

Dollars and Sense: Budget Planning and Grant Funding for Public Safety Broadband Networks



IWCE Session M141

March 4, 2019

Introductions

- **Neil Horden**

Chief Consultant
Federal Engineering, Inc.

- **Ashley Schultz**

Grants Development Consultant
GrantsOffice LLC

- **Michael Paddock**

CEO
GrantsOffice LLC

- **Nick Falgiatore, PE, ENP**

Senior Technology Specialist,
Mission Critical Partners

- **Art Katz**

Principal
Katz Law Office, P.C.

Session Overview

- **Key issues and considerations when addressing financial planning, budgeting and grant funding for our Public Safety Broadband Network future**
- **Explore the business models and economics of migrating from LMR to LTE networks**
- **Addressing infrastructure, network equipment, subscriber units, end user needs, funding sources, policy and governance**
- **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**

Even subscriber equipment ends up as a relatively short term ownership proposition

Or as a pure lease



CapEx vs. OpEx

- **Capital Expenditure (CapEx)**

An expenditure with durable asset value beyond the current budget cycle

- **Operational Expense (OpEx)**

An expense 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 from funding is typically exhausted during that 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

Our Panel



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Get Planning for Public Safety Broadband Networks

MARCH 4, 2019

● **Art Katz**

Principal

Katz Law Office, P.C

CAPEX, OPEX, FirstNet, and Procurement of Public Safety Communications Services

Arthur S. Katz

Principal

Katz Law Office, P.C.

akatz@katz-law-office.com

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Q&A - DISCUSSION

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YOUR EXPECTATIONS REVISITED





For More Information

Neil Horden

Chief Consultant

Federal Engineering, Inc.

nhorden@fedeng.com

703-349-5704

Thank You!!

Federal Engineering, Inc.

10560 Arrowhead Drive

Fairfax, VA 22030

703-359-8200

www.fedeng.com

facebook.com/federal.engineering.inc

linkedin.com/company/federal-engineering-inc

