outside of the City. Chris Burns replied that he planned to have that information (BT only) available at the next meeting. He also will have a narrative – expanded Executive Summary – which will explain the current position of BT. Councilor Davis asked to see what the current marketing plan looks like and how Burlington Telecom sells to the various areas of the City? He also noted that Comcast markets incessantly and asked if BT did?

Councilor Paul returns to the meeting at this time.

Chair Provost stated that operating costs in the budget are much higher than what has been spent and he wondered if that was accurate? CAO Leopold stated that yes, the staff has done a good job reducing costs. However, capital costs can be variable due to the type of hookups that are achieved and a bit more difficult to project. David Parker asks about the COGS line which is variable, upward and downward, on a monthly basis.

Councilor Shannon wants to know if the Committee is getting involved in the RFP process. Pat Robins thought it related to the question of viability if there's a particularly attractive option. CAO Leopold replied that a conference call was done this day with interested vendors. (The deadline had been extended a week.) The City retained Ty Danco to assist as a financial advisor. PFM, Mr. Danco, David Provost and the CAO will review the RFP responses and provide a report to the Committee as to what the proposals suggest.

Chair Provost then brought up the discussion of what the Committee will actually deliver for a document. He reminded the Committee again of the specific charge of the Committee. He asked for everyone's opinion. Councilor Davis responded that the consultant reports could be appendices to the report from the Committee. That would provide the Council with the data reviewed, the individuals consulted and recommendations from the Committee. Pat Robins stated that you run the risk of propelling along the controversy if you pick one side or the other.

Councilor Davis made a motion to structure the final report from the Committee by following the bullet points within the resolution and to attach the reports from the consultants. as appendices

Councilor Paul asks what should be done about confidential information vs. public document. Attorney Schatz replied there needs to be a summary report with recommendations at least that the public can review. A possible supplemental report with confidential information may need to be provided/redacted.

Robins asked if the Council wants the Committee to make a recommendation. Councilor Shannon says it's clear in the resolution the Council does. The question was asked if the Committee would be able to answer the question of viability. Councilor Shannon's stated the question of viability in her mind was when will BT be cash flow positive. Pat Robins discussed the risk factors of competition and any future technological change. Councilor Shannon stated that was why a business plan was so important. Is BT future proof? To what extent is this the business of the future?

Councilor Shannon then asked if the Committee was hiring fiber advocates who are merely interested in putting that forward rather than other technologies. Bill Shuttleworth stated that Stratum is an expert across the realm of all possible technologies with no particular bias or ax to grind. He continued by stating that he had spoken with FCC technical staff who believed that the wireless industry over the next five years would see a lack of spectrum and that within the 5 year time frame there was no serious competition. Chair Provost noted depending on the debt load, if it takes 20 years to pay off, then five years may not be a long enough projection. Mike Flora stated his opinion that fiber is future proof.

Councilor Davis then made a motion that any confidential or trade secret information generated by the reports be kept in a confidential appendix but, barring that, the bulk of the report should be public. Bill Shuttleworth seconded the motion. The motion then passed unanimously.

Chair Provost asked the Committee, given that HBC cannot perform a valuation, will they be satisfied with one opinion or should it be shopped out to a third party. Pat Robins replied that North Point has the skills to develop the financial analysis and appraisal. Bill Shuttleworth thought it made sense to have two opinions. Karen Paul thought the Committee should speak with North Point, as two valuations would be best. Clarence Davis stated the importance of making sure they are comparing apples to apples in their valuations.

Attorney Schatz noted that unless you set out the assumptions, they may come up with their own. The Committee needs to know what their assumptions are.

Chair Provost explained that the Committee is asking both firms to do a valuation based on today's financial statements and to value it based on BT's five year business plan. What BT is today compared to what they think BT can be. If the conclusion is that BT needs a partner or partial sale, the benefit of having that work done will help.

Councilor Shannon wanted to be able to determine the value of the hub and what could be charged to other towns? How would that be different if we were looking for a partner to operate in Burlington?

David Parker stated we could determine the value in terms of if we sold it or if we were to sell equity to someone else. Valuing the hub, however, would be a different business decision.

Councilor Davis reminded the Committee that David Provost is asking for a value of today vs. 5 years later. If we engage two consultants, what are they looking at? Again, an apples to apples comparison is required. What methodology will be used?

At this time Pat Robins made a motion to request a price quote from North Point to deliver a valuation of Burlington Telecom. The motion is seconded by Karen Paul and approved unanimously.

Councilor Davis made a motion to go into Executive Session, seconded by Councilor Paul. The motion passed unanimously.