

Budgeting for a FirstNet World



IWCE Session TH11
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Federal Engineering, Inc.
"Unleashing the Power of Technology"



Introductions

- Neil Horden
 - Chief Consultant
 - Federal Engineering, Inc.

- Sanjay Kulkarni
 - VP of Product Management
 - Kodiak: A Motorola Solutions Company

- David Van Workum
 - Application Development Engineer
 - Keysight Technologies

Session Overview

- Key issues and considerations when addressing our financial planning and budgeting for a FirstNet/LTE future
- Addressing infrastructure, network equipment, subscriber units, end user needs, technology, policy and governance
- Explore the business models and economics of migrating from LMR to LTE networks
- Our goal is a highly interactive session

Participant Expectations

- What are your expectations from this session?
- Why are you here?
- What would you like to take away?
- What will be your related responsibility when you leave this room?
- How can we help you do your job?



Where We Are:

- Typical LMR procurement is a long term ownership model with both system and equipment being a Capital Expense
- For most agencies LTE will be a “Service Model” for the system treated as an Operational Expense
 - Either a relatively short term ownership for the subscriber equipment (CapEx or OpEx)
 - Or a lease (OpEx)



CapEx vs. OpEx

- Capital Expenditure (CapEx)
 - An product or system with durable asset value beyond the current budget cycle
- Operational Expense (OpEx)
 - A product or service with a value consumed (or mostly consumed) within the budget cycle

WHY DOES THIS MATTER?

Capital Expenditure (CapEx)

- Capital Expenditure (CapEx)
 - An product or system with durable asset value beyond the current budget cycle
- CapEx is typically addressed as a “one time” expense
- Return from funding is anticipated to be “long term”
- Each cycle funded separately
 - Funding of one cycle does not assure funding of the next
- Funding sources change between cycles
- Next cycle is often not even considered

Operational Expense (OpEx)

- Operational Expense (OpEx)
 - A product or service with a value consumed (or mostly consumed) within the budget cycle
- OpEx is typically addressed as an ongoing expense
- Return form funding is typically exhausted during the funding cycle
- Continuing funding is expected cycle to cycle
 - Funding cycles are usually based off previous cycle
 - Funding is usually expected for the following cycle
 - Funding source may change over time
 - Typically similar between cycles

“System” Costs

- LMR - CapEx Model
 - Higher Initial Cost
 - Long Term Return on Value in Equipment
 - Lower Recurring Costs

- LTE - OpEx Model
 - Higher Recurring Costs
 - Ongoing Value Requires Ongoing Costs
 - Lower Initial Costs

LMR “System” Costs

- Infrastructure procurement and deployment
 - 12 to 25 year cycle
- Infrastructure maintenance and operation
 - Ongoing
- Subscriber procurement and deployment
 - 5 to 15 year cycle
 - Subscriber replacement anticipated
 - Often not “budgeted”
- Subscriber maintenance and operation
 - Ongoing

LTE "System" Costs

- Service/Usage (Infrastructure)
 - Service Agreement
 - Ongoing
- Interface procurement and deployment
 - May be long term
 - Interface maintenance and operation
- Subscriber procurement and deployment
 - 1 to 3 year cycle
 - Subscriber maintenance and operation
 - Subscriber replacement
 - Needs to be planned and budgeted

WHAT TO DO



Planning and Budgeting

- Evaluate your current budget and funding plans
- Look for opportunities to align future budgets and funding to anticipated needs
 - Capital and Operational
- Set reasonable expectations
 - Don't assume LTE will supplant LMR in the short term
 - Don't assume LTE will reduce costs

Q&A - DISCUSSION



Our Panel

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YOUR EXPECTATIONS REVISITED



INTERNATIONAL WIRELESS
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For More Information



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Thank You!!

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