

MINUTES FOR THE ad hoc AFN GOVERNANCE STRUCTURE COMMITTEE
Thursday, May 14, 2015
Siskiyou Room, 51 Winburn Way

1. Call to Order

Mayor Stromberg called the meeting to order at 3:04 p.m. in the Siskiyou Room.

Committee members Jim Teece, Pam Marsh, Dennis Slattery, Rich Rosenthal, Mathew Beers, Susan Alderson were present. Staff members Dave Kanner and Mark Holden were present. Committee member Vicki Griesinger listened in via phone, but did not participate. Committee member Bryan Almquist was absent.

Mayor Stromberg introduced the goal of the group, stated he hopes the group will work to have the future of AFN be a healthy enterprise. He encouraged the group to feel empowered to go beyond the original focus in order to achieve a healthy AFN. He stated that Councilor Marsh would be the chair of the commission and asked her to take over running the meeting.

Marsh welcomed the group members, had them introduce themselves, and give some information regarding why they were interested in participating in this committee.

2. Public Input

Paul Collins: Stated he is a strong supporter of AFN and a local business owner. He is very interested in the outcome of this process.

3. Review of Committee Charge

Marsh reviewed the scope of work, stated that the aim is for a short-term timeline in order to move forward, thus the November 3rd deadline listed in the scope of work. Kanner gave an overview of the current governance structure. AFN is a division of the IT Department, and is budgeted through the normal city budget process. A good percentage of the employees are in unions, which can cause constraints on budget issues. He described some of the challenges related to city budget requirements, in that departments can't spend more than is budgeted. This naturally leads to the question, 'is this the best structure?' In other words, does this (being a city division, with city budget constraints) allow the necessary flexibility or ability to achieve the greatest profit?

4. Discussion of Work Plan

Holden gave some history regarding the current AFN work plan. With the current work plan, Council approved an expansion of the broadband system. That expansion process started in January and will continue through the next fiscal year. AFN is also bringing in a new backend provider through a bid-process. This should help get better pricing which, in turn, will reduce overall base costs.

Marsh informed the group there was an effort in 2005-2008 to boost AFN, through the AFN Network Programming Committee (aka AFN Options Committee). She handed out information regarding those efforts and described the options the committee came up with including the sale of AFN, spinning it off into a non-profit, or becoming an open/common carrier. Group discussed

the definition of and FCC rules regarding being a common carrier and how AFN currently fits into that role.

Marsh stated that in 2006 there was a discussion of turning AFN into a utility but there were too many legal questions so it was never approved. It was at this point the decision was made to transfer the cable TV side of the business and to continue AFN as the open carrier provider it is today.

Marsh proposed using the list of evaluation criteria from 2006 as a starting point for discussion. They include:

1. Competitive environment
2. Financial impact to community
3. Financial impact to city organization
4. Citizen access to system
5. Public ownership of infrastructure
6. Responsiveness to community needs/concerns
7. Future financial risk/gain
8. Ability to meet current and future needs of the community
9. Ability to meet current and future needs of the city organization
10. Ability to maintain an open system for access to the internet (Multiple ISPs)

The group agreed this was a good starting point. Marsh also wanted to add the importance of a system with a depth of leadership. In other words, limiting decisions to Council approvals might limit the ability to provide the best guidance and/or leadership. Group agreed this was an important discussion and criteria to have in order to stabilize the ebb and flow of knowledge or support from the Council. Slattery noted there is sometimes an awkward knowledge gap from both the Council and Budget Committee, which leaves AFN oversight lacking. Group also discussed how other states are focusing on the importance of municipal broadband, and how they could be examples for this process. Marsh mentioned that some are run by the municipality day-to-day but have a separate governing board approved and or selected by the council.

Group discussed the current debt service of AFN, in terms of where it is currently budgeted, and Marsh agreed to send budget information electronically to the committee.

Rosenthal asked if there were any updates since the Strategic Plan was presented in November. Holden stated there are no changes, that the market share continues to trend downward. There may have been an opportunity to improve market share with the Charter/Comcast merger and there might still be opportunity with the possible Charter/Time Warner merger but no overall change has occurred in the direction of AFN or focus in the Strategic Plan.

Group discussed the importance of being competitive, particularly as TV viewing is moving so rapidly to the internet. AFN quality, capacity, and performance have not been competitive with Charter in the past but current and recent past improvements will help AFN to be more competitive. Group discussed marketing challenges, particularly with our limited budget.

Group discussed the role of other ISPs. They all face the same challenge of being competitive. Group agreed it is important to continue to be an open provider.

Kanner asked the group how this ties into the governance structure. Group felt they need a better grasp of the overall system and where they want to go before they can fully understand or work on the question of governance. They discussed whether understanding the weaknesses of the system (from staff's perspective) might help. Group also wondered if requiring approval of any strategic plan by the Council was the best (most competitive) approach. Is that the best way to stay nimble in a changing market? Holden stated that the requirements of our procurement process certainly slow down any process, but they are not lethal. The more difficult part is having to expose any plan to the competition. Group wondered if Charter might become more aggressive in their marketing if they didn't easily know our strategies. Most agreed that their marketing is not unique or specific to Ashland.

5. Future Meetings Schedule/Next Steps

The group would like to talk about the following at future meetings:

1. Governance – what other format options are available? Group agreed to bring back information on the following options:
 - a. Utility – Kanner and Holden
 - b. Spin-off (assets owned by City, run by outside entity) and/or hybrid between spin-off and current city model – Slattery, Teece, (and possibly) Almquist
 - c. Sell outright – no assignment
 - d. Separate oversight board – Marsh
2. Information on how the system is currently working. Group agreed they do not need a presentation from Holden, as they are all familiar with the November presentation.
3. Cost on investment over time.
4. Is a 20-year vision/strategy even possible? Group agreed that there would need to be lots of flexibility within the rules/roles of that vision. This is why a steering committee may be helpful rather than either a singular IT Director or fluctuating Council. Holden agreed that good strategic plans should be “living” documents which are revisited often.

The next meetings will be on June 18 and July 2, from 3:00 – 5:00 p.m. in the Siskiyou Room.

8. Adjournment

Meeting adjourned at 4:48 p.m.

Respectfully submitted,
Diana Shiplet
Executive Secretary