

MINUTES FOR THE ad hoc AFN GOVERNANCE STRUCTURE COMMITTEE
Thursday, June 18, 2015
Siskiyou Room, 51 Winburn Way

Call to Order

Chairperson Marsh called the meeting to order at 3:00pm.

Attendees:

Matthew Beers, Vicki Griesinger, Pam Marsh, Rich Rosenthal, Dennis Slattery and Jim Teece.

Not present:

Susan Alderson, Bryan Almquist, Dave Kanner

Staff present:

Mark Holden, Director of Electric Utility, Telecom and IT

Mary McClary, Administrative Assistant

Chairperson Marsh welcomed the committee, presented a basic outline for the meeting, and asked each person present to introduce themselves to the group.

Public Input

David Hand, 739 Welch Drive, Medford asked about the mission statement and the goal of the group, wondering if they were looking for alternatives and if there was a better suited organizational structure.

Chairperson March explained the committee's charge, scope of work and the AFN Business Plan had all been sent out prior to the first meeting, and could be located on the City of Ashland's web site.

Approval of Minutes

Dennis Slattery moved to approve the minutes and the motion was seconded by Rich Rosenthal.

Voice Vote: All Ayes. The motion passed with a unanimous vote.

New Business

AFN SWAT Analysis

Before the committee reviewed the *SWAT analysis*, they entered into a discussion regarding the budget and debt service for AFN. For the next biennium budget, AFN would repay approximately \$409,000/yr and if kept on that schedule the debt would be paid back by 2024. Mark Holden explained to the committee about the City's central service fund, what areas it covered and how each city department pays into the fund.

Dennis Slattery reminded the committee the actual amount was 1-2 million, because of all the other departments that contribute to the debt. Mark Holden remarked there would still be around 10 million left to be paid regardless of what this committee recommends for the future of AFN.

The members discussed how the City of Ashland (COA), administers a balanced budget. They spoke about revenues, how important it was for AFN to maintain their forecast and what happens when the targets are not met. Pam pointed out increasing the city increased the contingency fund from \$100,000 to \$250,000 because of a fluctuating market. There were some questions from David Hand (public attendee) about trending, the network, pricing, demand and keeping customers.

Chairperson Marsh spoke about looking at the evaluation of the criteria in terms of the first model, from 2006 and realizing possible changes that would be less or more essential for today. She felt the committee needed solid criteria to evaluate and see if they were meeting their standards and objectives.

Rich Rosenthal felt the *SWAT* analysis was important to ensure the committee was united in their perception and goals. Chairperson Marsh scheduled out the time left to address each subject on the agenda for the rest of the meeting.

STRENGTHS

- Cost of information to citizens less because of AFN
- Know product build outs, staff good at their job, been doing it for 20 years, would not need to be reinvented
- Marketing cache for the city as high tech and potential for economic development
- Positive economic development
- Local stays in the community
- Infrastructure
- Ability to control level 1 support
- Open ISP network allowing ISP's to use service to operate competitive fields
- External giant competitor opportunities to explore (could also be a threat)

WEAKNESS

- Lean budget; ability to sell; attraction and retention of customers; change to an outsourcing or process
- Level of subsidy, civic investment related to the debt, could have possible money for development without making payments to AFN
- Budget too small to market effectively
- Charter was able to do Chapter 11 and wipe out debt, AFN can not
- Customer focus/satisfaction
- Businesses wants and demands to be "on" all the time; node issues an weakness
- Age of the outside plant
- Price of product, cost of structure
- Limited ability to be competitive because public agency, and not be transparent
- Need for agility, struggle to move forward in municipality
- Lack of leadership in terms of oversight, not staff, but council and competency
- Thin management staff
- City owned entity and a decision to service own services
- Geographical weight to care
- Lack of investment income

OPPORTUNITIES

- New broadband product, potential cost reduction for the end user(AFN)
- A year of distraction (competitor preoccupied)
- Acquire new customers, learn reasons for leaving
- Opportunity to capture early when they sign up services
- Low market share is actually an opportunity
- Business side, bundle services, marketing
- Business underdeveloped, invisible of corporate employees who live here and work elsewhere
- % of AFN businesses live here and not using
- Buy local
- Cable cutting, driving bandwidth and need for bandwidth
- Incentives for cable cutting

THREATS

- System obsolete
- Inability because of government for additional funding, lack on investing funding
- Wealthy competitor to sell services at a loss
- Tech changes (FCC changes)
- Consumer perception (debt)
- Consumer wants system always on, high reliability, communication if down
- Consumer expectations, no loyalty, only care about service

The committee discussed how AFN used to be offered by staff when signing up for services and now there was just a brochure in the utility billing office. There are a decreasing number of people signing up for services in person, therefore also a loss of opportunity to promote AFN services. The ISP's marketing dollars were primarily used for advertisement of their existence and products. AFN's transparency allows anyone to have an advantage regarding their systems and practices. How would the committee address these issues?

ISPS: Function and Benefit

Mark Holden explained the history involving the beginning of the relationships between the ISP's and AFN. As time went on some ISP's did not bring any value, or benefit to AFN, so the ISP's were consolidated to roughly 4-5. He explained they were now strategic partners. AFN maintains the system; does maintenance calls without charge; installations for \$10 and the ISP's have access to the entire network fiber, cable. AFN sells to them below wholesale rates and they are responsible for billing the customer, and managing the customer base. Out of approximately 3,900 services, 525 go directly to AFN. The ISP's are handling approximately 3,500.

Jim Teece explained as an ISP, they start with the customer, check to see if they are serviceable, may schedule using software shared between AFN and themselves, and then follow up with customer after installed. Their mark-up was very little above AFN, and they were available 24/7 for customer service. He mentioned AFN decides the tier structures offered, and ultimately the employee resources available to the program. In addition, if his service people were unable handle a problem, they turn in a service ticket to AFN and AFN troubleshoots and/or performs maintenance needed. The city schedules, assesses, maintain nodes and resolve issues. They have received good communication when the service is off line and good notification when the problems are fixed.

The committee discussed the AFN customer base of approx. 4,000 out of a possible 10,000, no access if the node goes down until fixed and 10% of customer base in Ashland could not be serviced.

David Hand from Data Center West (public input) spoke about his business selling to all competing companies depending on the need of their customer. He recommended if his customer is a business, purchasing two plans from two different companies, thereby if one were to not function their business would still be able to work.

Jim Teece explained residential mainly chooses either AFN or Charter.

Municipal broadband; What can we learn?

Chairperson Marsh explained there were many, many models for municipal broadband communities with all kinds of formats. She gave a brief rundown on different models from different areas and believed once the committee decided on evaluation criteria, they will be able to construct and find example models. The members asked if there were benchmark models as old as AFN. She provided copies and links for background reading during and after the meeting adjourned:

www.bbpmag.com/2014mags/Aug_Sep/BBC_Aug14_CommunityNetworks.pdf

www.bbpmag.com/MuniPortal/FTTHLand.php

Vick Griesinger provided a resource list:

<http://www.newyorker.com/business/currency/fcc-municipal-broadband-ruling-matters-net-neutrality>

http://www.bbcmag.com/2015mags/Mar_Apr/BBC_Mar15_DeploymentStrategies.pdf

http://www.bbcmag.com/2015mags/Mar_Apr/BBC_March_BanwidthHawk.pdf

http://www.bbcmag.com/2014mags/Aug_Sep/BBC_Aug14_CreativeFinancing.pdf

http://www.bbcmag.com/2014mags/Aug_Sep/BBX_Aug14_LessonsFromFiber.pdf

<http://www.bbpmag.com/MuniPortal/snapshots.php>

<http://www.bbpmag.com/snapshot/snap1113.php>

<http://www.bbpomag.com/snapshot/snap0612.php>

<http://arstechnica.com/business/2015/02/fcc-overturms-state-laws-that-protect-isps-from-local-competition/>

<http://www.scientificamerican.com/article/how-will-the-fight-over-public-isps-and-net-neutrality-play-out/?print=true>

<http://www.musfiber.net>

<http://www.cfu.net/about/contact.aspx>

Members brought up points about AFN being a “starter company” putting out initial outlay and other municipalities would join in after all the trials and tribulations. Rich Rosenthal remarked originally the department and council thought AFN would be used for Smart meter usage. In addition Falcon (now Charter) in Medford was going to launch and Ashland wanted to have it in place before that happened.

Initial Reports

Dennis Slattery and Jim Teece reported they met with Bryan Almquist and decided it would be necessary for a second meeting. They discussed a wide range of topics and focused on different models.

- 1) A model which the city owned something, established a not for profit organization leaving the city as a single stock holder and ran the organization based on that.(Ashland Community Hospital)
- 2) Bryan suggested the city should retain the assets, keep ownership, concessioner.
- 3) Dave Kanner suggested a third model based on the airport model of a fixed based operator that still reported to the city council.

They talked about legalities, full concession model or conservation committee model and the difference of a very active committee reporting to the council or having a board of directors. They decided to meet again at the end of the month.

Dennis believed the real question for the committee was: *Can we deliver the product for a lot less money, more efficient to more people with better quality than the competition?*

The members decided the best course of action would be to pick a few ideas and drill them down to decide if they were viable. Chairperson Marsh stated there were two main objectives:

- 1) What are the options, alternatives and variances
- 2) What was the criteria applied to any ideas assessed

Matthew Beers believed as soon as you have the questions ranked in the correct order, one or two viable options would be made clear. He also stated most municipal broad bands were business only and wondered if there was a full model as AFN, older models that were business only.

Dennis Slattery agreed with Mark Holden the best option would have been to ‘build to revenue’, establishing a guaranteed need and build to that location, not the whole city. The discussion continued regarding wireless connections, cell phones increased technology, increasing demand for bandwidth and start-ups exploring mesh systems. (ex NYC)

Future Meetings Schedule/Next Steps

Chairperson Marsh would like to:

- Put the goals at the beginning of the next meeting
- Include economic stability to the goal list
- Review the overall statement and define the criteria for evaluation.
- AFN restructured with a separate utility board
- AFN budget documents
- AFN restructured with some of all serviced contracted to an outside entity/board

Current Goal List

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 next meeting would be held on July 2, from 3:00 – 5:00 p.m. in the Siskiyou Room.

Adjournment

Meeting adjourned at 4:53 p.m.

Respectfully submitted,

Mary McClary

Administrative Assistant

Electric, AFN, and IT Departments