

KMHD-FM

Situation Assessment and Recommendation

October 3, 2018

DRAFT

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Question for Board to answer: Should the College renew the license management agreement with Oregon public broadcasting?

In 2008, the College Board of Education made the decision to collaborate with Oregon Public Broadcasting station (OPB) KOPB to take over the management of KMHD. A management agreement was signed in 2009, and the primary broadcast control point and all day-to-day operational functions transferred to OPB.

The management agreement with OPB has an initial term of ten years, which is set to expire August 09, 2019. A one-time automatic five-year renewal is included, and either party must provide notice by February 11, 2019 if they do not wish to renew.

On September 5, 2018, board members were asked to prioritize factors of importance as they relate to KMHD. Following is a summary for all six board members:

RANK ORDER

- 1 Net financial impact
- 1 Benefit to/impact on students
- 2 External relations/perceptions
- 3 Internal relations/perceptions
- 4 Preservation of current programming (jazz)
- 5 Preservation of an asset

Option 1: Renew agreement with OPB

As licensee of KMHD, Mt. Hood Community College, by law and Federal Communications Commission (FCC) regulation, must maintain direct responsibility for the operation, legality and community service of the broadcast channel. This includes oversight of FCC compliance by OPB. Additionally, MHCC retains control of the secondary HD (digital broadcast) channel that serves as a training station for radio broadcasting students in the Integrated Media department.

Financial Impact:

MHCC has historically filled FCC requirements with employees who have responsibilities elsewhere in the college. The full time engineer recently retired, reducing the engineering support costs from \$130,000 to an estimated \$50,000 per year.

The tower rent and broadcast utilities are wholly reimbursed by OPB, as is the liability insurance on the transmitter and tower. Equipment repairs and replacement costs are also reimbursed.

The management agreement provides MHCC with trade advertising time on KMHD, OPB TV and Radio, which can be effective as a marketing tool for college interests and events. The 2017/18 value of this advertising is \$73,872, and the value increases 5% each year. Monthly accounting is received from OPB, and our marketing department works closely with OPB to optimize use of this advertising tool. The FCC does not allow for the licensee to generate a profit through a management agreement, therefore this value may need to be reduced to reflect the College's reduced engineering support costs.

In addition to trade advertising, MHCC receives a cash payment for use of the FCC license, equivalent to 15% of gross underwriting. Amounts listed below:

Amount:	Payment for Fiscal Year Ending:
\$22,365	2017
\$25,470	2016
\$25,230	2015
\$23,155	2014
\$18,523	2013
\$18,612	2012
\$18,000	2011
\$18,000	2010

Estimated net financial impact to College: \$0.

Benefit to students:

The current agreement with OPB reads:

6.5 Joint Affirmative Covenant. OPB and MHCC will use their mutual best efforts to identify ways to enhance their strategic partnership including: (a) linkages to MHCC academic programs such as internships at OPB for students in radio broadcasting, integrated media, business, and marketing and (b) training of OPB employees through MHCC programs and facilities.

MHCC specific internship opportunities have not been offered by OPB; most OPB internships are in journalism, not broadcasting. OPB staff have informed our faculty that MHCC students are not given preferences for internships. Students are well placed with other internship opportunities that provide better career experience than the OPB non-profit radio/television arrangement. An opportunity also exists to strengthen the relationship between KMHD and the College’s music department, however to date; distance from OPB has created a barrier to further developing this relationship.

Integrated Media and co-curricular students continue to have access to KMHD-2 for web-based broadcasting.

External and internal relations and perceptions:

There is a contingent of internal and external stakeholders that believe the College is not getting a “good deal” from its partnership with OPB. Identifying specific issues and renegotiating the contract to address is an option to address concerns. The College president, per the contract, holds a position on the OPB board, which could also be a way to address concerns about the relationship. OPB is pleased with the relationship and the status of KMHD-FM.

Preservation of current programming (jazz):

Discussions with Steve Bass, the CEO of OPB, they have no intent to change the formatting of KMHD from its current jazz format.

Preservation of an asset:

A management agreement with OPB allows the College to retain the radio station license. Contract negotiations and improved communications from the College's marketing department could increase College branding and marketing presence.

Option 2: Terminate agreement with OPB and establish an affiliated non-profit to manage KMHD

Financial Impact:

Significant startup capital would be needed for an affiliated nonprofit to take over the operations of the KMHD-FM license. Funding operations of a separate legal entity with College funds is not allowed.

Before fundraising can begin, an affiliated non-profit would need to be established. This involves identifying at least three board members who will elect a president, secretary, and other officers. College employees may not fill these positions, unless the College can document that it is receiving services from the nonprofit of equivalent value. This works with the Foundation, because the Foundation provides scholarships to the College in exchange for the services College employees perform for the Foundation.

Bylaws must be drafted and approved by the new board, and articles of incorporation must be filed with the state. Establishing the organization is complex and would likely require volunteer time and funds for legal work.

Once the entity is established, fundraising should begin, with a goal of raising enough funds to operate through the transition. Operating expenses in 2008, the last full year the College operated the station, were \$684,000. Full staffing may not be needed right away, but consideration should be had for the fact that OPB is allocating much of these expenses between the 17 radio stations they operate. This estimate includes equipment maintenance and repair costs, but does not account for large equipment replacements that will be needed over the next ten years.

While revenue from memberships and donations will eventually cover most of these costs, the revenue will not be directed to the new organization until it takes over operations, and some donors and corporate sponsors may be lost through the transition.

Estimated net financial impact to College: \$0. Note that it is not feasible to presume incorporation and required fundraising could be done prior to July 1, 2019 handoff from OPB.

Benefit to students:

The benefit to students would be similar to what is currently in place with OPB, except that a new non-profit would be a considerably smaller organization with potentially fewer opportunities.

External and internal relations and perceptions:

This option should not affect internal relations, as establishing and operating the nonprofit should not involve College employees or resources. Realistically, this venture is not likely to launch successfully with a solely volunteer support. Internal and external criticism is likely if the perceived benefits of operating the license under a new nonprofit do not clearly outweigh the benefits of continuing the relationship with OPB.

There is the potential that fundraising for KMHD will detract from funds raised by the Foundation for student scholarships.

Preservation of current programming (jazz):

The College would essentially be entering into an agreement similar to what is in place with OPB. As initially done in the OPB agreement, the College could require specific programming format.

Preservation of an asset:

A management agreement with an affiliated non-profit allows the College to retain the radio station license. If the start-up is not able to facilitate a smooth transition, or does not remain viable, the College may be fined by the Federal Communications Commission, or ultimately end up losing the license.

Option 3: Terminate agreement with OPB and return KMHD to College operations

Financial Impact:

Based on collaborative work with JD Kiggins, an Integrated Media faculty member, annual operating costs are estimated at \$163,000. This includes equipment maintenance and repair costs, but does not account for large equipment replacements that will be needed over the next ten years.

OPB has done an excellent job at obtaining corporate sponsorships, or underwriting. For fiscal year 2017, gross underwriting was nearly \$150,000. OPB also reports membership revenue at \$500,000 per year and development costs to generate this revenue at \$150,000 per year.

Currently, a single ten-second underwriting announcement on KMHD-FM generates between \$15 - \$20 in revenue. While it may take some time to bring in new underwriters, a conservative estimate based on selling 3 ten-second underwriting announcements per hour during weekdays 7am-6pm (most popular listing hours) would generate approximately \$129,000 in revenue. MHCC should also plan to conduct its own membership drive to generate funding. The last membership drive conducted when KMHD was still on campus in 2008 generated roughly \$78,000.

The above cost estimate for integrating KMHD-FM with instruction does not include any development or staff or contracts. If determined that this is within the scope of the College's mission, an investment in development and accounting staff would likely generate at least a portion of the revenue currently collected by OPB. Based on costs of running the MHCC Foundation, the minimum amount needed is estimated at \$206,000 per year.

Additionally, security concerns regarding the open layout of the current broadcasting studio may need to be addressed. When MHCC was last operating the station, volunteers had concerns about the openness of the studio and access to services during evening and weekend shifts. Associated solutions and costs are yet to be determined.

Estimated net financial impact to College: \$369,000, excluding unknown infrastructure & equipment costs, with the potential to fundraise up to \$650,000 per year.

Benefit to students:

This option does not propose to increase the number of students enrolling in the Integrated Media program, but with the District providing oversight of the programming KMHD-FM could be tailored to better engage current and potential students, therefore increasing enrollment campus wide.

The main goal in returning the station to campus operations is to re-align KMHD-FM with the primary mission of Mt. Hood Community College: instruction. The Integrated Media program had 194 students last year and generated 130 FTE. Broadcasting students are not tracked separately, as the program design is to educate students in all industry areas. Students currently operate the KMHD-2 station, which broadcasts on the secondary digital channel of KMHD-FM and follows all FCC rules and regulations. Expanding to the FM broadcast station would include assuming the associated web presence, marketing and events, which would provide all Integrated Media Students with a more comprehensive learning experience. That said, the station would be relying predominately on students, which may result in operations that are less smooth than a staff run operation.

An Occupational Deep Dive report from Burning Glass for the broadcasting occupation identified 25 related jobs in the Portland Metro Service Area, with the majority of jobs paying less than \$35,000 per year. For comparison, there were 3,323 Mechatronics jobs, with a mean salary of \$43,000 per year and 1,293 medical office assistant jobs, with a mean salary of \$40,000 per year during the same time. However, the job outlook is much brighter for related occupations such as Production, Audio & Video Editors and Equipment Technicians and Graphic Design.

External and internal relations and perceptions:

KMHD-FM began broadcasting from the MHCC studios in 1984. Initially, it was intended to help promote college activities and initiatives throughout the district and the wider metro area. However, after the station moved to OBP, the ability to use it as a promotional tool decreased. During our last accreditation visit, we received a recommendation that we look for better ways of engaging our community. KMHD-FM could be instrumental in responding to that recommendation. Bringing the station back under district control would allow MHCC to build a closer bond to the audience. Also, KMHD-FM would allow MHCC to reach a wider listening audience of potential students and other members of the greater metro area, alerting them to events and activities happening on Mt. Hood campuses, and potentially generating enrollment and community engagement. Market-based programming could generate new listeners.

A potential programming format change would affect external community. Current listeners could be upset, but market based programming could generate new listeners.

A significant investment of dollars into the broadcasting instructional and co-curricular programs without an open and competitive process for other programs and students may generate feelings or resentments.

By bringing the FM back under district oversight, MHCC can further develop this asset by engaging underwriters and other community partners to align messaging and underwriting, as well as engage current station members. The goal for the new operation would be to capture listeners in the metro radio audience for both our FM-HD1 station and on the HD2 station, thereby allowing underwriting and development to take place on both programming streams. Currently KMHD has corporate sponsorships and underwriting in place. We would need to strike new agreements with these existing underwriters, as the original terms and agreements will stay with OPB. We also intend to engage new underwriters in our immediate community, which will better align with MHCC's mission and vision.

Preservation of current programming (jazz):

It is likely that the initial programming would mimic current jazz programming, as this would make for the smoothest transition. Future programming decisions would focus on audience engagement, becoming an industry-based part of curriculum and district communications strategy. There is no guarantee the jazz format will continue in the future.

Preservation of an asset:

Bringing the operations of KMHD-FM back and integrating with instructional and co-curricular programming allows the College to retain the radio station license.

The College's marketing department can utilize the station to enhance College branding and marketing presence. When KMHD and Mt. Hood Community College were strongly tied, Mt. Hood was a large part of KMHD as a brand. Bringing KMHD back to campus will reunite the Mt. Hood Community College and KMHD brands.

Given the College's current financial forecast, as the college faces cuts, the program could experience cuts, which could ultimately impact our ability to keep the station on the air, which could result in the FCC taking the station away from us. This option allows the college to sell the license in the future, should they choose not to keep this asset, without having to offer the first right of refusal to another entity.

Appendices: Please see attached portfolio

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