

MINUTES FOR THE ad hoc AFN GOVERNANCE STRUCTURE COMMITTEE
Tuesday, September 8, 2015
Siskiyou Room, 51 Winburn Way

1. Call to Order

Chair Pam Marsh called the meeting to order at 3:02 p.m. in the Siskiyou Room.

Committee members Jim Teece, Dennis Slattery, Rich Rosenthal, Susan Alderson, Mathew Beers and Bryan Almquist were present. Staff members Dave Kanner and Mark Holden were present. Committee member Vicki Griesinger was absent.

2. Public Input

None.

3. Change in Committee Membership

Marsh stated that when the group was formed, committee member Teece was appointed as an ex-officio member to give advice. Now that the group is moving into the next phase of this process, which could affect ISPs, she believes it would be most appropriate to have him step down from the committee. Teece agreed that his leaving the committee would be the best approach. Group thanked him for participating.

Teece departed the meeting at 3:06 p.m.

4. Review of Minutes

Rosenthal/Beers m/s to approve the minutes of August 24, 2015. Voice Vote: All Ayes.
Motion passes.

5. Subcontracting Constraints / Legislation: follow up

Kanner stated that the City Attorney had done a quick review of the subcontracting statute and he agreed that it would apply in this case. Kanner stated these new requirement for a cost/benefits analysis pretty much put an end to subcontracting in Oregon. No community he contacted had attempted a cost analysis for a subcontract, mostly due to the cost of that type of analysis.

Group discussed the history and intent of the subcontracting law. They questioned whether or not the City could do a cost analysis. Kanner stated that would need to be done by an outside source, as it's too complicated for current staffing levels.

Group asked whether AFN operations could be transferred to another government agency. Kanner stated that any transfer of employees would need to have a guarantee of pay and benefits for those employees for one year. Group asked if the City were to become the only stockholder in an entity (like they were with the hospital), would that trigger the subcontracting laws? Kanner stated he doesn't know the answer to that at this time. The law is not specific with regard to transferring operations to another public entity.

Group discussed how the subcontracting laws may affect which models are feasible. They also discussed the possibility of doing a cost analysis.

6. Review/ Refinement of Evaluation Criteria

Group discussed why the roles of the ISPs and why wholesale vs. retail are important to the overall governance question. Largely this is due to each causing significant deviations from the current structure. Beers stated those decisions relate directly to the current lack of connection between the decision makers and the people operating and selling AFN products.

Group discussed some of the relationships between the ISPs and the City in the past, how some of those relationships were handled poorly. Holden stated that they have been working recently on establishing better working relationships with the ISPs. He wonders why the group is focused on these relationships rather than on the question of overall governance. Group agreed that they understands this is policy questions versus operation questions but without discussing operations, both past and present, not all options are available for the group to make a good decision.

Group asked Holden what he thinks is working in the current system. Holden stated that while there has been a decline in general customer counts, there has been an increase on the retail customer side. He also stated that while there was a previous lack of collaboration between the City and ISPs, many things have been done lately which have improved those relationships.

Group discussed the current marketing plan. Holden stated that he is working with the ISPs to have a joint marketing plan. Group was concerned that this may be a confusing mix of messages.

Group discussed the small profit margins the ISPs have to work under and the additional pressure that pricing set by Charter puts everyone under. Holden stated that, presumably, ISPs took into account the profit margins before becoming a business partner with the City – those profit margins haven't changed. Group discussed how non-cooperation between ISPs leaves everyone unable to fight against Charter. Group discussed the balance between low pricing and quality product – the community likely doesn't yet understand the improvements in the quality achieved recently (and those planned for the future).

Group asked Holden why we continue to have multiple ISPs. He stated that they do the customer service after hours and weekend, when City staff is not be available. Group discussed what would be required to “ramp up” to provide 24-hr-a-day service.

Group discussed the challenges of having no dedicate marketing plan (or separate company dedicated to marketing efforts) and limited budget. They questioned whether a joint marketing plan with our ISPs is effective or whether it continues to spread the limited potential customers too thin. Should the City stop competing with our ISPs? Group discussed whether AFN should be the only retailer or whether it would be better to choose a single ISP to be responsible for everything customer-based (marketing, installation, billing, maintenance, customer complaints, etc.). Group was also concerned that there is no community benefit in that community residents pay for it through taxes, or billing surcharges but they get no benefit from paying (no reduced prices, etc.)

Group discussed how a cost/benefits analysis would be valuable in determining whether having ISPs competing with the City is economically valuable.

Group expressed concerns that there is no “one-stop shop” at the utility counter. In other words, why can’t new customers sign up for AFN along with their utility accounts. Kanner stated that this separation was put in place around 2012, largely due to staffing issues.

Group determined that with concerns regarding marketing, staffing, pricing, etc., a separate board or commission to run AFN would be the preferred governance model. They would like from staff a current breakdown of what are the current responsibilities of the ISPs vs. the City, in order to have a discussion of the next steps in this process.

Holden stated his concerns regarding having a single ISP. AFN staff have been working with the ISPs on their concerns and have yet to see a gain in customer counts. They are willing to continue to work on building trust with the ISPs for long-term relationships.

Group requested that Holden create a bullet-point list of requirements necessary for a single-ISP operated system (i.e. what requirements might we list in an RFP?). Group discussed the need to have all rules and requirements on both sides to be delineated very specifically.

Group went around the table and stated what type of governance they would pick if they had to today. In general, they agreed they would like to see a strong commission to make policy decisions and two ISPs, one for residential sales, one for commercial sales (or a single ISP, but with separate contracts and requirements for residential and commercial).

7. Next steps/ meeting schedule

Group would like to discuss at the next meeting the style, membership requirements, and group responsibilities of other commissions. They will use the Airport, Parks and Recreation, and Medford Water commissions as examples to determine what would be appropriate for an AFN commission. Marsh will work with Kanner to provide examples of those commission memberships and responsibilities for the next meeting.

The next meeting will be October 9, from 3:00 – 5:00 p.m. in the Siskiyou Room.

8. Adjournment

Meeting adjourned at 4:41 p.m.

Respectfully submitted,
Diana Shiplet
Executive Assistant