



Oregon State Interoperability Executive Council

February 9, 2006

To: Jeff Johnson, Chair SIEC

From: John Koreski, Chair SIEC Finance Subcommittee

Subject: **SIEC Finance Committee Report and Recommendations**

The attached documents outline the SIEC Finance Committee's financing strategy for the construction and ongoing operations of the Oregon Interoperable Wireless Network. To date the committee's deliberations have resulted in a framework that identifies the various sources of funding for the system of systems. It should be noted that there are still many unknowns with respect to cost of the system (both initial construction and ongoing operations) however, the committee felt it was best to get the endorsement of the full SIEC for the financing strategy based on the best available information before proceeding further.

The goal as outlined in the SIEC Finance Committee charter stated that the committee was to "Create a capital financing strategy/plan (or a series of alternative plans) that will satisfy the debt service requirements for construction of an interoperable statewide public safety communication network (infrastructure and radio system investments)." Further in the objectives section the charter indicates that the committee is also responsible for determining a financing strategy for ongoing operations. The pages contained in this packet describe that strategy. The attached documents include:

1. A narrative description of the financing strategy and rational for the approach.
2. A chart outlining each segment of the strategy, rough estimate of expected dollars, work that is yet to be done to implement the specific segment, and who would be responsible for completing the task.
3. A timeline for getting this strategy through the legislative process.
4. Reports showing two scenarios for issuance of COP's and debt service payback.
5. Governor Kulongoski's letter to the Oregon Congressional Delegation.

We ask that you review each of these documents to prepare for discussion at the February 14 SIEC meeting regarding this strategy. The intent is to review and discuss at the February meeting and seek adoption of the Finance Committee's recommendations at the March meeting. The Finance Committee is bringing forward the following recommendation for consideration:

1. Approval of the OWIN financing strategy
2. Approval to move forward with the implementation of the strategy including all activities necessary to secure this funding strategy in the Governor's 07/09 budget.
3. Acknowledgement that the chair of the committee will move from John Koreski to Clark Seely.

If you should have any questions please feel free to contact me at 503-945-9017 or Steve Marks at 503-871-7149. Thank you for your consideration and I look forward to our discussion on the 14th.



Oregon State Interoperability Executive Council

January 31, 2006

To: The State Interoperability Executive Council

From: SIEC Finance Committee

Finance Committee Report on Public Safety Communications System Finance Strategy

SIEC Finance Committee Charter

The SIEC Finance Committee was chartered to identify a range of options to finance statewide infrastructure improvements estimated at \$500 million for the planning, design, engineering and construction of an interoperable statewide public safety communications network.

Further, the Committee was charged with achieving a series of objectives, including:

- ⇒ In conjunction with DAS, obtaining a range of cost estimates for satisfying the debt service on certificates of participation (COP)
- ⇒ Identifying potential federal, tribal, state, and local revenue sources that could be made available to finance the debt service
- ⇒ Recommending financing strategies to the Oregon SIEC

Legislative Direction

Under HB 2101, the Legislature charged Oregon Emergency Management (OEM) with recommending “one or more” proposals to finance a Public Safety Infrastructure Replacement Plan. The SIEC Finance Committee is committed to assist OEM in developing finance proposals to meet the Legislative declaration of House Bill 2001:

It is the policy of the State of Oregon: to develop, finance, maintain and operate a single emergency response wireless communications infrastructure that supports both the communications needs of all state agencies and ensures communications interoperability among all state, local, tribal and federal public safety agencies, thereby maximizing shared use of this invaluable public asset.

HB 2101, 73rd Oregon Legislative Assembly, 2005 Regular Session

SIEC Policy on OWIN Finance **Adopted November 15, 2005**

The SIEC adopted a financial policy to guide the work of the SIEC Finance Committee and to frame the finance issues from a statewide perspective.

The State Interoperability Executive Council has adopted a system of systems approach to the implementation of the Oregon Wireless Interoperability Network (OWIN). This network will ultimately provide common telecommunication connectivity throughout the state of Oregon. The first essential step in reaching this nationally endorsed goal is to build-out the primary system backbone. The successful completion of the system backbone will allow for the integration of local government systems through the coordinated installation of compatible gateways.

The system-of-systems approach to this statewide mission can only be effective if stable, renewable financing plan can be developed to initiate and maintain the network for all participating entities. While the state will assume the majority of costs not covered by federal funding, it is clear additional financial contributions, at a level proportionate with the value provided, will be necessary at all levels of government (county, city, tribal, special districts).

It is expected local financial obligations will be voluntary with regard to local funding sources, and in no way will local or tribal governments be mandated to expend resources. However, the willing financial contribution of local government is essential to project success and the viability of OWIN over time.

To that end, the state and local partners on the SIEC's Finance Committee shall devise and recommend a financing model that will support the OWIN project and appropriately establish a framework for allocations of project and ongoing operational costs. This will include the direct expectation of state and local financial commitments, and potentially mutual support for creation of an ongoing revenue source to finance operations and service for the network.

The financial partnership established through the SIEC shall reconfigure the distribution of federal grant funds for interoperability in Oregon and make support of OWIN the primary focus of state and local distributions. Future allocations of these funds should directly support statewide interoperability by advancing the local improvements necessary to integrate local systems with the OWIN system.

The SIEC Partnership Committee has the primary responsibility of ensuring enhanced communications between the SIEC and its partner organizations as this project moves toward a 2007 implementation date.

*As Proposed by the Finance Committee, Amended and Approved by the SIEC on
November 15, 2005*

Overview of Research on State Financing of Public Safety Communications Systems

Most public safety wireless networks across the nation are funded through some combination of federal, state, and local government funding strategies. In the past decade, most state funding strategies have incorporated some form of bonding and subsequent debt service for construction but also include the following:

- ⇒ Federal Grants and/or earmarks (e.g. Alaska, Montana, New Hampshire, New Jersey, North Carolina, North Dakota),
- ⇒ Budget Appropriations (e.g. Arkansas, Colorado, Maine, Pennsylvania),
- ⇒ User fees, Targeted Taxes (e.g. Arizona, Florida, Illinois),
- ⇒ Bonds (e.g. Arizona, Louisiana, Michigan and Virginia),

- ⇒ Certificates of Participation and Transportation/Highway funds (Massachusetts, Nevada, Wyoming, etc), and
- ⇒ 911 and E-911 Surcharges (e.g. Minnesota Metro, New York, Virginia).

Once these networks are constructed and/or system upgrades are paid for, states typically have dedicated targeted taxes, user fee, or surcharge revenues to fund the ongoing operations and maintenance, and system replacement.

The most recent example of funding via a phone related tax/surcharge is found in the State of New York. New York is using a “State Wireless Communications Service Surcharge” to finance their \$2 billion investment in interoperable public safety communications.

Recommendation

The SIEC Finance Committee recommends to the SIEC adoption of the attached financial strategy on construction and operations for the development of the Oregon Wireless Interoperability Network (OWIN).

There are two basic strategies: 1) Construction, financed by the State of Oregon and federal resources equally, and; 2) Operations, financed principally by subscribers but inclusive of State of Oregon finances in the area of public safety (radio owning agencies).

Construction

Consistent with the Governor’s letter sent to the Oregon Congressional Delegation, the SIEC Finance Committee is recommending that the federal government share equally in the cost of construction. However, the committee is recommending that the State of Oregon position itself to finance, through certificates of participation (COP), all financing necessary for construction in the 2007- 2009 budget period so we can move forward at the pace necessary to meet Federal Communications Commission (FCC) requirements.

Securing federal financing is essential to the success of this strategy. Federal financing through formula funds, earmarks, and special allocations can offset sales of COPs by the State of Oregon and this objective will require a multi-year effort; with a recent briefing of Congressional delegation staff, this effort is just beginning.

It is the committee’s expectation that the work of the governor, legislature, and the SIEC, in collaboration with the congressional delegation, will result in tangible federal financing opportunities that will significantly contribute to the construction of OWIN. At the same time, the committee does not underestimate this task; for perspective, if the federal investment over the next eight years were made in cash as opposed to debt participation the federal government’s obligation would be approximately \$32 million per year (assuming the federal share of the system construction expense is \$250 million).

Current OWIN construction costs are estimated at about \$500 million. This estimate assumes wholesale replacement of nearly all of the state agency owned communication sites currently in operation across the state. The OWIN design and engineering study now underway will produce a detailed cost estimates for the system in the fall of 2006, as the contractor’s work on the conceptual design, business case and implementation plan is finalized. The strategy anticipates this variability of cost and can be adjusted on the state and federal level to reflect refined cost estimates.

As the most readily accessible funding source for paying off debt, the Finance Committee is recommending a public safety communication surcharge on wired and wireless phones as one option. There is a direct connection between the benefit of the OWIN system to the Oregon public both in terms of safety and to help meet the public's need for greater wireless communications access. Phones are a "common denominator" as they are widely owned by the public and, to a significant degree, generate the need for public safety agency migration to narrow band communications. Though FCC policy is driving public safety investments in narrow banding communications technology and digital infrastructure, and increasing costs for public safety agencies, the overall FCC policy is benefiting the public by making more spectrums available for wireless devices and high-definition signal transmission.

The committee recognizes the similarity of this recommendation to the current 911 system funding stream. To be clear, it is not the intention of the Finance Committee to detract from or jeopardize the current 911 system funding stream. The committee recognizes and supports sustained funding for the 911 system as it is critical for effective public safety response to criminal and life threatening emergencies. This recommendation concerns critical funding for a distinct and separate public purpose.

The public safety communication surcharge is one construction finance concept. However, the Finance Committee is mindful that other options should be reviewed as ideas are presented and seeks suggestions that augment or propose alternative methods of generating the necessary revenue to pay for OWIN construction. For instance, another construction finance concept that will be reviewed and developed by the SIEC Finance Committee is the feasibility of a utility bill surcharge; the use of lottery funds will also be explored. The committee stands ready to pursue and develop the feasibility of proposed concepts.

Operations

In concept, the Finance Committee believes that users of OWIN should equitably pay for operations of the system, and that the economies of scale and efficiencies OWIN will provide are high-value reasons for public agencies across Oregon to choose to be a part of a consolidated communications infrastructure.

Many of the long term costs of operations, maintenance, and replacement of the OWIN system are unknown. However, the process of estimating the operational cost for the next three biennial budgets is underway. By June of 2006 it is possible to have a good estimation of the operational budget required for the 2007-09 budget and to build a projected, full operations budget for 2009-2013 based on an agency size of 50 technicians and managers (plus supplies, equipment, rent, etc.). This is a critical estimate that will allow us to determine a projected subscription fee level. The other critical area for development of the subscription fee is to understand how many subscribers will be a part of the system. The current method the Finance Committee is recommending is the same as used by the Oregon Department of Forestry (ODOF). The ODOF finance formula includes operations, maintenance and replacement.

Since the SIEC's goal is to provide interoperability, the committee's recommendation is to include an assumption that subscription fees/charges for system use/costs will be born by all Oregon public safety agencies (keeping in mind that non-state agency use of and payment for the system will occur on a voluntary basis). This high-level of connection to the system will be a function of the actual rates charge – if the subscription fee is excessive this assumption will not hold.

It is the goal of the Finance Committee to insure that the subscriber rate is a competitive value for local subscribers. This is a critical consideration for the SIEC, as our financial policy must incent broad adoption of the system to achieve our interoperability objectives for the state as a whole.

After a preliminary rate is estimated it is our recommendation that it be reviewed by all SIEC public safety partners to help determine the acceptability of the rate. If the preliminary rate is found to be too high, the Finance Committee will consider the elimination of system "replacement" from the method of

finance. However, the Finance Committee believes the financing of replacement infrastructure is essential to insure long term effectiveness. As we have learned in the past, not addressing replacement simply rolls-up a higher bill in the future as a result of “deferred maintenance”.

Should “replacement” infrastructure not be included in the operational method of finance, the committee may recommend that the SIEC consider making it a part of the Public Safety Communications Surcharge (phone service). One way to do this would be to set the surcharge as a permanent surcharge. The complexities of matching the rate of surcharge to the various debt levels and replacement needs are beyond the scope of our current recommendation, but it is clearly possible to create estimates that would account for these various costs over the next 20 years.

Conclusions

The SIEC Finance Committee will continue to pursue innovative and equitable methods of financing construction and operation of the OWIN system. While the committee recognizes that the legislature may dedicate General Funds to this project, it is committed to produce options for the legislature to consider. The committee believes that some form of phone related tax or surcharge must be included as one core alternative funding strategy and is committed to produce a utility surcharge option as another core alternative in the list of options.

Over the next few months, the Finance Committee will embark on an intensive examination related to operations, maintenance and system replacement financing. This examination will include an analysis of how fees are charged to user organizations and opportunities to derive revenues from potential sharing of space on state owned towers by private sector entities. This will be done recognizing that certificate of participation financing currently requires state ownership and that COP financing places limitations on commercial use of assets financed by this debt instrument.

A stable finance base for the OWIN project and interoperable public safety communications is essential to the effectiveness of these systems to protect the safety and property of the public. The SIEC Finance Committee is determined to explore any viable revenue generation opportunity that allows for an appropriate and equitable distribution of system construction, operation, maintenance, support, and replacement costs.

The SIEC Finance Committee appreciates the opportunity to submit this report for review, and looks forward to continuing its work to refine and develop recommendations for the SIEC; the committee stands ready to develop this work at the direction of the SIEC. The committee anticipates that the SIEC will desire to seek broad public and interested party review of this work prior to adoption and acceptance of this report. Providing the opportunity for input will be constructive to successful meeting the objectives of the Finance Committee Charter and will strengthen the final recommendations of the SIEC to the OEM Director, governor and legislature at the conclusion of this effort to develop a way to pay for construction and operation of the OWIN system.

Oregon Wireless Interoperability Network Financing Strategy

Construction – Financed 100% through Federal and State dollars.

Funding Source	Dollars	Next Steps	Assigned To	Due Date
Federal Participation	\$250 million	Continue conversations with Congressional Delegation. Secure earmark for initial Gap project	Steve Marks	Oct 2006
COP/Public Safety Communications Surcharge (note: this surcharge is considered separate and distinct from existing E-911 financing. The establishment of a additional cell phone charge to support OWIN construction can not in anyway jeopardize the continuance of the E-911 surcharge.)	\$250 million	Settle on total COP issuance based on cost identified in engineering study, amount of transportation funding available, forestry funding available for system construction. Assess risk of pursuing a Public Safety Communications Surcharge on cell phones and determine is another fee strategy is more appropriate. Recalculate Public Safety Communications Surcharge. Match rate to projected cost of the system based on the engineering study.	COP recalc – Mark Miedema Determine ODOT and Forestry Funding – Linda Gilbert Recalculate surcharge and seek policy approval – Steve Marks Engineering study – Don Pfohl	July 2006
Transportation funding to offset debt service of \$250 million (Constitutional requirement)COP issuance	\$70 million * * amount is for planning purposes only	Work with Transportation Commission to approve funding, determine what portions can be dedicated to backbone costs	ODOT	March 2006

On going operation – Financed through user assessment using a standard rate model.

Funding Source	Dollars	Next Steps	Assigned To	Due By
<p>Option 1</p> <p>Rate structure – all operational costs. Preliminary rate is based on 100% utilization.</p>	<p>Not yet determined</p>	<p>Calculate total cost of operation including replacement cost. Come up with total subscriber number. Determine most equitable cost per user (e.g. per radio, per connection to the backbone)</p>	<p>Operational cost – Budget Linda Gilbert, Engineering Study Don Pfohl</p> <p>Total number of subscribers – Steve Marks</p> <p>Per user cost for rate calc – SIEC Finance Committee</p>	<p>Oct 2006</p>
<p>Option 2</p> <p>Rate structure – staffing cost only, equipment and building replacement funding by fee established above.</p>	<p>Not yet determined</p>	<p>In addition to Option 1</p> <p>Identify best approach to funding replacements (e.g. continue surcharge, use overage generated in COP payback)</p>	<p>SIEC Finance Committee</p>	<p>Oct 2006 (conditional based on decisions about option one)</p>



Oregon State Interoperability Executive Council

January 31, 2006

To: The State Interoperability Executive Council

From: SIEC Finance Committee

Finance Committee Report on Public Safety Communications System Finance Timeline

This timeline is intended to provide a general framework for the work and completion points for successfully developing finance proposals for the Governor and legislatures' consideration. Importantly, the process relies on cost estimates and assumptions developed by the SIEC Finance Committee and DAS. *These initial estimates of cost will be modified by the Federal Engineering cost estimates provided to the state on October 13, 2006 with final estimates by October 31, 2006.*

It does not include, nor preclude, the development of other financial strategies and opportunities that may develop during this time period. It is intended to reflect the work required to accomplish the financial strategies for construction and operations (maintenance/replacement) of the OWIN system.

This timeline may adapt to our actual experience in developing the financial frameworks required by adoption of the Financial Committee strategy. Since the cost of the operation of the system is yet not known, and will always be a projection of estimated cost, it is our expectation that this will drive further refinement of how charges will be made for the system.

It is the goal of the Finance Committee to insure that the subscriber rate is a competitive value for local subscribers. This is a critical consideration of for the SIEC, as the financial policy must provide incentive to broad adoption of the system to achieve our interoperability objectives for the state as a whole

Financial timeline attached.

Oregon Wireless Interoperable Communications (OWIN) finance timeline

January 2006

SIEC Finance Committee approval of operations and construction financial strategy (per charter of the Finance Committee)

February

SIEC review of financial strategy

- Identify potential legislation required to carry out financial strategy
- Work with Congressional Delegation to identify finance opportunities (financing gap proposal)

March

SIEC approval of strategy

Legislative Concepts submitted to Department of Administrative Services

April/May

Budget Development (Finance Committee oversight)

- 07-09, 09-011, 011-013 estimated budgets developed
- COP debt service model refined and alternatives considered
- Current state system users identified along with number of devices (identification of potential subscribers and any costs charged to users)
- Universe of potential local, federal, tribal, private sector subscribers identified
- Work with delegation on federal finance

June

Develop estimated rate for subscribers (General calculation is 2013 budget divided by subscribers)

July/September

Review period for setting of the rate structure by local partners and for COP financial strategy (SIEC Partnership Committee)

- Executive and legislative review and assessment

October

Modification of financial strategy by SIEC Finance Committee, approval by SIEC

- Strategy matched to final cost estimates of the design engineering study

November

Cost figures available for inclusion in the Governor's recommended budget and for reporting to the Legislature, (for dissemination to SIEC Partners)

- Revision of proposed legislation
- Review progress on Federal Financing

November/December

Outreach/Cost Refinement phase in preparation for legislative session

Legislation Finalized for introduction

January 2007

Introduction of legislation and report to the legislature

January 31, 2006

Oregon Wireless Interoperability Network (OWIN) Microwave & Radio System Financing

Three Stage Funding, \$500 Million Project

	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Sept 2007 Sale															
10 Yr Debt	3,338,053	14,777,090	14,776,050	14,774,825	14,774,460	14,776,100	14,776,460	14,778,070	14,778,468	14,786,873	6,986,288	6,986,853	6,986,093	6,987,178	6,988,090
15 Yr Debt	2,316,812	6,985,218	6,983,328	6,987,060	6,987,960	6,983,355	6,984,155	6,986,005	6,985,473	6,985,928	1,592,836	1,590,860	1,592,000	1,590,925	1,592,575
30 Yr Debt	843,502	1,590,253	1,592,578	1,593,458	1,592,670	1,590,465	1,591,985	1,592,140	1,590,678	1,592,993	1,592,836	1,590,860	1,592,000	1,590,925	1,592,575
Sept 2008 Sale															
10 Yr Debt			10,068,550	10,066,198	10,069,108	10,066,868	10,067,933	10,066,155	10,067,835	10,069,410	10,064,805	10,065,165	10,070,475	3,150,920	3,148,553
15 Yr Debt			3,149,652	3,150,478	3,152,173	3,152,540	3,150,590	3,151,965	3,152,005	3,151,110	3,147,898	3,148,848	3,149,090	3,178,039	3,173,543
30 Yr Debt			1,978,945	1,977,023	1,981,228	1,978,590	1,979,010	1,977,620	1,979,580	1,979,835	1,978,070	1,979,765	1,978,468	1,979,950	1,978,875
May 2010 Sale															
10 Yr Debt				5,124,793	13,944,974	13,943,610	13,945,894	13,944,553	13,943,165	13,945,428	13,943,360	13,943,500	13,945,493	13,948,399	3,173,543
15 Yr Debt				1,680,895	3,174,330	3,176,585	3,175,816	3,177,553	3,176,523	3,173,488	3,173,768	3,176,616	3,178,983	3,178,039	1,780,228
30 Yr Debt				1,441,510	1,780,559	1,777,885	1,778,085	1,781,730	1,778,636	1,779,020	1,777,918	1,780,148	1,780,658	1,779,125	1,780,228
Annual DS	6,498,367	23,382,550	38,549,102	46,775,248	57,457,460	57,445,878	57,449,888	57,455,750	57,452,361	57,463,073	42,664,933	42,671,814	42,679,258	32,614,535	18,661,863

Emergency Communication Interoperability fee to pay COP debt service at the \$500 million cost level

Feemonth/device necessary to pay debt service	\$0.138	\$0.495	\$0.818	\$0.992	\$1.219	\$1.218	\$1.219	\$1.219	\$1.219	\$1.219	\$1.219	\$0.905	\$0.905	\$0.905	\$0.692	\$0.395
Fee rate at	\$1.21	28,524,540	57,049,080	57,049,080	57,049,080	57,049,080	57,049,080	57,049,080	57,049,080	57,049,080	57,049,080	57,049,080	57,049,080	57,049,080	57,049,080	57,049,080
Fee collected in excess of debt service - to replacement reserve	22,026,173	55,722,703	74,222,682	84,496,514	84,088,134	83,691,337	83,290,529	82,893,819	82,490,538	82,086,545	96,450,693	110,827,959	125,197,782	149,632,327	168,019,544	

For the first year of the fee, July 1, 2007 to June 30, 2008, I've assumed that the tax would not be effective until Jan 1, 2009

A fee of 1.03/month/device (capable of dialing for emergency services) is the floor to cover debt service through 2017 with tax dollars collected

Oregon Wireless Interoperability Network (OWIN) Microwave & Radio System Financing

Three Stage Funding, \$250 Million Project

	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Sept 2007 Sale															
10 Yr Debt	522,845	2,314,268	2,314,598	2,313,613	2,314,965	2,314,520	2,312,640	2,314,785	2,314,290	2,317,700	6,986,288	6,986,893	6,986,063	6,987,178	6,988,090
15 Yr Debt	2,316,812	6,985,218	6,983,328	6,987,060	6,987,960	6,983,355	6,984,155	6,986,005	6,985,473	6,985,928	6,986,288	6,986,893	6,986,063	6,987,178	6,988,090
30 Yr Debt	843,502	1,590,253	1,592,578	1,593,468	1,592,670	1,590,465	1,591,985	1,592,140	1,590,678	1,592,963	1,592,838	1,590,860	1,592,000	1,590,925	1,592,575
Sept 2009 Sale															
10 Yr Debt			1,579,323	1,578,965	1,580,355	1,577,610	1,579,995	1,577,915	1,576,755	1,576,730	1,576,838	1,582,988	1,581,750	3,150,920	3,148,553
15 Yr Debt			3,149,652	3,150,478	3,152,173	3,152,640	3,150,550	3,151,965	3,152,005	3,151,110	3,147,888	3,148,848	3,149,050	3,150,920	3,148,553
30 Yr Debt			1,978,945	1,977,023	1,981,228	1,978,590	1,979,010	1,977,620	1,975,580	1,975,835	1,978,070	1,979,765	1,978,468	1,979,950	1,978,875
May 2010 Sale															
10 Yr Debt				802,588	2,183,351	2,185,645	2,185,635	2,183,829	2,184,968	2,184,613	2,183,140	2,180,074	2,180,338	2,186,978	
15 Yr Debt				1,660,895	3,174,330	3,176,565	3,175,816	3,177,553	3,176,523	3,173,488	3,173,768	3,176,616	3,176,683	3,178,039	3,173,543
30 Yr Debt				1,441,510	1,780,559	1,777,685	1,778,085	1,781,730	1,778,636	1,779,020	1,777,918	1,780,148	1,780,659	1,779,125	1,780,228
Annual DS	3,663,198	10,889,738	17,598,423	21,505,598	24,747,590	24,737,075	24,737,871	24,743,541	24,738,906	24,741,405	22,416,745	22,426,150	22,425,378	20,853,114	18,661,863

Emergency Communication Interoperability fee to pay COP debt service at the \$250 million cost level

Fee/month/voice necessary to pay debt service	\$0.078	\$0.231	\$0.373	\$0.456	\$0.525	\$0.525	\$0.525	\$0.525	\$0.525	\$0.525	\$0.525	\$0.475	\$0.476	\$0.476	\$0.442	\$0.396
Fee rate at	\$0.52	12,259,480	24,516,960	24,516,960	24,516,960	24,516,960	24,516,960	24,516,960	24,516,960	24,516,960	24,516,960	24,516,960	24,516,960	24,516,960	24,516,960	24,516,960
Fee collected in excess of debt service - to replacement reserve	8,575,322	22,202,544	29,121,082	32,132,444	31,901,814	31,681,699	31,460,788	31,234,207	31,012,260	30,787,815	32,888,030	34,978,800	37,070,363	40,734,229	46,559,327	

For the first year of the fee, July 1, 2007 to June 30, 2008, I've assumed that the tax would not be effective until Jan 1, 2008
 A fee of .46/month/voice (capable of dialing for emergency service) is the floor to cover debt service through 2020 with tax colliers collected
 Federal dollars would be allocated to purchasing the portable and mobile radios for the system.



THEODORE R. KULONGOSKI
GOVERNOR

January 4, 2006

The Honorable Ron Wyden
516 Hart
Senate Office Bldg.
Washington, D.C. 20510

Dear Senator Wyden:

I am writing to seek your assistance in modernizing Oregon's state and local public safety communication systems. Currently, Oregon's public safety communication systems compromise first responders' ability to protect the lives and property of the public.

Addressing this communication deficit is the top public safety priority facing Oregon today. I want to take this opportunity to make you keenly aware of the actions we together will have to take to put in place a new public safety communications system that will allow ubiquitous communications throughout Oregon.

I hope to work with you and the entire federal delegation in a coordinated effort to finance needed replacement of our major public safety communications infrastructure in Oregon to remedy this problem. *It will be both a complex task and a very expensive endeavor – current cost estimates hit the \$500 million range.*

Fortunately, the State Interoperability Executive Council (SIEC) and the State Wireless Infrastructure Investment Group (SWIIG) have been working diligently to develop a plan for achieving public safety communications interoperability throughout the state. We are well on the way to having the engineering specifications for a consolidated state digital microwave backbone network. This primary communications infrastructure will enable connections between radio systems at the federal, state, tribal, and local levels. It is a strategy referred to as "system of systems." Essentially, we will utilize and connect available infrastructure into a coordinated communication network.

Importantly, the 2005 Oregon Legislature affirmed this work with passage of House Bill 2101. I was pleased that the legislature recognized the critical nature of this work and the benefit it will bring to our ability to protect citizens and their property. This issue is the right one for a strong bipartisan effort by all public officials who have to assume responsibility for public safety.

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House Bill 2101 establishes that an Infrastructure Replacement Plan and finance proposals be presented to the 2007 Oregon Legislature for approval. This advancing timeline will put Oregon within reach of meeting Federal Communication Commission (FCC) timelines for public safety radio system narrow-banding by 2013. I want to be clear about my thinking on this priority – Oregon needs to take this step for protection of the public and for protection of our economy. The policy of the State of Oregon in House Bill 2101 calls on us to meet the FCC deadline rather than avoid or defer action. We must take this action not because the FCC has required it, but because it is the right thing to do.

This is not a “business as usual” request of you; this is an urgent priority for our state and I hope you and the entire Oregon Delegation will work with me to develop a seamless strategy to advance a new public safety communications system for Oregon. To give you a perspective of the scope of this enterprise, this project will easily be the largest technology project that the State of Oregon has undertaken by several magnitudes.

Given the financial resources of our state, there will be a heavy burden on you and the entire delegation to secure substantial federal funds for this project, some \$250 million, which we can depend on over the lifetime of the project to service the debt.

The State of Oregon can and will do its part to develop a strategy and plan to finance a corresponding sum within the state. Such a strategy must not only include the cost of replacing infrastructure, but operating and maintaining the new system.

To this end, my office is coordinating a briefing opportunity for your staff on January 26, 2006 at 10:00 AM PST. We will hold the briefing in my office at the State Capitol and provide access to a conference call. It is my hope that we create, between now and early next year, a joint and coordinated federal finance strategy that will produce results for Oregon when the federal budget for 2006 is finalized by Congress. I have asked Marla Rae to assist with coordinating additional details around the briefing. Your staff can reach Marla in Salem at (503) 371-1866.

I hope a representative of your staff is able to join us. I am focused on making sure your staff and the staff of my office and state agencies are unified in understanding the project and the objectives for this effort. All of us have critical roles to play to ensure this is successful for the citizens of Oregon.

During the meeting your staff will be presented with:

- A. The SIEC Strategic Plan
- B. House Bill 2101
- C. The printed slides of a PowerPoint overview on the conceptual system architecture and design

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- D. The Request for Proposal for System Design and Engineering
- E. Documentation of a recent request for funding provided to the legislative Emergency Board
- F. Copies of SIEC brochures about interoperability in Oregon
- G. Key Contacts within my office and state government

In advance of the meeting, additional information is available at <http://www.oregon.gov/SIEC/index.shtml>.

This critical project has broad bipartisan support, and our collective efforts will, dollar for dollar, help alleviate a high financial burden on Oregon taxpayers.

Thank you for your time and attention to this matter.

Sincerely,



THEODORE R. KULONGOSKI
Governor

TRK:pc:asm

c: Chief Jeff Johnson, Tualatin Valley Fire and Rescue

Ken Murphy, Deputy Director, Emergency, Oregon Office of Homeland Security

Marla Rae, Chair, Oregon Department of Fish and Wildlife Commission

Beverlee Stillwell, Director, Oregon Office of Homeland Security