

**AD HOC COMMITTEE ON AFN GOVERNANCE STRUCTURE**

August 24, 2015

3:00 – 5:00 p.m.

Siskiyou Room

51 Winburn Way

- I. **CALL TO ORDER**
- II. **PUBLIC INPUT**
- III. **REVIEW / APPROVAL OF MINUTES**
- IV. **AFN BUDGET**
- V. **REVIEW OF SHARED SERVICES**
- VI. **SUBCONTRACTING CONSTRAINTS / LEGISLATION**
- VII. **REVIEW OF ALTERNATE ORGANIZATIONAL MODELS**
- VIII. **NEXT STEPS/ MEETING SCHEDULE**
- IX. **ADJOURNMENT**

*In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Administrator's office at (541) 488-6002 (TTY phone number 1-800-735-2900). Notification 72 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to the meeting (28 CFR 35.102-35.104 ADA Title I).*

## **MINUTES FOR THE ad hoc AFN GOVERNANCE STRUCTURE COMMITTEE**

**Monday, July 27, 2015  
Siskiyou Room, 51 Winburn Way**

### **Call to Order**

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

#### Attendees:

Susan Alderson, Bryan Almquist, Matthew Beers, Vicki Griesinger, Dave Kanner, Pam Marsh, Dennis Slattery and Jim Teece.

#### Not present:

Rich Rosenthal

#### Staff present:

Mary McClary, Administrative Assistant

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

### **Public Input**

**David Hand**, 739 Welch Drive, was present and had no comment at that time. Chairperson March explained David was not a member of the Committee, and he could have input as long as no other public members were in attendance.

### **Approval of Minutes**

*Bryan Almquist moved to approve the minutes of June 18, 2015 and the motion was seconded by Dennis Slattery..*

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

### **Review of Revised AFN Mission Statement**

#### ***Rich Rosenthal***

Rich Rosenthal submitted to the Committee AFN mission states from the 2010 Strategic Plan; the 2014 Strategic Plan and the proposed 2014 ad hoc Committee.

- 2010 Strategic Plan:  
Provide Ashland with a public telecommunications facility that creates opportunities and enables our citizens, businesses, and municipal government to thrive as a connected community.
- 2014 Strategic Plan:  
Ashland Fiber Network (AFN) is a Municipal Telecommunications Utility providing community based solutions and services to enhance the quality of life and economic growth of the community by eliminating the constraints of location, distance and time.
- ***Proposed 2014 ad hoc Committee AFN mission statement:***  
*Ashland Fiber Network (AFN) enhances quality of life, economic opportunity and community vitality by enabling citizens and businesses to receive affordable, reliable telecommunications services.*

Chairperson Marsh set it aside for now, stating she was sure they would implement it into their materials. Each member received a copy of the revised Mission statement and the revised copy of the draft evaluation criteria.

**Review of Initial Round of Organizational Analysis**

Chairperson March introduced and passed out *a new draft Evaluation Criteria* for the Committee:

- 1) Have high reliability (i.e. always be on) and be customer focused
- 2) Enable AFN to be nimble in a competitive environment
- 3) Be governed by stable, dedicated, and knowledgeable leadership
- 4) Have Positive financial impact be as well run financially as possible investments justified as short or long term benefit
- 5) Allow AFN long-term viability (maintaining choice in community) to provide competitive environment and support economic development (goal is to sustain the system over time to serve the community)
- 6) Be resistant to political change or whims

The Committee reviewed the models with the new criteria. (1-5, 1=low 5=high)

***Status quo Model***

Criteria No	Ranking	Comments
1	2-4	Issues: procurement; rate setting; contractual relationships ;product development and actual performance may be different than perception of performance.
2	1	Confidentiality, expansion, budget process, rules, lack of flexibility
3	1-2	city council elected body in charge; not able to provide daily leadership or hands on guidance, there is an intent to be good
4	3	debt payment for next two years: \$409,000
5	1-2	creates competitive environment, cutting edge
6	1	no comments

The Committee reviewed the other models and then went on to analyze other models.

**Analysis of Additional Organizational Models:**

***Franchise***— Looked at as a model that could be leased, not sold. Contractor model without commission. Council directly contracts with provider; city retains ownership of facility.

Criteria No	Ranking	Comments
1	?	striving for a 5, High quality contractor, financially stable
2	4-5	Depends on the contract. Owned by the city and expecting lessee to make improvements, city retaining ownership of all improvements.
3	3+	the governance minimal, because contract based. Daily knowledge potentially pretty strong
4	3+	no comments
5	3+	take the local voice out, write in community involvement
6	4	depends on the length of the contract, if longer than terms of city council.

**Utility-** Fee assessed to all electric accounts for basic service, if desire more, pay more. City runs AFN. 2006 Council thought this model to be high risk; requires legal analysis; doesn't depend on sales.

Criteria No	Ranking	Comments
1	?	Strive for a 5
2	1	Public utility is public record; competition impossible; political issues; everyone paying for AFN already
3	4	Already successfully running by stable, dedicated and knowledgeable leadership
4	4-5	Doesn't depend on sales
5	1	Hit in short term, advantage in long term
6	1	no comment

**Spin-Off**—City own infrastructure and lease out

Criteria No	Ranking	Comments
1	?	Strive for a 5, create Board; self sustaining; independent entity; city sole member of corporation; same rights of any member of corporation
2	4-5	Board is not subject to public exposure, or law
3	4-5	Strong and qualified leadership
4	3+	Financially viable benefits
5	3++	positive competition
6	4-5	not much impact

**Hybrid (AFN Wholesaler)** Multiple ISP, not direct AFN, ISP carry all customer contact, responsible for marketing, and add commission

The Committee talked about this model similar to status quo with light changes. AFN would be wholesaler only, allowing ISPs control. Dave Kanner reminded the Committee AFN is doing this model now and it is not working. They would sell to ISP's for less than what AFN retails. The only portion of AFN that is effectively growing are the "direct connect" sales, without any sort of marketing, or advertisement.

Criteria No	Ranking	Comments
1	?	Strive for a 5
2	3	ISP responsible for business, AFN sets wholesale price
3	1	no comments
4	3+	There was a suggestion of having fewer ISPs
5	4	competitive environment
6	1-2	no comments

**City Owned Only- No ISPs**

Criteria No	Ranking	Comments
1	?	Strive for a 5
2	3	not transparent
3	1-2	need to depend on job, not employee filling job
4	3	initial investment, long term potential
5	3+	maintain infrastructure for long term viability
6	1	City Council, public information

The Committee discussed the pros and cons of some of the different models. One contractor: implications in the city, impact on staff, and shared resources. Utility: could be set up like the Water Commission, separate from the city. Susan Alderson would research independent contractors and how they are structured and operated. The Committee wanted to see actual cost of operating AFN, because the budget was too general. Contract model: implications of pulling city services out, who decides about investment.

Dennis Slattery asked about what the reasonable market potential of Ashland, how many people would subscribe under the different ideas.

The Committee would like to see where AFN is serviceable and Dave Kanner remarked it would be easier to report where they were not serviceable. The city does not have a map outlining services. David Hand would like to know where the fiber is located. Vickie suggested a survey to see what the customer’s really want, residential and commercial.

Jim Tease asked for a small summary below each model to distinguish between them all.

**Summary of Models**

Criteria	Status Quo	Sold Entirely	Public w/advisory comm. and independent contractor	Public w/advisory comm. no contractor	Franchise	Utility	Hybrid	City Owned Only
1	2-4	?	?	2-4	?	?	?	?
2	1	?	3	2-3	4-5	1	3	3
3	1-2	5	4-5	3-5	3+	4	1	1-2
4	3	?	3+	3+	3+	4-5	3+	3
5	1-2	?	3	3+	3+	1	4	3+
6	1	5	3	3	4	1	1-2	1
Total (ave)	<b>11</b>	<b>10</b>	<b>14</b>	<b>18.5</b>	<b>19</b>	<b>8.5</b>	<b>13</b>	<b>12</b>

The highest rankings were:

**Public Model-Status Quo with Advisory Commission** (no independent contractor)

*“The advantage to this model rather than just status quo is the ability to appoint people who are more knowledgeable than Council may be. This model may be more nimble than status quo but not more agile.”* (from prior minutes)

**Franchise**-- A model that could be leased, not sold; contractor model without commission; Council directly contracts with provider; city retains ownership of facility.

**Next Steps/Meeting Schedule**

- Susan Alderson research independent contractors
- Actual cost of operating AFN

The next meeting would be held on August 24, from 3:00 – 5:00 p.m. in the Siskiyou Room.

**Adjournment**

Meeting adjourned at 5:08 p.m.

*Respectfully submitted,  
Mary McClary  
Administrative Assistant  
Electric, AFN, and IT Departments*