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**REPORT TO THE GOVERNOR AND THE
LEGISLATURE ON COST ALLOCATION,
COST APPORTIONMENT AND USER FEES**

February, 2005

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Metropolitan Radio Board

REPORT TO THE GOVERNOR AND THE LEGISLATURE ON COST ALLOCATION, COST APPORTIONMENT AND USER FEES

I. Background

Laws of 2004, Chapter 201, Section 21 requires the Metropolitan Radio Board to submit to the governor and the legislature a detailed report on the following:

- (1) Allocation of operating costs, as provided for in M.S. 403.31, subdivision 1;
- (2) Cost apportionment, as provided for in M.S. 403.23, subdivision 8, including the costs of additional participants; and
- (3) User Fees, as provided for in M.S. 403.23, subdivision 19.

The law further states that "the report shall provide a detailed accounting of system infrastructure costs, operating costs, and maintenance costs to be apportioned among the backbone, regional improvements to the backbone, and subsystems, with a discussion of alternative methods of apportioning those costs among users and new participants. The report shall outline the current status of the allocation of operating costs, cost apportionment, and user fees and how the board anticipates dealing with those items before July 1, 2006, and how those items will be addressed once local enhancements are substantially completed." This document was prepared and is respectfully submitted in response to that requirement.

It should be noted that the Board is currently in the process of studying cost allocation formulas, but has not yet finished its study at this time, nor has it made recommendations. This report must be considered a progress report rather than a final agreed-upon recommendation. Such a recommendation is expected prior to the end of the current 2005 legislative session.

It should also be noted that the 2004 legislature extended the Board's existence to June 30, 2006. In previous law the Board was set to sunset on June 30, 2004. Subsequent to the passage of the two year extension, the Board made a written commitment to the Governor that it would attempt to wind up its activities a year earlier than required by the legislation. A task force consisting of members of both the Metropolitan Radio Board and the Metropolitan 911 Board was appointed to explore the possibility of merging these two boards into a single joint powers board. This task force is currently meeting regularly in order to determine whether a merger will be recommended to the respective boards and to draft a new joint powers agreement that would facilitate such a merger.

The Metropolitan Radio Board's Cost Allocation Authority

The Board's authority for cost allocation and apportionment is addressed in two separate sections of the statutes.

M.S. 403.31 deals with operating costs and says, "The current costs of the board in implementing the region-wide public safety radio communication plan system and the first and second phase systems shall be allocated among and paid by the following users, all in accordance with the region-wide public safety radio system communication plan adopted by the board:

- (1) The state of Minnesota for its operations using the system in the metropolitan counties;
- (2) All local government units using the system; and
- (3) Other eligible users of the system"

M.S. 403.23 deals with cost apportionment and says, "The board shall determine how capital, operating, and administrative costs of the first phase system will be spread across users of the region-wide public safety radio communication system, including costs for additional participants.

The Board's specific authority to collect user fees is granted by M.S. 403.23 subdivision 19. It says, "In accordance with the plan authorized in subdivision 2, the board may establish and impose user fees on entities using the first phase system to cover the board's costs of implementing the plan and the costs of operating the first phase system in the metropolitan area. The Metropolitan Council will collect the user fees."

Capital Financing of First Phase Construction

The First Phase of the system consists of a "backbone" of sites strategically located throughout a nine-county area that includes the 7-county metropolitan area and Isanti and Chisago Counties. The two northern counties were included because they are part of the State Patrol's metro district.

The sites are linked together by microwave and each contains a variety of antennas and a building or a room housing radio equipment. Some sites were built as part of an existing structure, such as a water tower or at the top of a tall building. Others were built from scratch where an acceptable existing structure was unavailable. Some of the sites are owned by the state or a local unit of government; others are leased on a long term basis.

Construction of the First Phase cost approximately \$36 million. It was completed in 2002 and was financed as follows:

- **\$ 7.5 million** from state GO bonds
- **\$ 7.5 million** from the state trunk highway fund
- **\$ 3 million** from Metropolitan Council bonds, furnished on behalf of Metro Transit
- **\$13.4 million** from revenue bonds issued on behalf of the Metropolitan Radio Board by the Metropolitan Council and backed by up to 4 cents from the 9-1-1 surcharge on wired and wireless telephone lines collected by phone companies statewide
- **\$ 4.6 million** from a combination of 9-1-1 revenues collected by the Metropolitan Radio Board prior to the start of debt service payments, interest earned on those revenues prior to the paying of invoices for capital construction of the system, and interest earned on the \$3 million contributed by the Metropolitan Council.

\$ 36 Million Total

Capital Financing of "Initial Network" Construction

The "initial network" consists of the First Phase backbone plus local subsystems that were built contemporaneously. Local subsystems were built by local governments who wished to share the use of the first phase backbone with region-wide users for two purposes: to save money and to achieve significantly greater interoperability with other units of government. The more robust coverage added by the local subsystems benefited the region-wide users, just as the First Phase backbone benefited the local users.

Major subsystems were built by Hennepin County and the City of Minneapolis. These are differentiated from integrated subsystems in that a separate set of frequencies and separate prime site controllers are required, involving significant additional investment. A subsystem integrated with the regional backbone was built by Carver County, and additional capital equipment was added by Metro Transit. The city of Richfield built an integrated subsystem with the Hennepin County subsystem. North Memorial Medical Transportation built a spur link, integrating itself with the regional system. These investments were financed, in every case, entirely by local property tax revenues or, in the case of North Memorial, by private sources. The approximate costs of the subsystems are as follows:

Hennepin County:	\$ 19.0 million
Minneapolis	\$ 5.8 million
Metro Transit	\$ 2.4 million
Carver County	\$ 2.4 million
North Memorial	<u>\$.25 million</u>
	\$ 32.85 million

Subscribers

In addition to the cost of building system infrastructure, each unit of government is responsible for purchasing new "subscriber" radios. Older analog radios will not work on this digital system. These are the mobile radios that are mounted in emergency vehicles or, in some cases, in buses or public works vehicles. They also include hand held or belt mounted portable radios carried by individual users.

The total number of subscribers in use as of January 1, 2005 was 10,182.

Subscribers cost an average of approximately \$2,800 each with accessories. The total cost of the subscriber radios currently in use is approximately \$ 28.5 million.

The majority of these were purchased from local funds. Federal funds granted to individual entities by the Board through the federal Department of Justice COPS program and by Homeland Security that have been used to purchase subscribers to date total approximately \$ 1.8 million.

Total Cost of the Initial Network including subscribers:

Backbone	\$ 36 million
Subsystems	\$ 32.85 million
Subscribers	\$ 28.5 million
Total	\$ 97.35 million

Additions to the Initial Network

Following deployment of the system at the end of 2002 some additions to the initial network were determined by the Board to be necessary based on the first few months of experience using the system. These additions were made subsequent to initial deployment during 2003 and 2004.

1. The Hennepin West subsystem and one of the simulcast groups in the state backbone were both experiencing more use than anticipated and causing more busy signals than was acceptable. The solution was to merge Hennepin West and the Burchville simulcast group, an edge site in western Hennepin. The cost was approximately \$1 million. The cost was shared by MnDOT, the Board and Hennepin County. The Board paid Hennepin's share and its share, a total of approximately \$725,000. MnDOT paid \$275,000 from its operating budget. The Board paid Hennepin's share from its capital reserve fund under its statutory authority to provide aid to local units of government.

2. The state patrol is assigned to provide law enforcement and security within the capitol complex. In order to facilitate communication between units and

members of the patrol assigned to the capitol, in-building and underground coverage was needed. The cost of adding such coverage was approximately \$300,000. This was paid for entirely by the Board from its capital reserve fund.

3. Poor coverage in the fast growing Chanhassen area within Carver County drove the need for an additional site in Chanhassen. The cost was approximately \$800,000 to add this site. The site addition was paid for entirely by the Board from a combination of federal funds and from the Board's capital reserve fund.

4. As new users migrated to the system, there was a need for additional logging ports to handle the required audio recording. Approximately \$100,000 was spent by the Board to add the necessary equipment.

5. Spotty coverage and interference from Nextel in the Oakdale section of the east metro area resulted in the need to add a site at Oakdale. The cost was approximately \$425,000, shared by MnDOT and the Board.

6. Usage experience during the first two years of operation determined that additional channel capacity was necessary on some of the edge sites of the regional system. Two additional channels were added at the two stand-alone edge sites, WCAL and King Stack. Two additional channels were also added to the Hastings edge site. An additional North Branch edge site will also get two more channels. With the exception of the North Branch site, the Metropolitan Radio Board paid 100% of the cost to add these channels. The North Branch additions will be paid from federal Homeland Security funds allocated by the Department of Public Safety. Total cost, approximately \$1 million.

Recap:

Hennepin-Burchville merger	\$ 1.0 million
Capitol complex	.3
Chanhassen	.8
Logging	.1
Oakdale	.4
Edge site channels	<u>1.0 million</u>
Total additions	\$ 3.6 million
	\$ 97.35
Grand Total, Initial Network	\$100.95 million

Second Phase

Subsequent to the terrorist attacks on New York's World Trade Center and on the Pentagon, the legislature determined that it would be in the best interest of the metro area to provide incentives to local units of government to join the

system. The state granted the Metropolitan Radio Board additional bonding authority and authorized the Board to provide up to 50% of the capital costs of building local subsystems to local entities. The Board also received some U.S. Department of Justice COPS grant monies, and in addition, the new federal Department of Homeland Security was established and a grant program was put in place to help finance local communications systems.

These initiatives resulted in many local units of government in the metro region making a decision to join the system. The total **capital** cost for all metro entities to do so is estimated to be approximately \$ 58 million. That figure includes the costs to bring two out-state counties, Chisago and Isanti, into the system that were added to the Metropolitan Radio Board's jurisdiction in 2004.

To date, Anoka County has built a subsystem that is integrated with the first phase backbone in the northwest sector of the region. Allina Health Systems has connected itself to the first phase backbone, and the cities of Edina and Hopkins and the Metropolitan Airports Commission have joined as part of the Hennepin County subsystem. Other local units of government that have made decisions to come onto the system and currently are in various stages of construction. These are: Ramsey County and the City of St. Paul together; Dakota County, and the Cities of Bloomington, St. Louis Park-Golden Valley, Minnetonka, and Brooklyn Center in Hennepin County, and the University of Minnesota.

Entities that have not yet made a firm decision are Washington and Scott Counties and the City of Eden Prairie in Hennepin County.

When all entities in the metro are deployed the estimated number of subscribers will be about 19,500. The estimated total cost for these would be about \$ 31 million.

Federal grants have been approved for subscriber radio purchases.

It should also be noted that, while federal and state initiatives have provided some of the funding for these local entities, the cost to local governments is still significant and considerable. For example, Anoka County invested more than \$9 million and Ramsey County more than \$13 million from property tax revenue collected in their respective jurisdictions.

Costs to local governments in the metropolitan region, not paid for by state or federal funds that are not currently identified are estimated to total some \$ 50 million.

Estimated Second Phase Costs:

Local subsystems:	\$ 58 million
Subscribers:	<u>31 million</u>
	\$ 89 million

Metropolitan Radio Board Operating Funds

The Metropolitan Radio Board currently maintains two discrete funds. The funds are administered by the Metropolitan Council. These are The **General Fund** and the **Debt Service Fund**. The General Fund is further separated into two parts: **Restricted** and **Unrestricted**.

In the past the Board also maintained a capital fund, but that fund has a zero balance at the present time. Monies in the fund were derived from the sale of revenue bonds as part of the financing of the region-wide backbone. That fund is no longer active, although it could become active if new bonds for additional capital construction are issued.

Sources of Operating Funds

The Board receives its operating funds from the following sources:

- Four cents, paid monthly from the 9-1-1 surcharge collected statewide on wired and wireless telephone lines. This currently amounts to about \$2.6 million annually.

Approximately half of the amounts collected annually pay principal and interest on the Board's bonded indebtedness. The bond covenant requires that a full year's debt service be held in reserve at all times in the debt service fund. The amounts necessary to maintain these fund levels are immediately transferred into the **Debt Service Fund**, and may not be used for any other purpose. Remaining amounts are deposited into the **General Fund**.

- Interest earned on the **General Fund** Balances.

These amounts are unrestricted and may be used for any reasonable purpose.

- User fees charged to system participants, currently at the rate of \$45 per user and scheduled to be reduced to \$33 per radio for CY 2005.

The amounts collected are used only for the administrative costs of the Metropolitan Radio Board (see below under **Statutory Restrictions**).

- Site related costs billed back to owners with equipment at various sites

These costs include site leases, utilities and insurance and are prorated among system owners on the basis of rack space at each location

- Federal COPS Grants

Approximately \$2 million in federal COPS funds were received by the Board in 2004. These amounts have been transferred into the General Fund and have been used to aid local units of government with grants for both subscribers and for capital improvements

- Miscellaneous/Other income

Small amounts are sometimes collected from the sale of equipment, fees for miscellaneous services, etc. These amounts are not significant.

Statutory Restrictions

Minnesota Statutes 403.27 details the permitted uses of the monies collected from the 9-1-1 special revenue fund. These are:

- debt service on the revenue bonds
- system design, construction, equipment and maintenance
- lease and utilities costs
- aid to local units of government in support of mutual aid

Specifically excluded from the permitted uses is the cost of Metropolitan Radio Board administration. Those costs have been assessed all users equally by charging an annual fee based on the number of subscribers in use on the system.

Expenditures

To provide additional incentive and to encourage usage, under agreement with MnDOT, the Board has paid 46.4 % of the costs of operation of the regional backbone. These funds have come from the Board's General Fund rather than from user fees. The sources of funds have been a combination of 9-1-1 income and the lease and utilities costs prorated and billed back to owners. Other than the lease and utilities costs that are specific to local subsystems, all operation and maintenance costs have been covered by monies from the General Fund

Administrative costs of the Board have been covered by the per radio user fee.

Early capital outlays were paid from a **Capital Bond Fund** which no longer exists. Subsequent capital outlays have been paid from the **General Fund**.

Aids to local units of government have been paid from a combination of Federal Grant monies secured by the Board and from the 9-1-1 monies in the **General Fund**.

II. The Development of Metropolitan Radio Board Cost Allocation Policy to Date

When the laws creating the Metropolitan Radio Board and setting up the method of financing the system were enacted in the latter 1990s, it was anticipated that ongoing costs of operating and maintaining the backbone system would be shared by MnDOT and the Board. It was also expected that each local participant would pay 100 percent of its costs to build its subsystem and to connect to the region-wide backbone (First Phase System). With regard to the cost sharing between MnDOT and the Board, a formula was agreed to that would require MnDOT to pay 53.6 percent and the Board, 46.4 percent of both the capital and the ongoing costs of operating and maintaining the region-wide portion of the system. The Board, in turn, was expected to charge part of these ongoing costs back to local users. It was also anticipated that some of the ongoing costs would be covered from 9-1-1 surcharge fee income over and above the amounts needed to service the Board's debt. That legislative policy is reflected in M.S. 403.30 subdivision 1, which allows the revenue received by the Board from the surcharge to be used for:

- (1) debt service costs and reserves for bonds issued pursuant to section 403.27
- (2) repayment of the right-of-way acquisition loans
- (3) costs of design, construction, maintenance of and improvements to those elements of the first, second and third phases that support mutual aid communications and emergency medical services
- (4) recurring charges for leased sites and equipment for those elements of the first, second and third phases that support mutual aid and emergency medical communication services; or
- (5) aid to local units of government for sites and equipment in support of mutual aid and emergency medical communications services.

Item (2) above is now obsolete. That loan could be characterized as "seed money" which was needed at start up of the Metropolitan Radio Board began. The right-of-way acquisition fund is a Metropolitan Council fund that advanced

money to the Metropolitan Radio Board to temporarily get its operations started. The loan was retired in 2000.

It should be noted that the administrative costs of the Metropolitan Radio Board were not to be covered from this source. Prior to the launch of service to users on the system, the Metropolitan Council supported the administration of the Board at its own cost. Once the system was placed in beneficial service, the Board began charging a user fee to cover administrative costs. That fee, which began at \$46 per radio per year, is now set at \$33 per radio per year, a function of an increasing number of radios, with nearly static costs of Board administration.

Because it was unknown at the time bonds were sold in 1999 the extent to which 911 surcharge funds would be available for uses 3-5 above, the board anticipated some of the ongoing operations and maintenance costs would be covered by assessing user fees. But, as it turned out, the rapid growth of wired and wireless telephone lines, particularly the surge in cell phone subscribers, caused revenues from the surcharge to rise more rapidly than anticipated. As a result, the Board was able to pay most of the permitted operation and maintenance costs, as well as the costs of many additions and enhancements to the system, from the surcharge revenue. One reason for the policy decision not to impose higher costs on users was the slow pace at which the cities and counties in the metropolitan region were deciding to migrate to the system.

Only two counties were persuaded to join the system as part of the first phase of construction. Together with the City of Minneapolis and North Memorial, the hoped-for participation did not materialize. A major reason given was the high capital cost and, to a lesser degree, the possibility of higher than palatable ongoing costs. The board's policy of limiting user fees was designed to keep costs to local governments as reasonable as possible, so as to encourage participation and more rapid migration to the system.

Contracts between the Board and the participating entities who are subsystem owners carries a clause which allows the subsystem entities to charge back a portion of their costs for operation and maintenance to itinerant users. To date no entity on the system has attempted to charge back costs to outside users.

The Events of 9/11/01

Following the terrorist attacks on the World Trade Center and on the Pentagon, and the subsequent conclusion that poor communication among first responders probably resulted in a significant number of deaths in New York, most public safety professionals began urging that the legislature provide financial incentives for local units of government to participate in the regional radio system. As one result the Board not only continued to pursue a policy of paying as many of the

system costs as possible, but also sought additional money from both the federal government and the legislature.

Both the state and federal governments responded. The Board received \$2 million in federal grant monies for the system, and the 2002 Legislature authorized additional bonding in the amount of \$12 million, to provide up to 30 percent of the cost to local units of government of coming on the system. The 2003 Legislature increased the bond authorization to \$45 million, with \$18 million allocated to finish Phase II and \$27 million for the state to begin the build-out within Greater Minnesota. With the additional authorization, the Board determined it could fund 38 percent of the capital costs for local units of government.

These "carrots" worked to a degree and resulted in the addition of Anoka County, the City of Edina, and Allina Health System's medical transportation operation to the system in 2002 and commitments in 2003 from most other entities to join the system as soon as contracting and construction could be completed. These entities elected to participate in part due to the promise of the partial capital financing becoming available from the state.

Due to unanticipated liabilities owed to telephone companies, a deficit in the 911 surcharge special revenue fund developed and the bonds were not sold. Funds earmarked for retiring the bonds were instead used to cover part of the deficit. The Department of Public Safety's Homeland Security Committee did honor the commitments made by the Radio Board to local units of government by authorizing federal homeland security funds to meet the commitments of the Metropolitan Radio Board.

In keeping with the policy change signaled by the legislature—that is, to continue to encourage participation to the extent possible, the Board continued to fund most of the ongoing maintenance and operations costs of the backbone from 911 revenues and charged users only for the costs of administering the Board.

The Cost Allocation Committee

Throughout the Board's history, it was well known that the Board would not be able to rely forever on a continuing stream of dollars from the 911 surcharge to fund ongoing operating costs. Thus, in May, 2004 the Board determined that a careful study of the issue should be undertaken. Commissioner Dick Stafford of Washington County was appointed to chair an ad hoc committee to study the issue and to report back to the Board with recommendations for an equitable and fair cost allocation structure.

The committee began its work in May, 2004 and has been meeting regularly and continuously to the present date. At this time the committee has not yet made a set of recommendations to send to the full Board.

In attempting to formulate a policy, questions the committee looked at included some of the following:

Equity: Are major subsystem owners bearing too high a burden to the benefit of non-infrastructure owners?

Efficiency: Would a policy be consistent with operational and functional goals? For example, would a particular formula create disincentives to use the system when needed; conversely, would a formula make it too easy to use the system to excess inappropriately?

Elasticity: Will the policy respond to changes in costs and revenues?

Legality: Will the policy be consistent with the statutes governing the powers of the Board

Easy to Administer: Will administrative activities in enforcing the policy be reasonable and economical?

Financial Viability: Will the policy be affordable for the client entities?

Political Feasibility: Will the policy be acceptable to a majority of Board members? Will it be acceptable to other interested parties, such as the governor, the legislature and the governing bodies of constituent entities?

Enforceability: Will the Board have the power necessary to enforce the policy?

Establishing a formula requires determining some measure by which costs can be assessed. Until the committee began studying the issue, Board cost assessments have relied on only one measure: the number of radios activated on the system. However, the committee looked at other methods and examined their advantages and disadvantages.

It identified at least four methods:

- (1) The raw number of subscriber radios deployed
- (2) The amount of air time consumed
- (3) The population of the area served
- (4) The amount and type of investment made in the system.

The committee also recognized that finding a truly equitable formula for distribution of costs is complicated by a number of additional factors. Among them are the following:

- (1) The existence of several classes of users, each of which arguably should be treated differently
- (2) Wide variations on the amount and level of original investment in the system
- (3) Variations in the amount of infrastructure and other beneficial resources contributed to the system
- (3) Wide variations in the amount of system infrastructure resources consumed
- (4) Ongoing variations in the amount of call carrying capacity

Identifying Actual Costs

With so many issues and such a large number of variables, the committee concluded that before trying to come up with an acceptable formula, members needed to know more precisely what the true ongoing costs of the system are expected to be. A technical group consisting of several staff members was appointed to document the true costs to the extent possible.

The technical group met several times, conducted the necessary research with each agency and identified the costs as outlined on the spreadsheet attached as Exhibit A.

Note that participating entities on the spreadsheet are grouped into several categories, grouped in column "B" and labeled "Type User."

1. Regional backbone users who at present make no contribution to the costs of maintaining or operating the backbone.
2. Interoperability only users, who make no contribution to the costs of maintaining or operating the backbone, and who have no internal costs other than for subscribers.
3. Subsystem owners, who made substantial infrastructure investments of their own, who have contributed coverage to the overall system and who are paying 100 percent of the costs of operating and maintaining their portions of the system. In the case of Hennepin County, Minneapolis and, in the future, Ramsey County, these subsystem owners have the contractual right to cross bill other users of their subsystems

4. Integrated Subsystem owners, who have made substantial infrastructure investments of their own, are paying 100 percent of the costs of their own portions of the system, and are contributing both capacity and coverage to the system, but are not providing overlapping service and redundancy to the system.

The group also classified costs assigned to the MRB through the 53.6-46.4 formula into several categories, which are enumerated in the following columns:

E: Site Costs, which refers to the ongoing costs of leasing antenna and shelters and the cost of utilities at each site.

G: MnDOT Backbone Operating and Maintenance Costs, which refers to the salaries and expenses of MnDOT personnel, spare parts, overhead, and other materials consumed in operating and maintaining the system

I. Motorola Support, which refers to a system-wide contract the Board has entered into with Motorola to provide technical support for the system

K. Motorola Subscriber Software, which refers to an annual \$12 fee paid per Motorola radio to provide Motorola subscriber owners with software upgrades.

M. Metropolitan Radio Board Operations, which refers to the costs of administering the 21-member board.

This chart shows the resulting costs on a per-radio basis for each entity for the above costs only. The assumptions on which this chart is based are:

- There will be three tiers of users for cost allocation purposes
- 50% of the state backbone costs assigned to the MRB under the 46.4/53.6 formula would be paid by regional-only, non-subsystem users
- The remaining 50% would be divided equally between full subsystem and integrated subsystem owners.

The end result is a combined Statewide Radio Board and Metropolitan Radio Board fee of about \$274 for non-subsystem owners, \$91 for integrated and full subsystem owners and \$42 for interoperability only users. These costs per radio are derived. They are not based on a charge per radio, but simply show the actual cost on a per radio basis of at least one reasonably equitable method for spreading costs of the system around to users.

A second version of this fundamental approach assumes that there are four tiers and that integrated subsystem owners will be treated differently than full subsystem owners, each dividing up 25% of the MRB regional share of costs, with the full subsystem owners dividing up the remaining 25%.

Additional Ongoing Costs

In addition to the operations and maintenance costs identified in Exhibits A and B, the committee has identified other ongoing costs that may be necessary to finance going forward.

Training: During the Phase I ramp-up all users received training free of charge, paid for by the Metropolitan Radio Board. The Board deemed it necessary to ensure a smooth transition from conventional radio systems to the new digital, trunked system.

Engineering: Prior to the completion of Phase II, the Metropolitan Radio Board may need to engage consulting engineers to review technical plans for Dakota County, Scott County, and Isanti and Chisago Counties.

System Enhancements: The initial backbone may, from time to time, need additional capital improvements. There has always been discussion of the need for at least two additional sites in northern Anoka County and southern Dakota County, respectively. These sites have been sought in order to provide better coverage to the state backbone. The Metropolitan Radio Board would presumably have to provide its share of such improvements. Software upgrades that are not covered by a Motorola service agreement may also be needed in the future. The above costs and others as yet unknown, including capital replacement, are not taken into consideration in the spreadsheets attached as Exhibits A and B.

Exhibit C is the result of a modification of the approach embraced in Exhibit B, identifying four tiers of users. Instead of arbitrarily assigning 25% of the regional costs that should arguably be charged to each tier of user, it attempts to assign percentages to each tier that are defensible on the basis of their status. While the numbers assigned to each category have not yet been compiled, the narrative that is attached explains the rationale for this approach, as yet not commented upon by committee members.

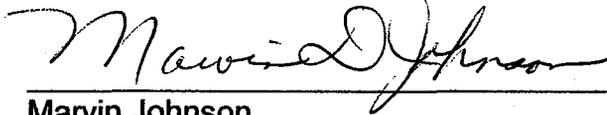
State Sharing of Local Costs

For the past several years, as the system has grown, and more and more users have migrated to it, the Metropolitan Radio Board has received annually an amount equal to 4 cents of the 911 surcharge collected statewide on wired and wireless telephone lines. As discussed earlier, this amount has been significantly more than what has been needed to service the revenue bonds issued by the Metropolitan Council on the Board's behalf. At present these collections yield approximately \$1.2 million annually to the Board. Beginning July 1, 2005 the Statewide Radio Board will determine if any of these funds will continue to come to the Metropolitan Radio Board or its successor entity.

The Cost Allocation Committee has looked at various scenarios that would include continuation of all or part of these funds to supplement the user fees that would have to be collected to pay the costs enumerated in the discussion above.

The Cost Allocation Committee has noted that if costs to local users rise too high and if, as a consequence, users opt out of the system, the overall advantages of interoperability, spectrum efficiency and the economies of scale inherent in a shared, region-wide system could be lost.

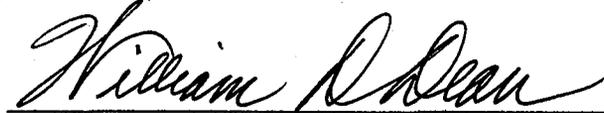
It is with some of these issues still unresolved that the Metropolitan Radio Board respectfully submits this report.



Marvin Johnson
Chairman, Metropolitan Radio Board



Dick Stafford
Chairman, Cost Allocation Committee



Bill Dean
Executive Director

PROPOSED 2006 OPERATING COST ALLOCATION - ARMER SYSTEM - METRO REGION

A	B	C	D	E STATE BACKBONE COSTS - SWRB ALLOCATION				I	J	K REGIONAL COSTS - MRB ALLOCATION				O SWRB & MRB COSTS		Q TOTAL COSTS		R
				#	Non Mot	Site Costs (Reserve & 46.4% to region)	Per Radio			Mn/DOT Internal Costs (46.4% to region)	Per Radio	Motorola Support - BB (46.4% to region)	Per Radio	Subscriber Software	Per Radio	Regional Board Operations	Per Radio	
Entity	Type User	Radios	Rad	\$216,925.00	\$48.38	\$500,000.00	\$111.51	\$318,525.17	\$71.04	\$12.00	\$12.00	\$400,000.00	\$30.88	Cost	Per Radio			
Allina	Category Total (50%)	120		\$5,805.31	\$48.38	\$13,380.91	\$111.51	\$8,524.31	\$71.04	\$1,440.00	\$12.00	\$3,208.71	\$30.88	\$32,856.24	\$273.80	\$32,856.24	\$273.80	
Fairview Lakes/EMS	Category Total (50%)	13		\$628.91	\$48.38	\$1,449.60	\$111.51	\$923.47	\$71.04	\$156.00	\$12.00	\$401.45	\$30.88	\$3,559.43	\$273.80	\$3,559.43	\$273.80	
HealthEast	Category Total (50%)	40		\$1,935.10	\$48.38	\$4,460.30	\$111.51	\$2,841.44	\$71.04	\$480.00	\$12.00	\$1,235.24	\$30.88	\$10,952.08	\$273.80	\$10,952.08	\$273.80	
Hospital Compact	Category Total (50%)	9		\$435.40	\$48.38	\$1,003.57	\$111.51	\$639.32	\$71.04	\$108.00	\$12.00	\$271.94	\$30.88	\$2,464.22	\$273.80	\$2,464.22	\$273.80	
LifeLinkIll	Category Total (50%)	20		\$967.55	\$48.38	\$2,230.15	\$111.51	\$1,420.72	\$71.04	\$240.00	\$12.00	\$611.62	\$30.88	\$5,476.04	\$273.80	\$5,476.04	\$273.80	
MAC	Category Total (50%)	5		\$241.89	\$48.38	\$557.54	\$111.51	\$355.18	\$71.04	\$50.00	\$12.00	\$154.40	\$30.88	\$1,369.01	\$273.80	\$1,369.01	\$273.80	
Media Radios	Category Total (50%)	28	20	\$1,354.57	\$48.38	\$3,122.21	\$111.51	\$1,989.01	\$71.04	\$95.00	\$12.00	\$264.66	\$30.88	\$7,426.46	\$265.23	\$7,426.46	\$265.23	
Metro Mobility	Category Total (50%)	176		\$8,514.45	\$48.38	\$19,625.33	\$111.51	\$12,502.33	\$71.04	\$2,112.00	\$12.00	\$5,235.03	\$30.88	\$48,189.15	\$273.80	\$48,189.15	\$273.80	
Metro Radio Board	Category Total (50%)	21		\$1,015.93	\$48.38	\$2,341.66	\$111.51	\$1,491.75	\$71.04	\$252.00	\$12.00	\$648.50	\$30.88	\$5,749.84	\$273.80	\$5,749.84	\$273.80	
Metro Transit	Category Total (50%)	1,288		\$62,310.30	\$48.38	\$143,621.77	\$111.51	\$91,494.30	\$71.04	\$15,456.00	\$12.00	\$39,745.71	\$30.88	\$352,656.93	\$273.80	\$352,656.93	\$273.80	
North Memorial	Category Total (50%)	149		\$7,208.26	\$48.38	\$16,614.63	\$111.51	\$10,584.36	\$71.04	\$1,788.00	\$12.00	\$4,601.25	\$30.88	\$40,796.49	\$273.80	\$40,796.49	\$273.80	
Ridgeview	Category Total (50%)	21		\$1,015.93	\$48.38	\$2,341.66	\$111.51	\$1,491.75	\$71.04	\$252.00	\$12.00	\$648.50	\$30.88	\$5,749.84	\$273.80	\$5,749.84	\$273.80	
St Paul Schools	Category Total (50%)	45		\$2,176.99	\$48.38	\$5,017.84	\$111.51	\$3,196.62	\$71.04	\$540.00	\$12.00	\$1,389.64	\$30.88	\$12,321.09	\$273.80	\$12,321.09	\$273.80	
U of M	Category Total (50%)	82		\$3,966.96	\$48.38	\$9,143.62	\$111.51	\$5,824.95	\$71.04	\$984.00	\$12.00	\$2,529.23	\$30.88	\$22,451.76	\$273.80	\$22,451.76	\$273.80	
Washington County	Category Total (50%)	225		\$10,884.95	\$48.38	\$25,089.21	\$111.51	\$15,983.09	\$71.04	\$2,700.00	\$12.00	\$6,948.20	\$30.88	\$61,605.44	\$273.80	\$61,605.44	\$273.80	
	Category Total (50%)	2,242		\$108,462.50		\$250,000.00		\$159,262.59		\$26,664.00		\$69,234.93		\$613,824.01				
ATF	Interop Only	8		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$96.00	\$12.00	\$247.05	\$30.88	\$343.05	\$42.88	\$343.05	\$42.88	
Federal Reserve Bank	Interop Only	5	5	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$12.00	\$154.40	\$30.88	\$154.40	\$30.88	\$154.40	\$30.88	
Hugo Fire	Interop Only	6		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$72.00	\$12.00	\$185.28	\$30.88	\$257.29	\$42.88	\$257.29	\$42.88	
VOAD	Interop Only	2		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$24.00	\$12.00	\$61.76	\$30.88	\$85.76	\$42.88	\$85.76	\$42.88	
Wright County	Interop Only	13		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$156.00	\$12.00	\$401.45	\$30.88	\$557.45	\$42.88	\$557.45	\$42.88	
Kenwood	Contractor	7	7	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$12.00	\$210.17	\$30.88	\$216.17	\$30.88	\$216.17	\$30.88	
Motorola	Contractor	17	17	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$12.00	\$524.97	\$30.88	\$524.97	\$30.88	\$524.97	\$30.88	
	Category Total (0%)	58		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$348.00		\$1,794.09		\$2,139.09		\$2,139.09	\$0.00	
Anoka County	Integrated Subsystem	1,350		\$13,744.90	\$10.18	\$31,681.22	\$23.47	\$20,182.53	\$14.95	\$16,200.00	\$12.00	\$41,689.15	\$30.88	\$123,497.83	\$91.48	BELOW	BELOW	
Carver County	Integrated Subsystem	601	45	\$6,119.02	\$10.18	\$14,104.01	\$23.47	\$8,984.96	\$14.95	\$6,672.00	\$12.00	\$16,550.23	\$30.88	\$54,439.40	\$90.58	BELOW	BELOW	
Hennepin County	Full Subsystem	4,350	84	\$44,289.11	\$10.18	\$102,083.92	\$23.47	\$65,032.60	\$14.95	\$11,192.00	\$12.00	\$28,331.62	\$30.88	\$396,929.44	\$91.25	BELOW	BELOW	
Minneapolis	Full Subsystem	1,952	100	\$19,874.10	\$10.18	\$45,808.69	\$23.47	\$29,182.44	\$14.95	\$2,224.00	\$12.00	\$6,079.47	\$30.88	\$177,368.71	\$90.87	BELOW	BELOW	
Ramsey County	Full Subsystem	2,400		\$24,435.37	\$10.18	\$56,322.16	\$23.47	\$35,880.05	\$14.95	\$28,800.00	\$12.00	\$72,124.10	\$30.88	\$219,551.69	\$91.48	BELOW	BELOW	
	Category Total (50%)	10,653		\$108,462.50		\$250,000.00		\$159,262.59		\$125,088.00		\$329,973.98		\$971,787.07				
Total SWRB & MRB Allocations		12,953		\$216,925.00		\$500,000.00		\$318,525.17		\$152,100.00		\$400,000.00		\$1,587,550.17				
Total Subsystem Direct Pay														Entity	Per Radio	Entity	Per Radio	
Subsystem Direct Pay				Site Costs		Internal Costs		Motorola Support						Cost	Per Radio	Cost	Per Radio	
Anoka County	Integrated Subsystem	1,350		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00						\$0.00	\$0.00	\$123,497.83	\$91.48	
Carver County	Integrated Subsystem	601	45	\$81,000.00	\$0.00	\$81,000.00	\$134.78	\$68,813.79						\$230,813.79	\$384.05	\$285,253.19	\$474.63	
Hennepin County	Full Subsystem	4,350	84	\$267,000.00	\$61.38	\$764,751.75	\$175.81	\$246,800.13						\$1,278,551.88	\$293.92	\$1,675,481.32	\$385.17	
Minneapolis	Full Subsystem	1,952	100	\$56,400.00	\$28.89	\$214,488.00	\$109.88	\$100,700.20						\$371,588.20	\$190.36	\$548,956.91	\$281.23	
Ramsey County	Full Subsystem	2,400		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00						\$0.00	\$0.00	\$219,551.69	\$91.48	
State of Minnesota	Backbone Owner	1,300	360	\$216,925.00	\$166.87	\$577,586.21	\$444.30	\$377,154.31		\$9,400.00	\$10.00			\$1,181,065.52	\$908.51	\$1,181,065.52	\$908.51	
	Category Total	11,953		\$621,325.00		\$1,637,825.96		\$793,468.43		\$9,400.00				\$3,062,019.39				
Consoles Direct Pay																		
Allina	Consoles Only							\$1,975.80										
Edina	Consoles Only							\$1,270.92										
Metro Transit	Consoles Only							\$3,716.64										
North Memorial	Consoles Only							\$1,975.80										
Richfield	Consoles Only							\$801.00										
	Category Total							\$9,740.16						\$9,740.16				
Total All Categories		14,253		\$838,250.00		\$2,137,825.96		\$1,121,733.76		\$161,500.00		\$400,000.00		\$4,659,309.72				

Notes: Costs for blue fields need to be obtained, however these costs are not part of calculation for regional backbone assessed costs. Allocates 50% of SWRB costs to Non-Subsystem Owners, 50% to Integrated Subsystem and Full Subsystem Owners.

DRAFT 2 With 3-Tiered Allocation Plan & No 9-1-1 Allocation

EXHIBIT A

PROPOSED 2006 OPERATING COST ALLOCATION - ARMER SYSTEM - METRO REGION

STATE BACKBONE COSTS - SWRB ALLOCATION										REGIONAL COSTS - MRB ALLOCATION				SWRB & MRB COSTS		TOTAL COSTS		
Entity	Type User	# Radios	Non Mot Rad	Site Costs (Reserve & 46.4% to region)		Mn/DOT Internal Costs (46.4% to region)		Motorola Support - BB (46.4% to region)		Per Radio	Regional Subscriber Software		Regional Board Operations		Total SWRB & MRB Allocation		Regional & Subsystem Combined	
				\$216,925.00	Per Radio	\$500,000.00	Per Radio	\$318,525.17	Per Radio		\$12.00	Per Radio	\$400,000.00	Per Radio	Cost	Per Radio	Cost	Per Radio
Allina	Full Subsystem	120		\$5,805.31	\$48.38	\$13,380.91	\$111.51	\$8,524.31	\$71.04	\$1,440.00	\$12.00	\$3,705.71	\$30.88	\$32,856.24	\$273.80	\$32,856.24	\$273.80	
Fairview Lakes/EMS	Full Subsystem	13		\$628.91	\$48.38	\$1,449.60	\$111.51	\$923.47	\$71.04	\$56.00	\$12.00	\$401.43	\$30.88	\$3,559.43	\$273.80	\$3,559.43	\$273.80	
HealthEast	Full Subsystem	40		\$1,935.10	\$48.38	\$4,460.30	\$111.51	\$2,841.44	\$71.04	\$480.00	\$12.00	\$1,236.24	\$30.88	\$10,952.08	\$273.80	\$10,952.08	\$273.80	
Hospital Compact	Full Subsystem	9		\$435.40	\$48.38	\$1,003.57	\$111.51	\$639.32	\$71.04	\$108.00	\$12.00	\$277.93	\$30.88	\$2,464.22	\$273.80	\$2,464.22	\$273.80	
LifeLinkIll	Full Subsystem	20		\$967.55	\$48.38	\$2,230.15	\$111.51	\$1,420.72	\$71.04	\$240.00	\$12.00	\$617.62	\$30.88	\$5,476.04	\$273.80	\$5,476.04	\$273.80	
MAC	Full Subsystem	5		\$241.89	\$48.38	\$557.54	\$111.51	\$355.18	\$71.04	\$60.00	\$12.00	\$154.40	\$30.88	\$1,369.01	\$273.80	\$1,369.01	\$273.80	
Media Radios	Full Subsystem	28	20	\$1,354.57	\$48.38	\$3,122.21	\$111.51	\$1,989.01	\$71.04	\$56.00	\$12.00	\$86.65	\$30.88	\$7,426.46	\$265.23	\$7,426.46	\$265.23	
Metro Mobility	Full Subsystem	176		\$8,514.45	\$48.38	\$19,625.33	\$111.51	\$12,502.33	\$71.04	\$2,412.00	\$12.00	\$5,435.03	\$30.88	\$48,189.15	\$273.80	\$48,189.15	\$273.80	
Metro Radio Board	Full Subsystem	21		\$1,015.93	\$48.38	\$2,341.66	\$111.51	\$1,491.75	\$71.04	\$262.00	\$12.00	\$648.50	\$30.88	\$5,749.84	\$273.80	\$5,749.84	\$273.80	
Metro Transit	Full Subsystem	1,288		\$62,310.30	\$48.38	\$143,621.77	\$111.51	\$91,494.30	\$71.04	\$15,458.00	\$12.00	\$39,774.57	\$30.88	\$352,656.93	\$273.80	\$352,656.93	\$273.80	
North Memorial	Full Subsystem	149		\$7,208.26	\$48.38	\$16,614.63	\$111.51	\$10,584.36	\$71.04	\$1,388.00	\$12.00	\$3,611.25	\$30.88	\$40,796.49	\$273.80	\$40,796.49	\$273.80	
Ridgeview	Full Subsystem	21		\$1,015.93	\$48.38	\$2,341.66	\$111.51	\$1,491.75	\$71.04	\$252.00	\$12.00	\$648.50	\$30.88	\$5,749.84	\$273.80	\$5,749.84	\$273.80	
St Paul Schools	Full Subsystem	45		\$2,176.99	\$48.38	\$5,017.84	\$111.51	\$3,196.62	\$71.04	\$40.00	\$12.00	\$139.62	\$30.88	\$12,321.09	\$273.80	\$12,321.09	\$273.80	
U of M	Full Subsystem	82		\$3,966.96	\$48.38	\$9,143.62	\$111.51	\$5,824.95	\$71.04	\$984.00	\$12.00	\$2,515.23	\$30.88	\$22,451.76	\$273.80	\$22,451.76	\$273.80	
Washington County	Full Subsystem	225		\$10,884.95	\$48.38	\$25,089.21	\$111.51	\$15,983.09	\$71.04	\$2,700.00	\$12.00	\$6,948.20	\$30.88	\$61,605.44	\$273.80	\$61,605.44	\$273.80	
Category Total (50%)		2,242		\$108,462.50		\$250,000.00		\$159,262.59		\$26,664.00		\$69,234.93		\$613,624.01				
ATF	Interop Only	8		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$95.00	\$12.00	\$247.09	\$30.88	\$343.05	\$42.88	\$343.05	\$42.88	
Federal Reserve Bank	Interop Only	5	5	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$12.00	\$134.40	\$30.88	\$154.40	\$30.88	\$154.40	\$30.88	
Hugo Fire	Interop Only	6		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$72.00	\$12.00	\$185.29	\$30.88	\$257.29	\$42.88	\$257.29	\$42.88	
VOAD	Interop Only	2		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$24.00	\$12.00	\$60.76	\$30.88	\$85.76	\$42.88	\$85.76	\$42.88	
Wright County	Interop Only	13		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$156.00	\$12.00	\$401.43	\$30.88	\$557.45	\$42.88	\$557.45	\$42.88	
Kenwood	Contractor	7	7	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$12.00	\$216.17	\$30.88	\$216.17	\$30.88	\$216.17	\$30.88	
Motorola	Contractor	17	17	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$12.00	\$524.97	\$30.88	\$524.97	\$30.88	\$524.97	\$30.88	
Category Total (0%)		58		\$0.00		\$0.00		\$0.00		\$348.00		\$1,791.09		\$2,139.09		\$2,139.09	\$0.00	
Anoka County	Integrated Subsystem	1,350		\$37,525.47	\$27.80	\$86,494.11	\$64.07	\$55,101.10	\$40.82	\$162,000.00	\$12.00	\$91,689.12	\$30.88	\$237,009.86	\$175.56	BELOW	BELOW	
Carver County	Integrated Subsystem	601	45	\$16,705.78	\$27.80	\$38,505.89	\$64.07	\$24,530.19	\$40.82	\$6,672.00	\$12.00	\$18,859.41	\$30.88	\$104,973.28	\$174.66	BELOW	BELOW	
Category Total (25%)		1,951		\$54,231.25		\$125,000.00		\$79,631.29		\$22,872.00		\$110,548.53		\$341,983.13		BELOW	BELOW	
Hennepin County	Full Subsystem	4,350	84	\$27,109.39	\$6.23	\$62,485.64	\$14.36	\$39,806.50	\$9.15	\$51,192.00	\$12.00	\$134,331.82	\$30.88	\$314,925.34	\$72.40	BELOW	BELOW	
Minneapolis	Full Subsystem	1,952	100	\$12,164.95	\$6.23	\$28,039.53	\$14.36	\$17,862.59	\$9.15	\$22,224.00	\$12.00	\$60,879.47	\$30.88	\$140,570.55	\$72.01	BELOW	BELOW	
Ramsey County	Full Subsystem	2,400		\$14,956.91	\$6.23	\$34,474.83	\$14.36	\$21,962.20	\$9.15	\$28,800.00	\$12.00	\$74,144.00	\$30.88	\$174,308.05	\$72.63	BELOW	BELOW	
Category Total (25%)		8,702		\$54,231.25		\$125,000.00		\$79,631.29		\$102,216.00		\$268,725.99		\$629,803.93				
Total SWRB & MRB Allocations			12,953		\$216,925.00		\$500,000.00		\$318,525.17		\$152,100.00		\$400,000.00		\$1,587,550.17			

Subsystem Direct Pay										Total Subsystem Direct Pay		Total Local Plus Regional	
Entity	Type User	# Radios	Site Costs	Internal Costs	Motorola Support	Per Radio	Per Radio	Per Radio	Per Radio	Cost	Per Radio	Cost	Per Radio
Anoka County	Integrated Subsystem	1,350	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$237,009.86	\$175.56
Carver County	Integrated Subsystem	601	\$81,000.00	\$0.00	\$81,000.00	\$134.78	\$68,813.79	\$114.67	\$19.11	\$230,813.79	\$384.05	\$335,787.07	\$558.71
Hennepin County	Full Subsystem	4,350	\$267,000.00	\$61.38	\$764,751.75	\$175.81	\$246,800.13	\$56.74	\$4.37	\$1,278,551.88	\$293.92	\$1,593,477.22	\$366.32
Minneapolis	Full Subsystem	1,952	\$56,400.00	\$28.89	\$214,488.00	\$109.88	\$100,700.20	\$51.59	\$26.43	\$371,588.20	\$190.36	\$512,158.75	\$262.38
Ramsey County	Full Subsystem	2,400	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$174,308.05	\$72.63
State of Minnesota	Backbone Owner	1,300	\$216,925.00	\$166.87	\$577,586.21	\$444.30	\$377,154.31	\$289.38	\$222.14	\$1,181,065.52	\$908.51	\$1,181,065.52	\$908.51
Category Total		11,953	\$621,325.00		\$1,637,825.96		\$793,468.43			\$9,400.00	\$10.00	\$3,062,019.39	

Consoles Only Direct Pay										Total Subsystem Direct Pay		Total Local Plus Regional				
Entity	Type User	# Radios	Cost	Per Radio	Cost	Per Radio	Cost	Per Radio	Cost	Per Radio	Cost	Per Radio				
Allina	Consoles Only		\$1,975.80	\$16.47	\$1,975.80	\$16.47	\$1,975.80	\$16.47	\$1,975.80	\$16.47	\$1,975.80	\$16.47				
Edina	Consoles Only		\$1,270.92	\$10.59	\$1,270.92	\$10.59	\$1,270.92	\$10.59	\$1,270.92	\$10.59	\$1,270.92	\$10.59				
Metro Transit	Consoles Only		\$3,716.64	\$30.97	\$3,716.64	\$30.97	\$3,716.64	\$30.97	\$3,716.64	\$30.97	\$3,716.64	\$30.97				
North Memorial	Consoles Only		\$1,975.80	\$16.47	\$1,975.80	\$16.47	\$1,975.80	\$16.47	\$1,975.80	\$16.47	\$1,975.80	\$16.47				
Richfield	Consoles Only		\$801.00	\$6.68	\$801.00	\$6.68	\$801.00	\$6.68	\$801.00	\$6.68	\$801.00	\$6.68				
Category Total			\$9,740.16		\$9,740.16		\$9,740.16		\$9,740.16		\$9,740.16					
Total All Categories			14,253		\$838,250.00		\$2,137,825.96		\$1,121,733.76		\$161,500.00		\$4,000,000.00		\$4,659,309.72	

Notes: Costs for blue fields need to be obtained, however these costs are not part of calculation for regional backbone assessed costs.
 Allocates 50% of SWRB costs to Non-Subsystem Owners, 25% to Integrated Subsystem Owners and 25% to Full Subsystem Owners.

DRAFT 2 With 4-Tiered Allocation Plan & No 9-1-1 Allocation

EXHIBIT B

Exhibit C

	Site Costs	Vendor Support Contracts	Internal MN-DOT Costs	Total	Category Radio Count	Per Radio	Total
Metro Backbone System Costs	\$216,925.00	\$318,525.00	\$500,000.00	\$1,035,450.00			
System Wide-MSO, Interop, MN, LAN	\$21,692.50	\$95,557.50	\$225,000.00	\$342,250.00	12,895	\$26.54	All Radios (Except Interop Only and State Radios)
Integrated Sub system Simulcast Prime Sites	\$65,077.50	\$95,557.50	\$80,000.00	\$240,635.00	4,193	\$57.39	Integrated Subsystem & Subscriber Only Additional
Non Integrated and Remote RF Sites	\$130,155.00	\$127,410.00	\$195,000.00	\$452,565.00	2,242	\$201.86	Subscriber Only Additional
Allocations							
Full sub system owners would pay /radio/year	\$26.54				8,702		\$230,962.35
Integrated owners would pay/radio/year	\$83.93				1,951		\$163,749.37
Subscriber only users would pay/radio/year	\$285.79				2,242		\$640,738.28
							<u>\$1,035,450.00</u>