

# Council Communication

## Telecommunications Utility Report

Meeting Date:	December 7, 2010	Primary Staff Contact:	Rob Lloyd
Department:	Information Technology	E-Mail:	<a href="mailto:lloyd@ashland.or.us">lloyd@ashland.or.us</a>
Secondary Dept.:		Secondary Contact:	Michael Ainsworth
Approval:	Martha Bennett	Estimated Time:	10 Minutes

**Question:**

Does the Council have questions regarding the status of the telecommunications utility’s performance against its strategic goals and performance measures?

**Staff Recommendation:**

None. This is intended as an informational update.

**Background:**

The Ashland Fiber Network Strategic Business Plan includes a requirement that the Information Technology Department update Council on the status of the telecommunications utility twice per year. IT will provide its first report and review AFN’s current performance on the strategic goals set the in the Strategic Business Plan.

On its goals, AFN has performed as follows to date:

- 1) Serve as a Self-Sustaining Utility
  - New products are coming with the award of AFN’s television contract and issuance of the AFN Master Contracts.
  - AFN paid a debt share of \$700K in FY2011. AFN’s goal remains to achieve a debt share of \$460K in FY2012 and FY2013.
  - Internet bandwidth costs were reduced by just over 70% from FY2010 rates. A portion of these savings were used to upgrade network capacity and redundancy. As bandwidth consumption continues to increase, net savings will also decline. This exceeded the goal to reduce costs by at least 50%.
  - AFN has reduced its operating costs by almost 3% to date. This will fluctuate as bandwidth a cost rise, but puts AFN on its way to achieving its two-year goal to reduce expenses by at least 5%.
- 2) Serve as a Community Resource
  - Staff is working on the Emergency Notification System with Jackson County and the City of Medford. The group is reviewing features and IT plans on requesting approval of an Intergovernmental Agreement with Ashland Police Department and Ashland Fire and Rescue in December 2010 to release the service to Ashland citizens in January 2011.
  - As planned, AFN created the \$9 Community Connect Internet product and incorporated the requirement into the Master Contract RFP.
  - AFN staff continues to work with the Ashland Chamber of Commerce on products and services that will serve the needs of local businesses. Offerings to attract and retain businesses for economic development purposes have also been discussed. AFN plans to reach out to SOREDI in the first part of 2011.



- AFN management agreed to work on the Rogue Valley Workforce Development Council on initiatives to generate and support efforts that attract technology jobs to the area.
- 3) Expand Market Share
- AFN is updating rates with ISPs to remain competitive.
  - AFN's market share up just over 1% since the Strategic Business Plan was approved by Council in August. Total market share now stands at 42%. AFN's two-year goal is 53%.
  - Staff completed the WiMax project and coverage is now almost 97% of Ashland. This is 1% away from AFN's two-year goal to increase coverage area from 90% to 98%.
  - AFN is currently maintaining a customer churn rate of under 15%. The goal rate is less than 20%.
- 4) Provide Customer Service Excellence
- AFN plans to release a customer service survey in the second quarter of 2011. This will allow for introduction of AFN's new products and rates, as well as a few months for the changes to stabilize with customers.
  - The Utility Billing Division began referring AFN's services with utility connections in late-October 2010. As of the end of November, AFN is converting over 50% of all inquiries into new customers and 100% of all Utility Billing referrals.
  - AFN staff completed 100% of its network projects on time and within or under budget. Overall capacity has been increased by more than 400% and the three-month jump in customer use of bandwidth was met without issue. Projects continue on physical redundancy and routing improvements.

There are three primary concerns related to AFN's direction to make City Council aware of:

- (1) Existing Internet Service Providers (ISPs) will continue to have some objections to some terms. Specific items of concern include sharing ownership of customers with AFN, AFN's offering of Internet connectivity directly to consumers, and how rates and their margins take shape. AFN will continue to work with existing and new vendors to incorporate their needs into contracts and terms
- (2) The growth in Internet bandwidth use accelerated far more rapidly than planned. AFN management will need to continue to plan for and address bandwidth capacity and costs. Staff expects the holiday season and consequent acquisition of network-enabled devices by consumers to result in a new and much higher baseline by March 2011 than what AFN has seen historically.
- (3) Public Utilities Commission inspections will result in additional staff work to correct issues found in the plant for AFN. AFN will coordinate its work with Ashland's Electric Department to complete corrections prior to deadlines.

**Related City Policies:**

None

**Council Options:**

City Council can instruct staff to follow up with information on related items.

**Potential Motions:**

None.

**Attachments:**

None.

