

**AD HOC COMMITTEE ON AFN GOVERNANCE STRUCTURE**

July 15, 2015  
3:00 – 5:00 p.m.  
Siskiyou Room  
51 Winburn Way

- I. **CALL TO ORDER**
- II. **PUBLIC INPUT**
- III. **REVIEW OF MINUTES**
- IV. **REVIEW OF AFN MISSION STATEMENT**
- V. **REVIEW / REFINEMENT OF EVALUATION CRITERIA**
- VI. **INITIAL ANALYSIS OF ORGANIZATIONAL MODELS**
- VII. **NEXT STEPS/ MEETING SCHEDULE**
- VIII. **ADJOURNMENT**

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**MINUTES FOR THE ad hoc AFN GOVERNANCE STRUCTURE COMMITTEE**  
**Thursday, July 2, 2015**  
**Siskiyou Room, 51 Winburn Way**

**1. Call to Order**

Chair Pam Marsh called the meeting to order at 3:06 p.m. in the Siskiyou Room.

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

**2. Public Input**

*None.*

**3. Review of Minutes**

**Rosenthal/Slattery m/s to approve the minutes of June 18. Voice Vote: All Ayes. Motion passes.**

**4. AFN restructured as a utility**

Kanner gave an overview of what restructuring AFN as utility would entail. The downside is that this would continue to have political decision making. Additionally, the legality of this model is not certain at this time. He stated IT Director Holden believes that the style of AFN means it is legal. Kanner suggested that if the committee wants to pursue this option they hire legal counsel to do a strong review in order to avoid lawsuits.

Kanner stated the real challenge is that if AFN is turned into a utility, the Council would need to be willing to shut off service (not just for AFN but for all utilities) for non-payment. Group discussed how the City currently handles non-payment shut-offs and how this could be different as it's not a necessity like electricity or water.

Group discussed the problems associated with the utility option - there are big challenges with this model with this including legal and political concerns and financial costs associated with scaling up to provide service to every residence.

Group discussed a modified utility model, similar to the Medford Water Commission, wherein there would be a separate board to manage the utility (established by ordinance). The board would be given independent authority and would need to support itself by revenues from the utility. Kanner stated that there are many similar models to this around the state. This is challenging due to current debt of the system.

Group discussed another option of utility model more like the City's Airport Commission, wherein they would have some independence but would still need to get final approval on budget or large projects from the Council. This model may not make AFN any more nimble or responsive, as they still have to abide by public meetings laws. The bonus is that the board or commission would be made up of people with knowledge and direct interest in AFN unlike the Council who may not have the same level of knowledge or interest.

Group discussed the possibility of being more nimble by getting away from public meetings laws. This would require AFN to be spun off AFN into a separate entity like the Hospital Board.

Group asked if the Water Commission model would be free to do business with anyone (i.e. not just be restricted by Ashland City limits). Teece stated yes, residents of Talent do request service and nothing technically prevents AFN from providing that service, but keeping to a specific, Ashland only location was previous Council's decision. Additionally, in 2010 it was determined that going outside of Ashland could cost about a \$.5 million in infrastructure, without enough profit to cover that cost. This cost estimate might no longer be accurate, with new technologies.

David Hand stated that the option for growth outside of Ashland is an interesting topic but the options for growth within Ashland is actually more important. Currently of the roughly 10,000 homes in Ashland, only 3,000 are served by AFN. We have huge growth potential to be gained in the homes not using the service. Group discussed the challenges of providing a high enough level service at a low enough cost to appeal to those homes. Teece explained the prohibitive group are the younger, wireless customers because they use every bit of bandwidth given them thanks to streaming. Modem customers, on the other hand, don't use anywhere near what is available to them.

## **5. Evaluation Criteria**

Marsh stated she wants the group to brainstorm potential criteria for evaluating any option. She hopes the SWAT analysis from last meeting will give the group focus. Additionally, using the evaluation criteria from March 7, 2006, Council Communication may help start the process.

### Criteria

*Any option considered must ...*

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

Group discussed whether public ownership of the assets was important. They acknowledged that the City owns the debt so owning the assets helps to guarantee no defaulting on the debt. Group wondered if it would ever be possible to sell enough to cover enough of the debt would owning it still be a priority. They decided that public ownership wasn't a high enough priority right now to be on the criteria list but that it could be a secondary criteria for consideration.

Group discussed whether having an open ISP structure should be a requirement. They determined that at this stage this would pigeon-hole the options. Additionally, the group has already acknowledged the importance of providing long-term options for community in some of

the other criteria.

Group reviewed the criteria to see if changes or additions to each should be made.

Group discussed what they considered timeframes for short- and long-term goals. They discussed whether nine years, which is the time left on the debt payment, is a short-term, mid-term, or long-term target. Group decided that nine years is too long to be short-term, particularly considering how rapidly things change in the tech world. Short-term should be closer to one or two years. Nine years should be the long-term goal, with the hope that the principles established in this process and during those nine years will carry beyond for future success.

## **6. Identification/ initial analysis of alternative organizational models**

Group brainstormed the types of models they want to study further or consider.

### Models

1. *As-is (status quo) model* – could actually go several ways
  - a) leave in Council control entirely,
  - b) appoint a separate quasi-governmental commission (like the Airport Commission)
  - c) rework the ISP control to change where the city/ISP divide sits.
2. *Utility model*– in its raw form this is just a way to distribute costs (debt) equally. Group has concerns about the legality. This has the highest possibility of having a transformational impact on how the City does business.
3. *Public model* – concessionaire (golf-course model). The City maintains the infrastructure but it is managed separately. In other words the City is the wholesaler and the concessionaire is the retailer. This could theoretically lower the operating costs to the City by reducing employee costs. This model could also include multiple concessionaires and the dividing line between where the City operates and where concessionaires operate is flexible (for example: concessionaires could take over running the head end or they could have control later in the pipeline)
4. *Spin-off model* – similar to the former hospital board model. The board would lease the assets from the City and have a full operating, self-perpetuating board.
5. *Sold entirely (divestment) model*

Group discussed that models 1 and 3 (as-is and public) have lots of overlap, and can be picked and parsed or combined in lots of different ways.

Group discussed the desire to add to the Criteria list “minimize impacts on City operations, both to staff roles or operation and to central service fee charges.”

## **7. Next steps/ meeting schedule**

Marsh stated that at the next meeting she would like to work on creating a grid of how the model options lay out with the criteria on a fundamental level.

Rosenthal requested the group also work on a statement of purpose/mission statement. This would be helpful for future groups to analyze how decisions were made and also would help to explain why AFN is important overall. Group agreed this should be added to the next agenda.

The next meetings will be July 15 and July 27, from 3:00 – 5:00 p.m. in the Sikiyou Room.

**8. Adjournment**

Meeting adjourned at 4:56 p.m.

Respectfully submitted,  
Diana Shiplet  
Executive Assistant

AFN Mission – over time

**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.

**Ashland Fiber Network  
Evaluation Criteria  
June 2015**

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

## Evaluation Criteria -- revised

*Any option considered must ...*

1. Provide services that are highly reliable and customer focused.
2. Enable AFN to be nimble in a competitive environment.
3. Be governed by stable, dedicated, and knowledgeable leadership.
4. Be financially viable, able to pay off past debt and justify new investment.
5. Provide residents and existing and prospective businesses with a competitive option that is committed to community benefit.
6. Be resistant to political change or whims.

## Evaluation Criteria -- draft

*Any option considered must ...*

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