

# *Budgeting for a FirstNet World*



IWCE Session TH11  
March 8, 2018

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  
COMMUNICATIONS EXPO

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# *For More Information*

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***Thank You!!***

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