



Ashland Fiber Network – Value and Options Summary

AFN's Goals

- Bring value to the community
- Provide internet service that is:
 - ✓ high quality
 - ✓ reliable
- Offer competitive pricing and speed
- Increase digital equity and inclusion
- Implement “green” technologies to reduce carbon footprint
- Deploy fiber to every home and business in Ashland
 - Gigabit Passive Optical Network (GPON)



AFN's Value

- Our name brand: AFN is recognized and trusted.
- Our staff: We excel at customer service.
- Our customers: We have a loyal customer base 4000+ strong.
- Our mission:

"To provide quality, dependable internet service to the citizens of Ashland at reasonable rates. Our board of directors are the City Council; our shareholders are the community."



AFN's Status

- The network is almost 25 years old
 - No large capital investment in AFN since its inception
 - Deteriorating coaxial network equipment
 - Difficult to find replacement parts
 - Not cost effective to repair
 - Dated technology
- AFN debt retiring soon
 - Last payment July 2024
- Market share at 35%

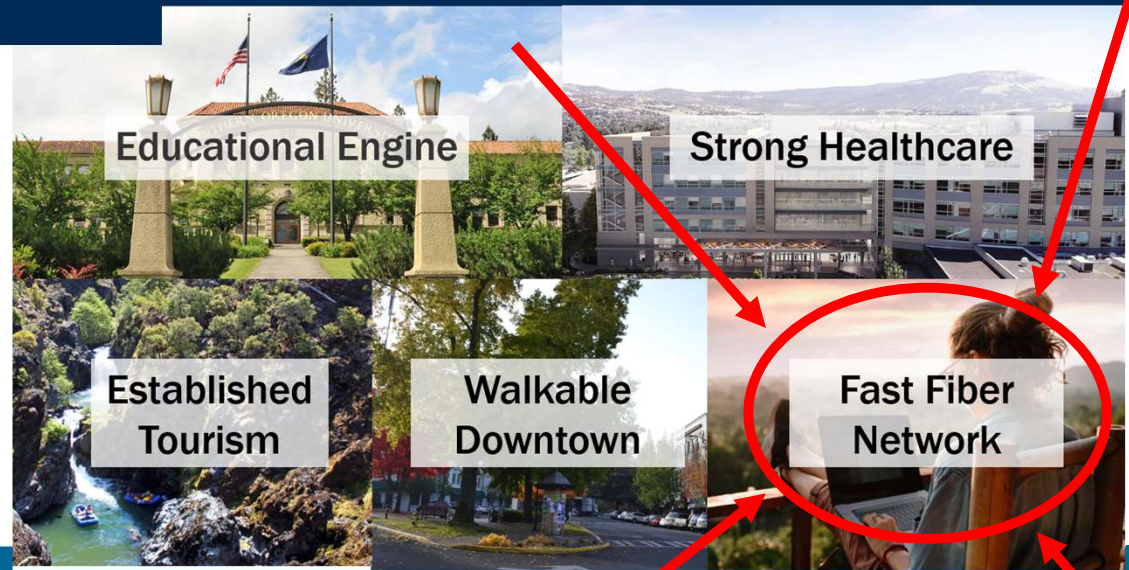


Ashland Economic Diversification

Ashland City Council Meeting
October 3 - 2022

ECONorthwest
ECONOMICS • FINANCE • PLANNING

What are Ashland's greatest strengths?



Benefits to the community

- AFN provides services at a lower rate than the private sector:
 - Least expensive consumer base service:
 - Spectrum is \$79.99
 - AFN is \$50
 - Avg. dark fiber in the Rogue Valley (dedicated customer line):
 - Spectrum & Hunter avg. \$800 to \$1000 per month
 - City of Ashland pays \$100 per month under AFN
 - Gigabit fiber internet connection:
 - Spectrum & Hunter avg. \$1000 to \$1800 per month
 - City of Ashland pays \$100 per month from AFN for this service.

Spectrum pricing source 1: <https://www.spectrum.com/policies/spectrum-broadband-disclosure>

Spectrum pricing source 2: <https://www.spectrum.com/policies/rate-card>



Savings to Ashland Community

- The estimated yearly costs savings* are:
 - City of Ashland \$770,000 - \$1 million
 - Ashland School District \$120,000 - \$235,000
 - Local Businesses \$75,000 - \$130,000

Total Annual Savings: \$900,000 to \$1.3 million
- More expensive for the City of Ashland to purchase network services from a private provider

*Does not include residential customer savings



Savings to Ashland Community

- 20 Year Net Present Value of the Community Benefit* (NPV):
 - Discount rate 3.8%
 - Yearly avg. community benefit \$1.2 million
 - Net present value \$20.1 million
 - Net community benefit of next investment \$10 million
 - Net Present Value \$10.1 million

*Does not include residential customer savings



The Future of AFN

- Business Model
 - Cost-Benefit Analysis
- Business Decision
- Next Steps



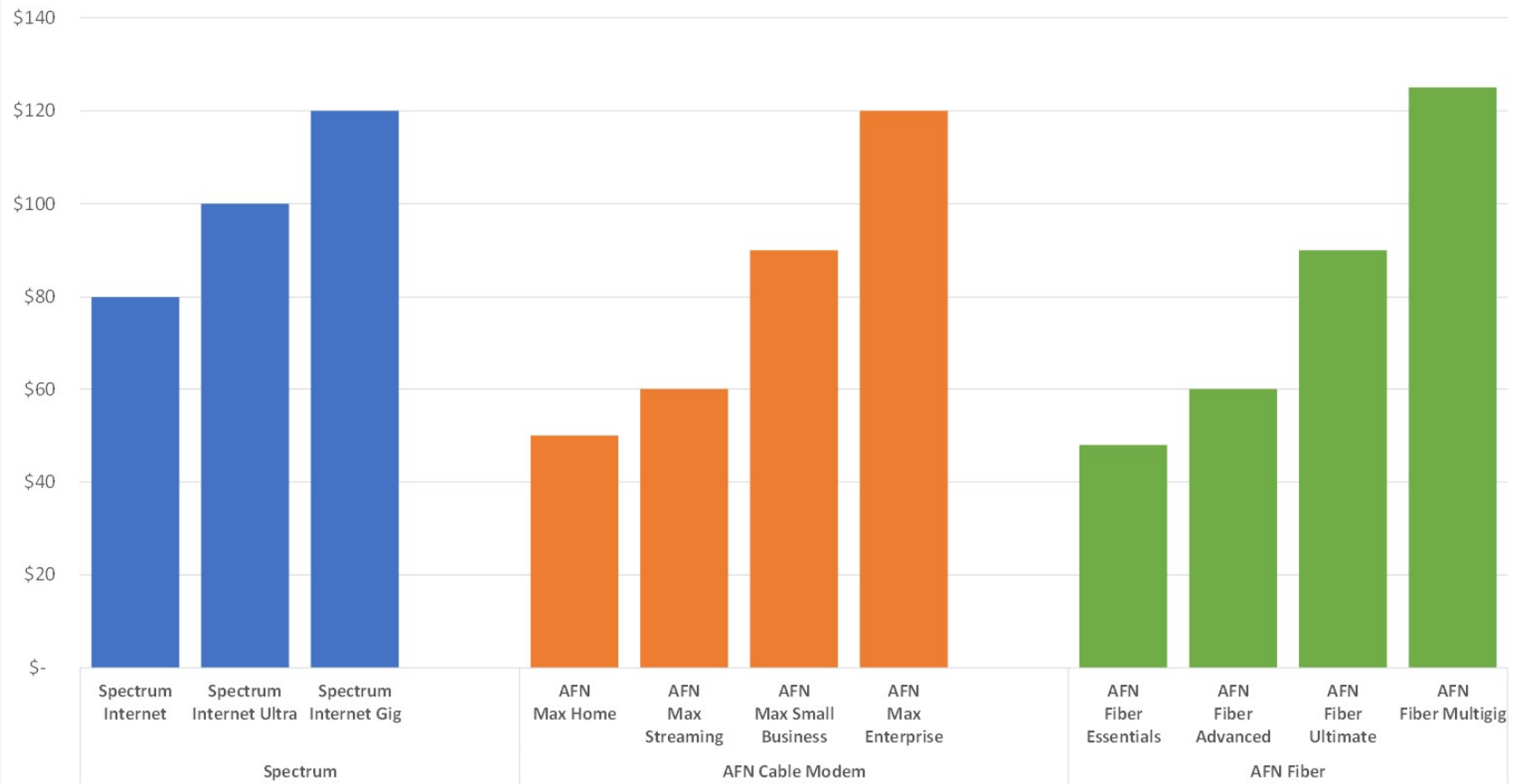
Business Model – Assumptions

- Market share in 2045 ranges from 55% to 60%
- Expenditure inflation from 0.5% to 1% year-over-year through 2045
- Loan interest rate is 4%
- Maintain current pricing approach
- Staff increases from 5 to 9
- Assertive financial model includes Franchise Fee to City
- Loan split between departments (using historic split):
 - 50% AFN
 - 34% Electric
 - 8% Water
 - 8% Wastewater



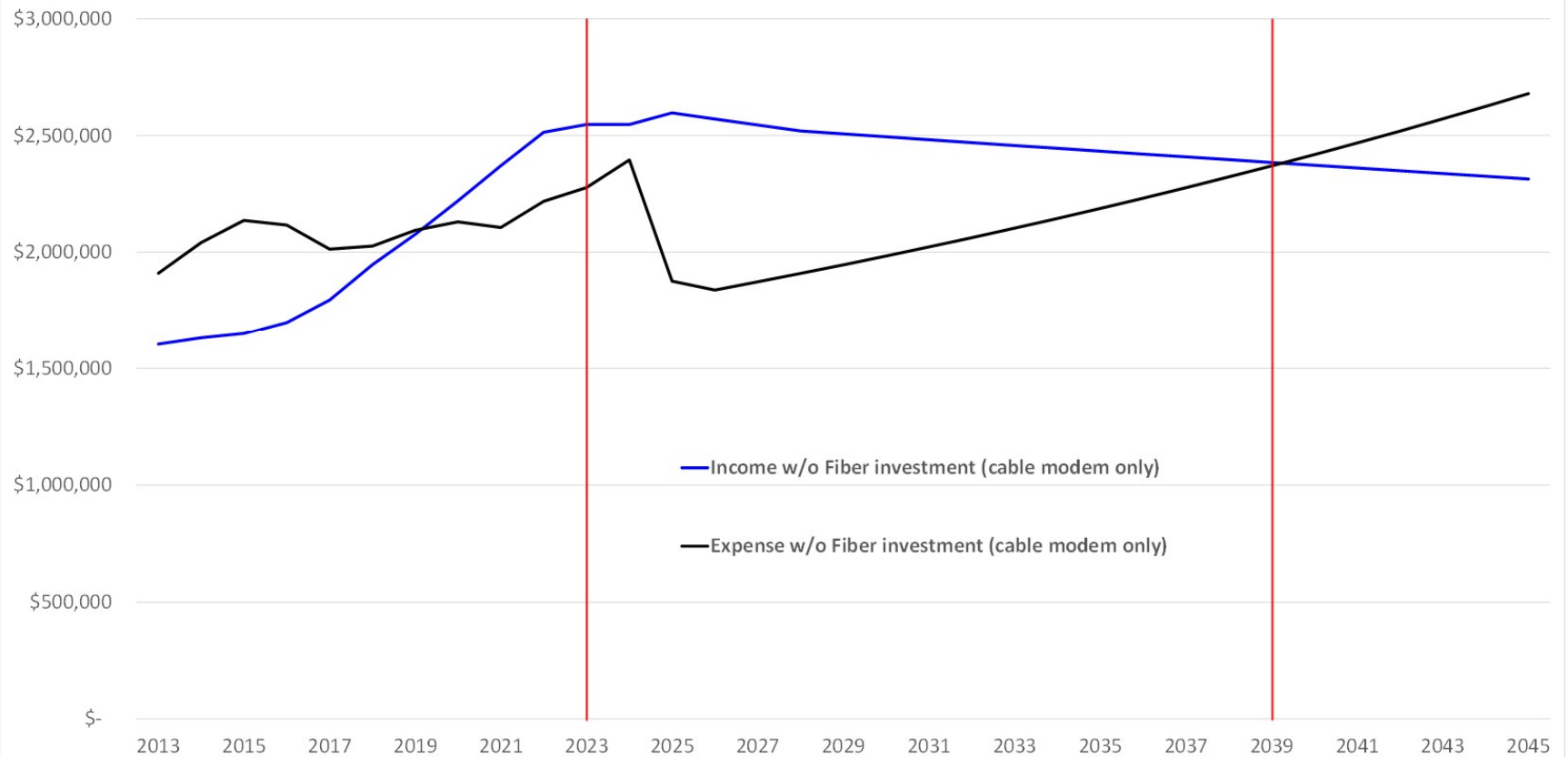
Business Model - Assumptions

Consumer Internet Price Comparison



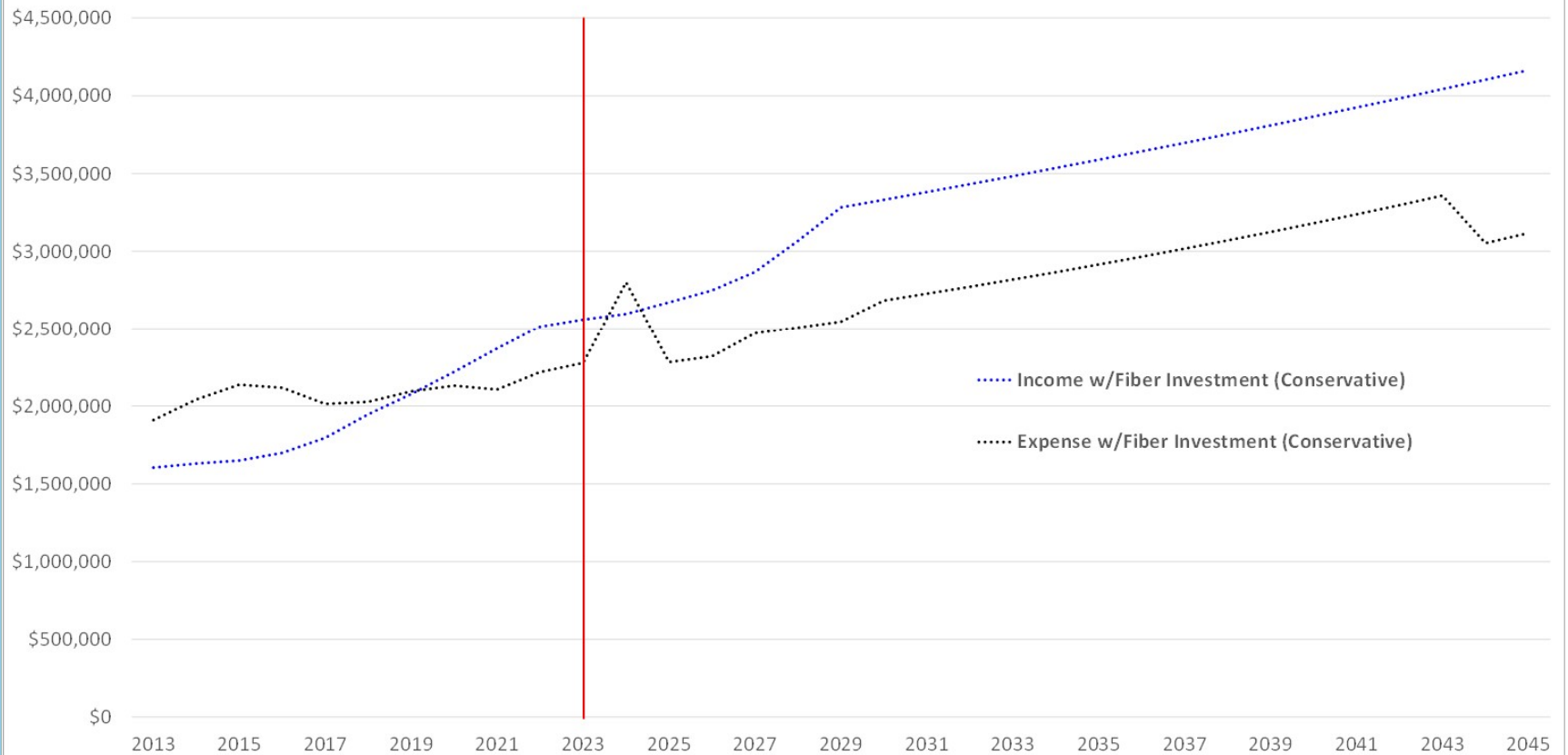
Business Model - Outcomes

No Fiber Investment (cable modem only), Fiscal Year Income & Expense
2013 - 2045



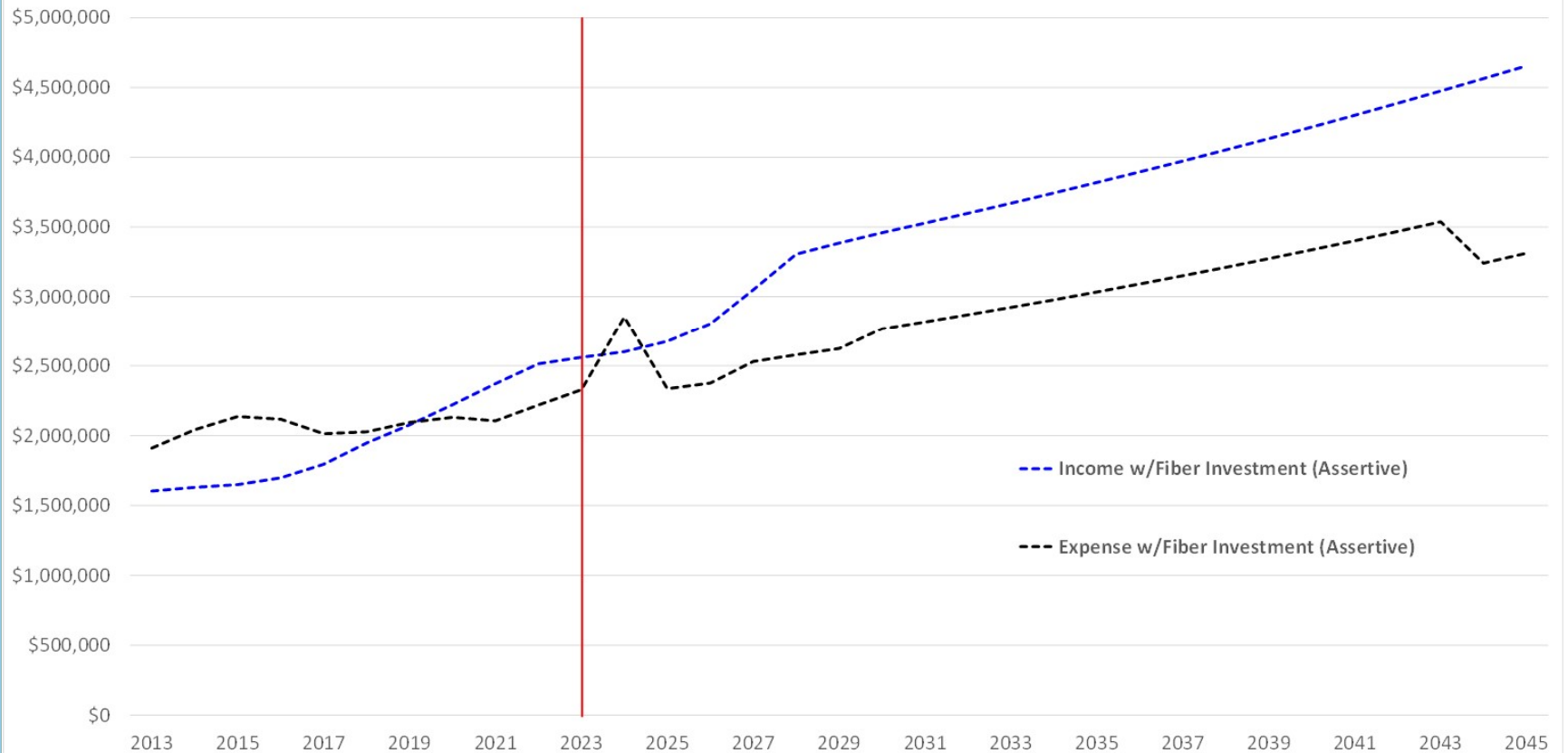
Business Model - Outcomes

Fiber Fiscal Year Income & Expense (Conservative)
2013 - 2045



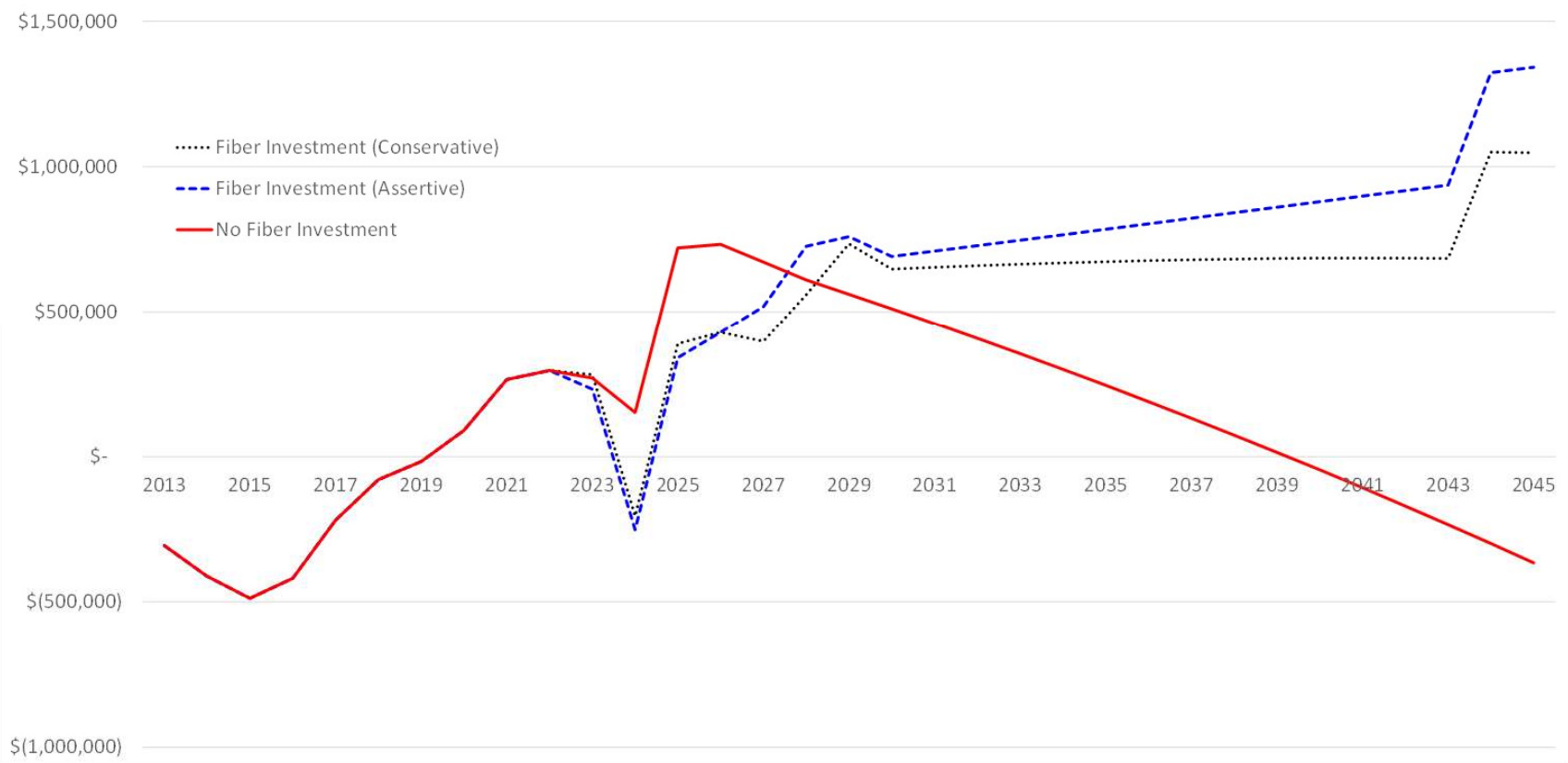
Business Model - Outcomes

Fiber Fiscal Year Income & Expense (Assertive)
2013 - 2045



Business Model - Outcomes

Net Income, All Three Models 2013 - 2045



Business Decision – Cost-Benefit Analysis

- 20 Year Net Present Value (NPV):
 - Discount rate 3.8%
 - Loan \$10 million
 - Estimated yearly cash flow (net) \$755,000
 - Net Present Value \$310,000

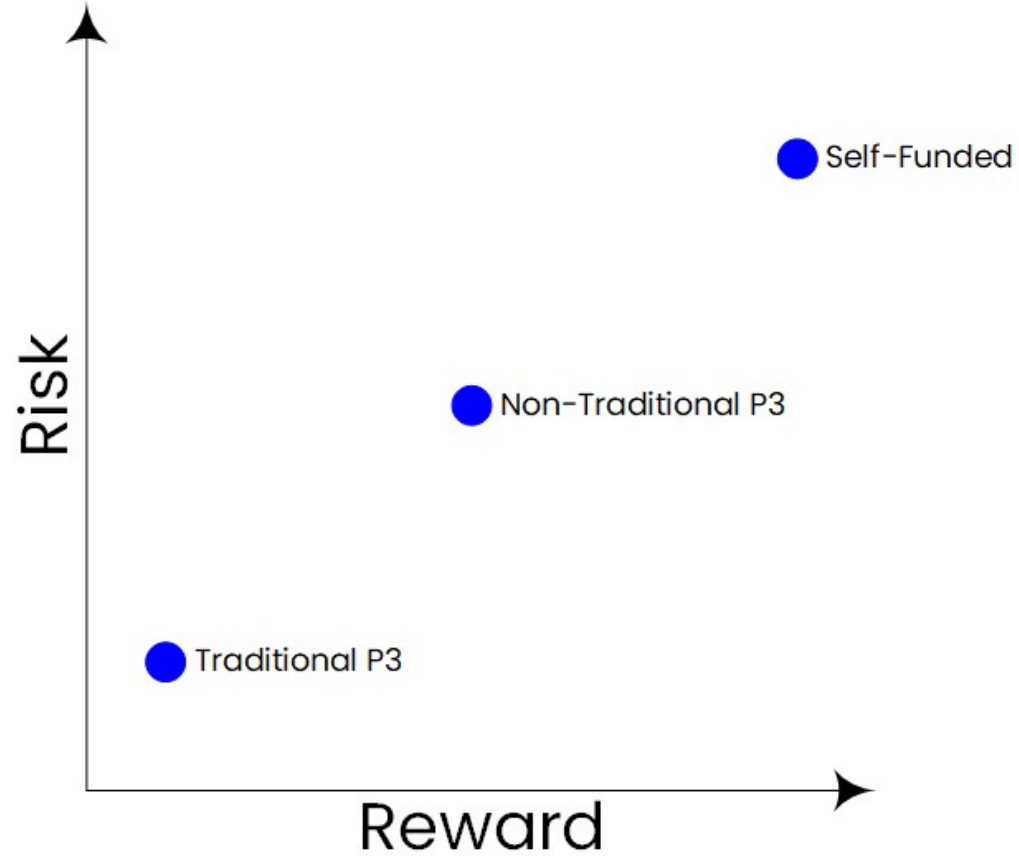


Business Decision – Financing

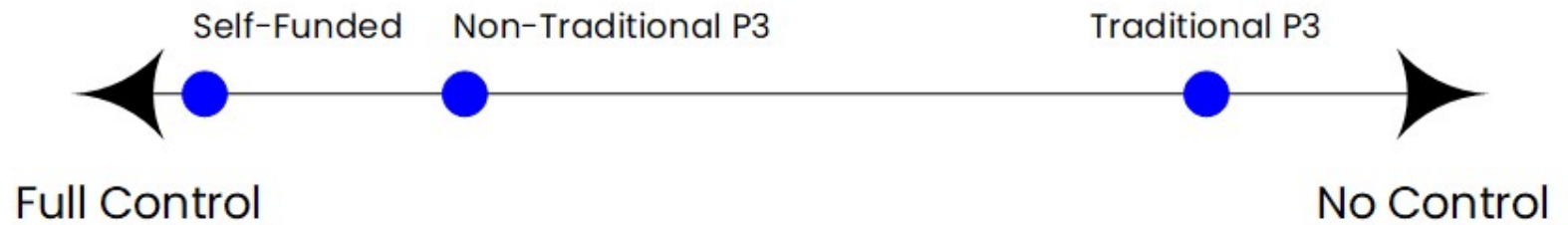
- Options
 - Self-funded full deployment (current model, assumes debt issuance)
 - Non-traditional Public-Private Partnership (P3)
 - Traditional Public-Private Partnership (P3)



Business Decision - Risk vs. Reward



Business Decision - Control of AFN



Business Decision – Assumptions

- Ashland is a small market (pop. 21,607 & 10,052 households)
- Potential private partners may be busy deploying their systems
- Attracting a private partner may require investment by the City
- Full deployment is estimated to cost the City \$8 to \$10 million



Business Decision – Self-funded Deployment

- City pays for everything
 - 2 year pilot to verify business model
 - \$1 million for the pilot project
- Need a funding source (bond, traditional loan, inter-department loan)
- Funding can be staggered (don't need all the money upfront)
- Can decrease deployment time by using a contractor
- Full deployment time 2 to 3+ years
- Highest risk, highest reward for City



Business Decision – Non-Traditional P3

- Private Partner
 - Builds out fiber network at its expense/risk
 - Repayment by City via fixed annual fee plus monthly customer fees
 - Estimated cost to the partner is \$4 to \$7 million
 - Will be very difficult to find a private partner willing to take the risk
- City
 - Purchases all active network equipment
 - Estimated cost to the City is \$2.5 to \$3.5 million
 - Continues to operate AFN
 - Moderate/middle risk option for City



Business Decision – Traditional P3

- Long-term contract with a Private Partner
 - Builds out the network at their expense/risk
 - Provides all services (billing, customer service, network operations)
 - Owns the customer base/relationship
- City
 - May need to help pay for fiber rollout
 - May not see any revenue or it may be discounted by services received
 - May not control/dictate service pricing
 - May lose control/ownership of all outside plant assets
 - Lowest risk option for City



Business Decision - Comparisons

- **Chattanooga, TN** (public utility owned)
 - 180,000 homes and businesses connected
 - Competes against Comcast
 - Went from 30% market share to 75%
 - Did not hire a consultant
 - Relied on grassroots efforts to gain customers
 - Economic benefit of \$2.7 billion and 9,500 additional jobs
- **Sandy, OR** (municipal owned)
 - Population of 12,700
 - Competes against Wave Broadband (cable) & Ziplly Fiber (DSL)
 - Market share is 78%
 - Did not hire a consultant
 - Number 1 source of new customers is through utility sign-up



Next Steps

- Pilot program
- Prove feasibility
- Financing



Questions?

