

My Turn: City Council was informed about Burlington Telecom finances

I'd like to respond to the false claim in Bill Keogh's Dec. 26 My Turn ("City's taxpayers should come first in BT issue") that members of the City Council were deceived by my administration about Burlington Telecom's **financial** status. BT represents a long-term investment in technology infrastructure that can serve residents and businesses in Burlington and across the state for years to come. I believe that the people of Burlington want BT to succeed, but if it's going to succeed, we need to keep the facts straight.

On Dec. 17, 2007, shortly after Tim Nulty's resignation, Councilor Keogh and the rest of the City Council were briefed in public by Chief Administrative Officer Jonathan Leopold and BT General Manager Chris Burns on BT's **challenging** financial status related to customer growth, expenditures and less-than-anticipated revenues. The council was informed that BT would exhaust its then-existing financing by March or April of 2008.

In addition, the Board of Finance was briefed repeatedly in Dec. 2007 on Telecom's financial issues. The Board of Finance reviewed copies of the Dec. 7 report by Rob Shanahan, a telecom consultant hired by the city in November 2007 to assess BT's **business plan**.

On Jan. 16, 2008, the Board of Finance met in executive session for a thorough review of the Shanahan Report, including projections BT would not become cashflow positive until 2012 and would have total **cash** expenses in excess of revenues of \$13.9 million. On Jan. 22, 2008, the city's Board of Finance authorized CAO Leopold to engage a consultant to seek re-financing for

BT based on the need for additional financing.

In June of 2008, the City Council passed BT's FY 2009 budget. It appropriated \$6 million in revenue and \$17.1 million in expenses -- an \$11.1 million cash shortfall. The budget narrative explicitly stated that BT would require an estimated \$8 million in **debt financing** for the year. The details of this deficit budget were provided to the council and this deficit budget was approved by the council. This budget was and is public.

On Aug. 11, 2008, the council authorized the city to file an amendment to Condition 17 of the CPG, specifying that the build-out of the remainder of the city should only occur as revenues allowed. In December of 2008 and January of 2009, the city updated the Board of Finance on BT's financial situation. Throughout the international financial crisis of 2008 and 2009 the City continued to seek refinancing for BT.

On May 18, 2009, the city informed the City Council in executive session that BT was out of compliance with Condition 60 of the CPG. Consistent with BT's budget deficits, CAO Leopold also informed the Council about BT's substantial debit to pooled cash.

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On Oct. 5, 2009, after a series of City Council meetings in the summer and early fall, the Council authorized the city to seek temporary relief from the restriction on the use of pooled cash (Condition 60). Councilor Keogh was among the 13 councilors who voted yes for the resolution. During the same meeting the council was informed that BT owed between \$15 and \$17 million to the city's pooled **cash account**.

In November and December of 2009 the administration proposed a refinancing opportunity for BT. The council declined to authorize the city to explore this refinancing through Piper Jaffray. The administration and council then moved forward to create the BT Blue Ribbon Committee. The committee recommended hiring a financial consultant to restructure BT's financing with CitiCapital. The administration worked closely with Councilors Keogh, Karen Paul and Joan Shannon, all members of the Blue Ribbon Committee, to recommend that the city hire Dorman & Fawcett to serve in this role.

Dorman & Fawcett is currently working for the city to pursue a **financial solution** that preserves BT as a municipal asset and resource. And, the city continues to work with the Public Service Department and Public Service Board toward a positive resolution of the CPG issues. In the long run, we will all benefit from BT's success.

Bob Kiss is mayor of Burlington.

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