

**Burlington Telecom
Budget Review 5-28-14**

	Budget FY 2014	Forecast FY14 (9+3)
REVENUE		
RESIDENTIAL REVENUE	4,685,780	4,535,146
BUSINESS & OTHER REVENUE	<u>2,815,270</u>	<u>2,798,614</u>
	7,501,050	7,333,760
COGS		
INTERNET PROVISIONING	306,000	302,477
VOICE PROVISIONING	504,071	386,057
VIDEO PROVISIONING	<u>1,228,109</u>	<u>1,306,192</u>
	2,038,180	1,994,726
GROSS MARGIN	5,462,870	5,339,035
	72.8%	72.8%
OPERATING		
OUTSIDE PLANT	661,057	671,525
NETWORK OPS	449,310	445,399
SALES	286,696	171,380
CUSTOMER SVC	778,683	675,350
ADMIN/BUS	1,289,662	1,396,588
LEGAL & REGULATORY	248,068	225,896
HELP DESK	<u>245,718</u>	<u>250,678</u>
TOTAL OPERATING EXPENSES	3,959,194	3,836,817
NET OPERATING INCOME	1,503,676	1,502,218
	20.0%	20.5%
CAPITAL EXPENDITURES	595,540	540,036
CASH FLOW PRE-DEBT SERVICE	908,136	962,182
DEBT SERVICE	466,969	577,327
POST DEBT SERVICE	441,167	384,855

**Burlington Telecom
FY 2009 - FY 2014**

SUBSCRIBERS:

	7/1/2009	3/1/2010	7/1/2010	1/1/2012	7/1/2012	7/1/2013	1/1/2014	5/1/2014
Commercial	173	215	236	283	298	339	362	378
Residential	4,271	4,360	4,009	3,669	3,797	4,045	4,189	4,240
Total	4,444	4,575 High	4,245	3,952 Low	4,095	4,384	4,551	4,618

BT FY2015 Key Points

BT's FY 2015 budget is year one of a three year Operational and Financial Plan

Establish BT as the clear first choice for residential and commercial bandwidth within Burlington, driving growth in BT subscribers and revenues

Continue to focus on and improve customer service

Continue to deploy high speed bandwidth into major public facilities and local community support centers

Continue to actively support and participate in BTV Ignite, seeking opportunities to learn from and partner with other Ignite communities

Begin three year swap out of end of life GPON equipment using BT generated cash flows

Resolve Bt's ongoing premium cost of bandwidth bandwidth to enable BT to compete on a level the playing field with competitors

BT is requesting approval for 2 new FTE in its FY 2015 budget, including establishing a full time marketing position. BT is also seeking approval to recruit a controller, replacing D&F in that position

Manage BT to deliver its budgeted pre debt service cash-flow targets or better, in line with the practice and the results of the last four fiscal years

**Burlington Telecom
Budget Review 5-28-14**

	Forecast FY14 (9+3)	Budget FY15
REVENUE		
RESIDENTIAL REVENUE	4,535,146	4,883,700
BUSINESS & OTHER REVENUE	2,798,614	3,177,500
	<u>7,333,760</u>	<u>8,061,200</u>
COGS		
INTERNET PROVISIONING	302,477	310,464
VOICE PROVISIONING	386,057	414,747
VIDEO PROVISIONING	1,306,192	1,392,952
	<u>1,994,726</u>	<u>2,118,163</u>
GROSS MARGIN	5,339,035	5,943,037
	72.8%	73.7%
OPERATING		
OUTSIDE PLANT	671,525	776,351
NETWORK OPS	445,399	494,507
SALES	171,380	169,722
CUSTOMER SVC	675,350	715,357
ADMIN/BUS	1,396,588	1,323,415
LEGAL & REGULATORY	225,896	240,943
HELP DESK	250,678	251,437
MARKETING	-	158,149
TOTAL OPERATING EXPENSES	<u>3,836,817</u>	<u>4,129,882</u>
NET OPERATING INCOME	1,502,218	1,813,155
	20.5%	22.5%
CAPITAL EXPENDITURES	540,036	901,775
CASH FLOW PRE-DEBT SERVICE	962,182	911,380
DEBT SERVICE	577,327	558,215
POST DEBT SERVICE	384,855	353,165

**Changes in Departmental Cost Line Items
Major Highlights**

Dept	Description	Amount (\$th)	
ALL	COLA & Medical Increases	44	Net of zero increase budgeted for management team
OSP	2 new vehicle note payments	15	Bucket truck for installs and small vehicle for service calls
OSP	Additional Installer-Sal & Benefits	73	Position, recruited in late FY 2014, extends the install window to 8pm, and to Saturdays. Provides additional swap out and peak capability
COGS	COGS	123	Additional subscribers plus video content cost increases
CSR	Mgmt Performance Incentive & Commissions	35	Reflects higher year on year subscriber targets
CSR	Additional CSR/Sales	19	Effective 1-1-15; Limited Service. Will be filled only if residential revenue performance justifies
Admin	Mgmt Performance Incentive	66	Proposed 25% (of base comp) bonus for management team
Admin	Commercial Insurance	(17)	Based on FY15 quotes received
Admin	City Allocation	(164)	Assumes that only HR, benefits and payroll services required (budgeted at \$50k)
Mkt	Marketing Department	158	Newly created, limited service, Head of Marketing and Branding position, plus centralization of marketing spend
Capex	Swap Out Equipment	<u>362</u>	Beginning of program to replace end of life GPON equipment
		714	
	Other Miscellaneous	64	
	Total Changes in Opex and Capex	<u><u>778</u></u>	