

Agency: Commerce, Community and Economic Development

Grants to Named Recipients (AS 37.05.316)

Grant Recipient: Alaska Public Telecommunications, Inc.

Federal Tax ID: 23-7394629

Project Title:

Project Type: Planning and Research

Alaska Public Telecommunications, Inc. - Design/Evaluation Phase for Alaska Public Media Merger

State Funding Requested: \$150,000

House District: Anchorage Areawide (17-32)

Future Funding May Be Requested

Brief Project Description:

APTI-Anchorage, KUAC-Fairbanks and KTOO-Juneau, the public radio and television stations for Alaska's three largest cities and also including the Alaska Public Radio Network and AlaskaOne television service, are designing a proposed merger of operations and need support for technical, legal, regulatory and other due diligence.

Funding Plan:

Total Cost of Project: \$300,000

	<u>Funding Secured</u>		<u>Other Pending Requests</u>		<u>Anticipated Future Need</u>	
	<i>Amount</i>	<i>FY</i>	<i>Amount</i>	<i>FY</i>	<i>Amount</i>	<i>FY</i>
Federal Funds			\$150,000	2010		
Local Funds	\$65,000	2009				
Total	\$65,000		\$150,000			

Explanation of Other Funds:
 The three stations have invested \$65,000 of existing resources to perform a feasibility study of the proposed merger. That study indicated Alaska Public Media has many of the attributes for a successful merger, including engaged, committed station and board leadership; supportive local funders; committed senior staff; a strong, local service vision; and the desire for an open communications strategy focused on transparency and stakeholder input.

Detailed Project Description and Justification:

In summer and fall of 2009, Alaska Public Media (KTOO FM & TV in Juneau, KUAC FM & TV in Fairbanks, and KAKM and KSKA in Anchorage) completed a phase one evaluation/feasibility study of consolidation of operations among the three stations. The evaluation/feasibility study was coordinated by Livingston Associates as the Lead Consultant, in collaboration with Ormedia, the Foraker Group and Public Radio Capital.

The phase one work focused on identifying "vision language" for the effort; interviewing Alaska stakeholders including boards, staff, potential partners and members; developing merger case studies to inform best practices; and developing 10-year station financial projections based on historic and current revenue and expense patterns. The stations funded phase one work from their own resources, at a total cost of \$65,000.

The findings of the phase 1 work indicate:

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\$50,000
 Approved

- Each station continuing to operate at status quo will operate at a deficit by FY2014.
- Stakeholders are generally enthusiastic about the potential of a transformed public media in Alaska through a potential merger.
- There are several functional areas that could potentially show efficiencies through consolidation or collaboration.
- Alaska Public Media has many of the attributes for a successful merger, including engaged, committed station and board leadership; supportive local funders; senior staff that wants to be involved in merger design; a strong, local service vision; and the desire for an open communications strategy focused on transparency and stakeholder input.

In the fall of 2009, the boards of each participating organization passed formal resolutions agreeing to move to phase two, called the "design phase." The resolutions called for an implementation design for approval of the respective licensee organizations. We request funding from the State of Alaska for an 6-month project to allow Alaska Public Media to complete the due diligence necessary for licensee approval, and to engage other potential partners -- including other stations -- in the process.

The elements of the phase two work include:

1. Convene a governance team to direct the work of the management team and advocate for the final votes of the various boards.
2. Create a management team of about 10 senior managers across all disciplines to do the design work, communicate with the governance team and coordinate and incorporate the work of other teams into a plan for implementation. This work will be facilitated by our consultants.
3. Create functional teams to design the work of each department and make recommendations to the management team. Secondary goals of this effort is to start growing teamwork among the groups and to use collaborative technology tools (web meetings, teleconferencing, etc.) as a way to develop distance meeting protocols, habits and culture.
4. Continue to work on financials and operating models – currently, financial modeling has resulted in projections on continuing separate operations, with the three separate projections combined into an aggregate projection. In order for the boards to get a better sense of the potential of a consolidation, the Alaska Public Media manager's group will use the aggregate projection as a basis to analyze the stability of revenue sources and explore potential efficiencies within a combined organization. In this work, we plan to engage an accounting firm to review and authenticate all of our assumptions.
5. Manage communications with staff, board, communities. As the boards get close to decision making, ongoing communication with stakeholder groups will be critical to keep staffs, potential partners/collaborators and communities informed, and continue to stress the mission basis for consolidation.

6. Research and initiate conversations with potential funders – During phase two we will continue conversations with potential Alaska funders and research other potential funders as well.

7. Engage a consulting firm to initiate a branding study to determine how best to brand the various services (radio, TV, web, multicast channels, etc.)

8. Conduct a due diligence effort, including inventories of physical infrastructure, human resources, existing contractual agreements, debt, liabilities, license status, etc.

Design phase activities include the following:

1) Due Diligence

- a. Define initial services to be provided
- b. Review and evaluate possible content distribution methods
- c. Physical infrastructure – Overview, equipment inventory (quality, remaining life, individual station gaps)
- d. People resource – org charts
- e. Commitments – all existing agreements/commitments/debt
- f. Organizational documents – Corporate documents, programming and affiliation agreements, etc.

Scope: Collecting and organizing material

2) Organizational Design/Scenario Planning/Financial Evaluation

- a. Initial review of design/financials – what is possible? What are options? (management group – plus governance group)
- b. Functional Teams meet and make recommendations
- c. Complete scenario reviews including financial implications (management group)
- d. Consult with attorney(s) re: legal documentation needed
- e. Presentation to governance group

Project Timeline:

The project will proceed over the next 6-8 months -- informally and then with increasing professionalism and rigor as funding for specific expertise becomes available. State funds are needed as a match for federal funds and as these become available there will be need for technical, engineering, legal and organizational expertise.

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

Alaska Public Telecommunications, Inc.

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4:32 PM 5/4/2010

Total Project Snapshot Report

FY 2011 Capital Budget

TPS Report 54450v1

Has this project been through a public review process at the local level and is it a community priority? Yes No