

# Ashland Fiber Net Proposals

|   | Open Carrier  | JPR  | Non-profit Spinoff   | Sale   |
|---|---|--|--|--|
| 1. <b>Preserve Competition</b>                | Yes   | Yes  | Yes  | Depends who buys.  |
| 2. <b>Financial Impact on Community</b>       | All citizens of Ashland, except for those exempt for economic reasons, will pay for and receive a base level of Net access and "local TV" (includes major broadcast networks) at below-market rates and provide a base level of TV service. Locally-operated ISPs will continue to provide service, but may lose some customers due to cheaper service available directly from the City.                | JPR would buy and/or lease and maintain core AFN facilities for 20 years. The contract would be irrevocable, but JPR's performance would be reviewed every 5 years.  | City staff has said "Absent profit motive ... rates would remain below current market rates."  | No buyers on the horizon, but value has been appraised at \$8 - \$10 Million, that would be applied to reduce debt (or fund other City spending). Charter, the most often-mentioned buyer, is likely headed for a financial cave-in that could result in a Bankruptcy Judge operating AFN, or the City attempting to buy back the network in competition with "vulture investors." |
| 3. <b>Financial Impact on City</b>            | Eliminates money-losing TV service from AFN's roster of duties. Focuses expense on profitable Internet service, and retains room to turn a profit and/or pay down City debt. The City would transfer some debt service obligations to the new division.   | JPR estimates positive yearly revenues of \$326,000 it will dedicate to paying down the City's debt. The City would pay for network use. No payment for initial acquisition has been proposed. Costs of transferring responsibility from City to JPR not calculated. | The City would remain obliged to repay all existing debt, and would rely upon a new startup to generate revenues. Assuming the spinoff doesn't incur high legal and accounting costs from City Central Services, some savings may be realized. The City will retain ownership of all the hardware, and the spinoff will maintain it. | Quite likely negative, as the City loses AFN revenue, begins paying for access to the network, and continues paying Information Tech expenses that are currently "hidden" as part of AFN.  |
| 4. <b>Citizen access to the System</b>        | Will provide mid-speed Internet access (5X faster than dialup) to all Ashland residents. Will preserve local ISP's as the source for higher-speed services, although some ISPs may lose users who find the City's Internet access adequate and cancel high-speed. The City will seek to provide high-end cable TV services through a local or other vendor, but until then, Charter will be the source. | JPR's stated goal is to maintain state of the art ... data, video and voice service, i.e., the current <i>status quo</i> . Current ISPs would continue their contracts, but no new ISPs will be created.   | The spinoff would use best efforts to ensure provision of data, video and voice services, including telecommunications services except for cell phones.  | At mercy of the market   |
| 5. <b>Public ownership of infrastructure</b>  | Yes   | Transitions to nonprofit management, while nominally retaining ownership.  | Transitions to nonprofit ownership.  | No   |
| 6. <b>Responsiveness to community needs</b>   | Services will be provided by a newly-robust AFN Department, tasked with providing the service in a manner consistent with the City's service-delivery philosophy. Citizens unhappy with the system will have access the the ballot box and the City Council.  | JPR currently has only a small amount of local programming on its radio network. JPR's obligations to the City's population would have to be contractually secured, since its own nonprofit charter does not include providing civic benefit to the City of Ashland. | The spinoff as imagined would be managed by a 5-member Board of Directors, but will have financial and programming interests separate and distinct from the City. The fine print will be extremely important to negotiate, or conflicts of interest could lead to problems.  | Sale to Charter would result in service degradation, if current Charter service is any indication. Charter's largest shareholder, Microsoft chieftain Paul Allen, also owns the Portland Trailblazers, and when push came to shove, he backed out of financial commitments to maintain the Blazers stadium, putting Portland in a bind.  |
| 7. <b>Future financial risk/gain</b>          | Will depend on the amount of debt that the AFN Dept will be required to service, the number of residential and business customers who are added to the rolls,   | Staff estimates that "approximately \$10 Million in net debt would remain, but could decrease in future years."  | Absolutely unpredictable, regardless what anyone says.   | Assuming best case scenario, a cash sale for \$6 Million, the City would be left with \$10 Million in debt and no revenue from AFN to pay it off. In a non-cash sale, if the buyer fails to pay, costs could balloon astronomically as the City tried to work with the buyer and/or reassume management.   |
| 8. <b>Providing needed Community Services</b> | Yes, but citizens who want customer service will have to buy service from a local ISP.  | JPR outsources customer service, but those requiring more hand-holding can use the other ISPs.   | Yes, but the details would have to be worked out. Financial problems at the spinoff could result in disputes with the spinoff about what services it has to provide. Fine print will be crucial.   | Would be a matter of contract. No private entity would have any obligation to provide community service, but rather would be obliged to turn a profit at community expense.  |
| 9. <b>Providing Needed City Services</b>      | Yes   | Only after paying JPR for access to the network.   | Yes, but again, the devil is in the details and the fine print.  | No   |