

The Independence City

INDEPENDENT

Slow and Steady, MINET Makes Headway on Debt

By Anne Scheck

“Gobsmacked.”

That’s the word that Don Patten, general manager of MINET, uses to describe his first days on the job at the company a few years ago, when he discovered that newly borrowed money was being used to pay on previous loans there. “Debt dollars were being used to make debt payments,” he recalled.

Since then, Mr. Patten has addressed, in his words, “a freight train full of issues.” So how’s that freight train now, as Mr. Patten chugs into his fifth year as master of MINET locomotion?

Though there seems to be universal agreement that the company now is more stable than ever before, MINET remains seriously indebted -- despite a dramatic increase to 85% market penetration under Mr. Patten’s leadership. In fact, one observation floated in some city conversations is that MINET, the municipally-owned telecom company, no longer takes two steps back with every step forward. Now it jumps two steps ahead before taking a step back, the saying goes.

If this summer is any guide, the *step-forward-step-back* analogy seems to be fairly accurate. For example, last month, Independence City Councilor Ken Day announced during a council meeting that MINET had netted over \$300,000 *more* in operating income this year compared with the last one, going from \$1.2 million to \$1.53 million. Then, two days later at a MINET Board meeting, Mr. Day was told by company personnel that MINET is unable to pay a “promissory” note of \$290,000 to Independence by the December due date -- a deadline set several years ago.

So, while other board members approved the payment delay, Mr. Day abstained, later explaining that he didn’t want to vote without checking in first with the Independence city staff.

Mr. Patten had asked both cities “not to make MINET a political football.” However, that’s not always been the case. He’s had to contend with some badgering at Independence City Council over the past several years -- one former city council member complained that MINET bailouts take place “year after year,” without

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qualifying that progress on the bottom line was being made.

Monmouth and Independence co-founded MINET with \$16 million debt underwritten by the cities.

Following disclosure by Independence that an estimated 10% of a typical water bill went to pay on MINET debt, water rates became a source of citizen concern. The issue was brought to the forefront two years ago at an Independence City Council meeting. Resident Victoria Kruljac, speaking for neighbors as well as herself, stated that her fellow citizens “would like an accounting for the revenues being collected, compared with the costs of operating the sewer and water systems.”

Under public pressure, a meeting was held last summer to examine water charges. The former economic consultant for Independence, Ray Bartlett, told those who attended the session that he’d have difficulty making a rate forecast due to the “uncertain obligation” of water revenue to MINET debt.

More recently, the city’s newsletter, *River City Briefs*, seemed to take the company to task over a piece of correspondence to its customers, reporting that a MINET letter was “incorrect” and “circulated without us having previewed it for accuracy.” MINET responded by calling the article in *River City Briefs* “unfortunate” in tone. To some, the relationship between the city and MINET seemed troubled.

“I would say our relationship is best characterized as cautiously

optimistic,” countered Independence City Manager David Clyne.

“While we are somewhat impatient to see more progress made to lift the burden from our water customers covering MINET debt shortfalls, we believe MINET is on the right path and making good progress,” he added.

In fact, “the Board is receiving some good outside counseling (consulting) and is paying close attention to it, which has led to significant performance improvement,” according to Mr. Clyne. “That has not always been the case in the past,” he stated.

By the time Mr. Patten arrived, the situation was becoming dire, as described in a report by CCG, the consulting firm to which Mr. Clyne alluded.

MINET was launched amid a rosy forecast a dozen years ago by Monmouth and Independence. Two different consultants reassuringly reported that the company would be profitable at a 30% penetration rate, explained Marilyn Morton, Independence city councilor and MINET employee. As a result, there were some early missteps due to “incorrect or over-inflated information,” she said.

Ten years later, a previous general manager had been put on administrative leave while the cities conducted an operational review. A second general manager seriously under-estimated MINET’s shortfalls.

Like some others at City Council meetings, Ms. Morton has noticed that

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MINET's mistakes of the past are rarely referenced as the major contributor to the current debt. Part of this may be due to the co-ownership by the two cities, which is like being a "bridge" between two places that "gets banged a lot" by the crossing traffic, she said.

In 1998, when the idea of MINET first surfaced, Oregon was a broadband neophyte. The two cities had made repeated requests to the established providers of high-speed data for broadband service. Some areas of Independence still had dial-up. The standard answer to upgrade to faster service was said to be: "We might have service to you by 2016. We'll see."

MINET, with debt that's grown to more than \$26 million in the last several years, has been labeled a "doubtful account" on the books of Monmouth and Independence, both city finance directors confirmed.

The company has trimmed costs and boosted efficiency, but the process has meant cuts to services that dragged the bottom line – cuts that raised some ire among subscribers. Some in the community were disturbed when MINET email was dropped, for instance. But its use had significantly diminished, Ms. Morton said. "It was a perpetual expense," incurring the same cost for 50 email-using customers as for 5,000, she said.

This year, a reduction of nearly \$7,000 monthly will occur from WOU dorms opting out of cable TV, as a result of a student vote to drop it.

Ms. Morton, who joined the company in early 2012, noted that employees once were protective of their


own professional territory, rarely showing the cooperative spirit in evidence now. "It was pretty common then to hear 'That's not *my* job,' " she said.

The culture shifted when Mr. Patten arrived, becoming far more collaborative, she added. Now, for example, "squirrel chews" – the bane of MINET and a chief interrupter of service – are considered a shared customer problem when detected.

Despite cable-TV losses and the plunge in land-line use, "every one of our customers has an increasing need for (more) bandwidth," Mr. Patten said. (See CIVICS LESSON *Cyber-security Woes Hit Small Towns, too.*)

MINET offers more bandwidth per buck than any other operation, he said. That's important because eventually household appliances "from thermostats to refrigerators" will be part of internet service, he said.


So MINET is "looking seriously at expansion" with "very legitimate partners," Mr. Patten said, adding that 2018 is the target date for finalizing and announcing those agreements.

In contrast to the local rumor mill, he has no plans to retire – and, in fact, relishes the chance to show "this astronomical debt" can be beaten down before he heads out the door of his MINET office for the very last time. 

LATE BREAKING


Independence Station has been sold to a local development group, David Clyne announced August 2. Details to come.

The CIVICS LESSON: Cybersecurity Woes Hit Small Towns, Too

The email from Polk County Sheriff Mark Garton seemed like friendly outreach to recipients. “Good morning,” it read. “I just shared an important file with you” so “kindly access” the link. Soon, another email arrived -- advising that the first email shouldn’t be opened. What a rough morning for Sheriff Garton and his staff last November. He’d been hacked. A few weeks ago, the publication “Government Technology” weighed in on incidents like this, and reported they’re far from rare. There’s a growing “rural divide” between public agencies and governments in small communities compared with their urban counterparts. It goes by the name “IT Gap.” Will MINET have one? It doesn’t now, according to the company’s strategic plan, which was released this month and covers 2017 through 2022. Called “Roadmap to the Future,” it states MINET already “delivers the most secure of connections.”  --AS

The INDY HOP: The Civic Leader Who Beat All Other Bean Counters

Soon the Independence Airpark will be abuzz for the solar eclipse: pilots and their families will be swooping in from all over the country for the annual “Fly-in.” But can the sun’s disappearance be any more compelling than last year, when visiting aviators competed to see who could most closely guess the number of mints in jars at one of the booths? The mint-estimating challenge was not won by any of those with planes. The winning answers came from a local longtime volunteer firefighter in Independence -- and current school board member, Steve Moser. The mints proved no match for the calculating mind of Mr. Moser. In a minute -- *Literally! He was timed!* -- Mr. Moser came up with nearly the correct number, off-count by a mere single mint in one jar, and by a couple in the other. Not only did he come closest to the actual amounts, he figured out what many overlooked: That although the jars were shaped differently, they nonetheless contained about the same number of pillow-shaped candies. How did he do it? “It’s all mathematical,” said Mr. Moser, who learned to accurately estimate weight doing paramedic duties for decades in order to predict how much medication to administer in an emergency. “You have to convert pounds to kilograms,” he explained. But switching to a metric equivalent isn’t enough. The medicine -- often expressed in microliters or micrograms -- has to be the right ratio to kilograms of body weight. If all this sounds highly formulaic, it is. Mr. Moser had to estimate how many mints were on the inside of the containers based on what candies could be seen on the outer layer next to the glass. Then he had to quickly add them.

 --AS [*The experiment was designed & conducted by former Independence resident Amelia Scheck at a booth by Trammart Inc., for charitable purposes.*]