

911 Service Fee Financial Analysis

Ehlers & Associates, Inc.
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911 SERVICE FEE FINANCIAL ANALYSIS: State of Minnesota

EXECUTIVE SUMMARY

The cumulative 911 fee increases that have been dedicated to debt service are projected to be sufficient to meet future debt service requirements. Revenue projections assume the number of customers decline from 6.3 million (2007) to 6.1 (2026), despite recent customer increases and State Demographer projections of a 28% population growth between 2000 and 2030.

Dedicated “pennies” cover debt service: The maximum number of “pennies” needed to cover debt service in any one year is 39 pennies (FY 2013). This compares favorably to the 45 pennies which are dedicated and available to debt service in that year, providing a contingency margin should revenues be less than projected.

Fee increases dedicated
to debt service:

	<u>Debt Service</u>
2006: 15 cents	Series 2006, \$35M Remaining authorization, \$14.2M
2009: 10 cents	Series 2008, \$62M
2010: 10 cents	Series 2009, \$62M
2011: 10 cents	Series 2010, \$62M

Sufficient Debt Service Coverage: The Series 2006 bonds and future parity debt enjoy a first claim to the program’s gross revenues, resulting in a healthy projected debt service coverage. At its lowest, gross revenues are expected to cover debt service by 2.46 times (FY 2013). Between 2010 and 2024, the average debt service coverage is projected to be a comfortable 2.78 times, which will be an important measure in securing investor interest and the highest bond rating possible.

Additional Bonds Test covenant is met: Projected revenues satisfy the Series 2006 bonds’ Additional Bonds Test, in which the State covenanted to issue future debt only if revenues in each subsequent year were sufficient to cover Maximum Annual Debt Service (MADS) by 1.5 times. Beginning in 2012 (the first year of full debt service), the weakest MADS coverage is 1.60 times (2026).

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SCOPE OF ANALYSIS

To assess the extent to which the 30 cent increase in the 911 program fee will provide revenue to support 911 revenue bonds for the construction of the ARMER system backbone and grants to local units of government to help pay for the cost of local enhancements.

The primary objectives of the following analysis are to:

- 1) Review previous revenue projections for the 911 fund
- 2) Conduct a 911 fee analysis aligning future debt service demands with the future revenue streams, taking into account the tiered rate increases

A discussion and examination of the impacts of the NG911 project costs and funding are excluded from this analysis.

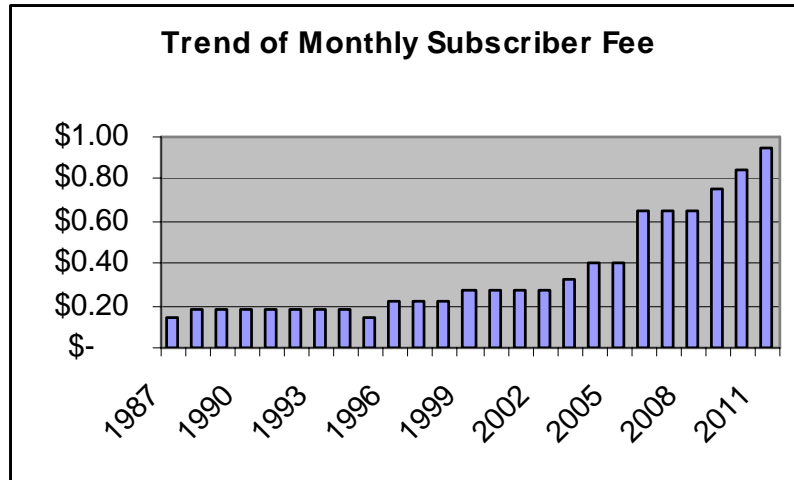
911 PROGRAM HISTORY; ARMER BACKGROUND

The emergency 911 number is available throughout the state of Minnesota, providing emergency response services to its residents. The first 911 system in Minnesota was installed in 1968, by the cities of Windom and St. James. In 1977, the 911 law was passed consolidating efforts under the umbrella of the Metropolitan Council. It required implementation by the seven county metropolitan area by December 1982, and December 1986 for the remaining counties. From these early beginnings, the 911 program has morphed into an integrated system forced to keep up with changing technologies as well as heightened mandates and demands.

ARMER (Allied Radio Matrix for Emergency Response) is a standards-based shared public safety radio system, which is being implemented in phases. Phase One was the nine county metropolitan area. Phase Two was the local enhancements the metro area agencies integrated into the ARMER backbone and Phase Three encompasses 23 counties in southeast and central Minnesota. Phases Four, Five and Six include the remaining 55 counties in Minnesota without the ARMER backbone. It is expected that this portion of the upgrades will be funded by future bonds, which are to be repaid by the 911 fees.

911 FEE

The 911 program is funded through a subscriber fee, which is collected monthly on every customer line. This includes wire-line and wireless connections. Currently, the rate is 65 cents per line, per month. To fund the next phases of the ARMER backbone implementation, fee increases have been approved in 2009, 2010 and 2011, with incremental 10 cent increases. In 2014, the fee will be reduced by two cents (to account for the maturity of the Metropolitan Council's 2007D bonds).



	Monthly Fee	Annual Change	5 year averages	Running average
1987	\$ 0.14			
1988	\$ 0.18	29%		29%
1989	\$ 0.18	0%		14%
1990	\$ 0.18	0%		10%
1991	\$ 0.18	0%		7%
1992	\$ 0.18	0%	6%	6%
1993	\$ 0.18	0%		5%
1994	\$ 0.18	0%		4%
1995	\$ 0.14	-22%		1%
1996	\$ 0.22	57%		7%
1997	\$ 0.22	0%	7%	6%
1998	\$ 0.22	0%		6%
1999	\$ 0.27	23%		7%
2000	\$ 0.27	0%		7%
2001	\$ 0.27	0%		6%
2002	\$ 0.27	0%	5%	6%
2003	\$ 0.33	22%		7%
2004	\$ 0.40	21%		8%
2005	\$ 0.40	0%		7%
2006	\$ 0.65	63%		10%
2007	\$ 0.65	0%	21%	10%
2008	\$ 0.65	0%		9%
2009	\$ 0.75	15%		9%
2010	\$ 0.85	13%		10%
2011	\$ 0.95	12%	10%*	10%

*4 year average

The Commissioner of Public Safety sets the amount of the fee, with the approval of the Commissioner of Finance.

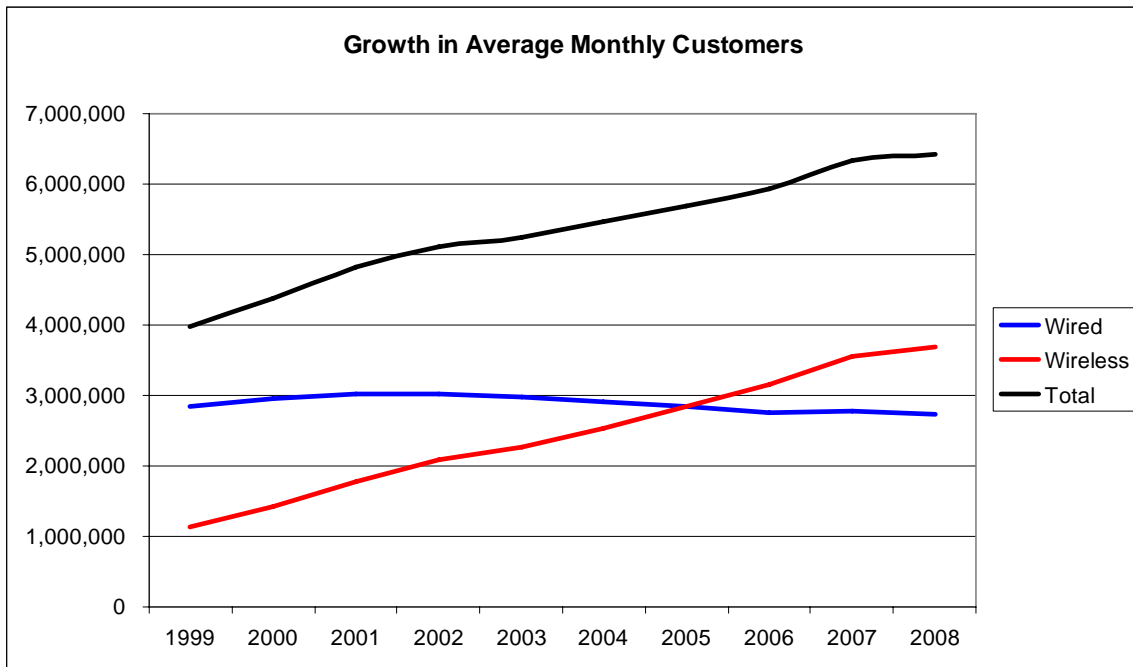
A portion of the fee increases have been dedicated to repayment of debt service:

- 2 cents – Series 2007D Metropolitan Council bonds
- 15 cents – Series 2006 bonds and remaining authorization (2006)
- 10 cents – Series 2008 bonds (2008)
- 10 cents – Series 2009 bonds (2009)
- 10 cents – Series 2010 bonds (2010)

911 FEE REVENUES ANALYSIS

Subscriber History

Since 1999, the total number of monthly customers has experienced an average annual increase of 6.0%. The underlying trend is the shift from wired lines to wireless service. In 1999, wireless service accounted for 28% of total subscriptions, compared to 56% in 2007.



Previous Revenue Estimates

Summary:

The previous projections are appropriately conservative with respect to revenue estimates and the number of future wired and wireless users.

The Department of Public Safety's annual 911 reports include revenue estimates for the subsequent four to five years (depending on the state's fiscal year cycle). In each of the projection reports analyzed (2002 – 2007), each revenue projection for each year was under the actual revenues received in the corresponding year. Given the passive nature of the revenue streams (program administrators can not control the number of customer lines), these favorable revenue variances are appropriate, and provide flexibility to offset potential contingency expenditures.

For detailed information of projections from 2002 to 2007, please refer to Appendix C. The appendix illustrates that (for example) the 2002 revenue projections for FY2004 and FY2005 were 89% and 89% below actual revenues, providing favorable cushion for contingency purposes.

Identifiable Issues impacting future revenues

GROWING, BUT AGING, POPULATION

The Minnesota State Demographic Center and the US Census Bureau both predict growing population trends in the state. Both project that between 2000 and 2030, the state's population will increase from 4.9 million to 6.3 million, an increase of 28%. In general, this supports the argument that there will be increased demand for communication devices, and therefore increased 911 fee revenue generation.

While both sources project population increases, Minnesota's demographics will skew increasingly to an older population. The US Census Bureau projections cite that between 2000 and 2030, the fastest growing age brackets (5 year intervals) are:

- 65 – 69 (115% increase)
- 70 – 74 (109%)
- 85+ (97%)
- 80 – 84 (83%)
- 60 – 64 (80%)

The result is an increase in the median age from 35.4 (2000) to 39.0 (2030).

As the population ages, there may be more resistance to technology changes, somewhat mitigating the impact of subsequent technology issues.

Impact: Increased demand, but possible less migration to new technologies.

HIGH TELEPHONE PENETRATION LIMITS GROWTH POTENTIAL

Minnesota currently, and historically, has benefited from a high degree of telephone penetration (the percentage of households with telephone service). As of November 2007, Minnesota had the second highest level of penetration with 97.8%, which compares to the national average of 94.9%.

(source: “Telephone Subscribership in the United States” (Data through November 2007): Industry Analysis and Technology Division, Wireline Competition Bureau, Federal Communications Commission, March 2008)

Impact: Unlike other states, growth in 911 fees will not come from increased telephone penetration.

DECREASING WIRED USE

Technology changes have, and will continue to, impact the 911 fee revenue capacity. The current trend of declining land line use is driven by 1) decrease in number of fax lines, 2) diminished need for second lines for internet, and 3) shift to cell phone-only reliance. The latter of which, the pace is expected to increase as the younger generation matures and the “land-line” generation ages – the demographics naturally point to the fact that those clinging to land-line technology will eventually make way for those relying solely on VoIP or wireless communication.

Impact: Communication will continue to migrate away from mature wired phones, and mainstream service providers.

INCREASING WIRELESS USE

Counter to the land-line trend, wireless communication has increased rapidly. Further offsetting the impact of the land-line reductions, cell phone usage is driven by per-individual use, rather than simply per family or per household use.

Impact: Possible increased penetration due to “per person” rather than “per household” usage.

WHOLESALE SERVICE PROVIDERS

Some service providers (ie: TracFone) have taken the position that they will not submit any wireless fees from minutes sold to subscribers via a reseller (such as big box retailer), thereby reducing the fees being collected.

Impact: Fragmented wholesale / retail marketplace could negatively effect fee generation.

VoIP CHALLENGES

VoIP presents a distinct challenge to future fee collection. While recent laws have stipulated the fee can be collected, there are issues related to the emergence of a still nascent industry. Compliance by a large number of new and smaller VoIP companies has reportedly made fee collection challenging.

Impact: Short-term challenges in fee collection, however as the technology matures and becomes more mainstream, a likely resolution will emerge that will make collection predictable.

NASCENT TECHNOLOGIES

While there could be regulatory or market-driven changes to VoIP to better track and collect 911 fees, it highlights an ongoing challenge: keeping up with the emergence of communication technology, often initiated by new service providers. Similar to the reimbursement challenges of VoIP, reimbursement by other new technology service providers could be delayed. The 911 Program should be able to respond to these changes, but any response will likely have a lag time between the new technology and the capacity to appropriately collect related 911 fees.

Impact: Lag times between new technology implementation and the legal / technological ability to capture those fees, will be an ongoing challenge.

INTEGRATION OF COMMUNICATION PLATFORMS

The consolidation of communication into one integrated device continues. Rather than a personal cell phone, a work phone, a PDA, a likely and emerging trend is that one device will operate all user needs.

Impact: Integrated devices will mitigate population and penetration growth.

Somewhat mitigating these challenges, emergency response is a critical component to our society. Whether fee adjustments are needed to cover reduced number of accounts, or to offset increased expenditures to connect to emerging technologies, it is probable that support for such activity will remain.

911 CAPITAL AND FINANCING PLAN

Options to fund the program's future capital expenditures vary from current cash financing to debt financing. Due to the current fund balance position of the system (\$17.9 million in FY2007) compared to the capital needs (approximately \$200 million), debt obligations are a more viable option. In addition to meeting the program's cash flow needs, future bonds would likely receive favorable market response, similar to the Series 2006 Bonds.

CURRENT DEBT PROFILE

Outstanding Bonds

- Metropolitan Council, Series 2007D
Matures FY2013

- State of Minnesota, Series 2006
- 11 year amortization, maturing FY2018

The Metropolitan Council 2007D bonds have a first lien on the program's gross revenues. It is not expected that they can issue additional parity debt.

The State's Series 2006 bonds have a second lien on the bonds. Additional debt will have a parity claim to the program's gross revenues. When the Metropolitan Council bonds mature, the State's parity bonds will implicitly convert to a first lien.

Expected Bond Issuance

- \$14.2M, remaining authorization (November 2008)
11 year bonds, maturing 2020
- \$62M (2008)
- \$62M (2009)
- \$62M (2010)
- All three series of bonds are expected to be 15 year bonds

Market factors that could impact future 911 Bond sales

Short-term factors

Uncertainty with the Monoline Insurance industry

The state's 2006 \$35 million 911 Revenue Bonds were insured by MBIA, thus securing a AAA rating, and lowering the borrowing costs to the state. Since that time, upheaval among the monoline insurers' has occurred, with many of the insurers being downgraded from their AAA status or on watch for possible downgrades. As of this report, only two insurers have retained their AAA ratings and stable outlooks.

Consequently, the capital markets have lost some faith in the assurances of an insured AAA rating, with rates showing resulting volatility. Further, when investors are implementing portfolio diversification, they are looking more closely at diversifying away from a reliance on AAA ratings from any one insurance company. With a less competitive environment for AAA insurance companies, premiums to the insurance companies (costs to the issuer) could increase.

Municipal rates and the Liquidity Crunch

In recent months, general market volatility has resulted in municipal bond yields that have risen and fallen markedly. Liquidity concerns remain prevalent, the yield curve has flattened and lingering uncertainty about the future economic prospects have amplified the yield volatility.

Nevertheless, market fluctuations are normal, and the issues of today will not be the issues in 2009 and 2010, the expected bond sale years. Further, essential projects should not be put on hold due solely to market fluctuations. Lastly, municipal rates remain historically low (see Appendix D) and some forecasters predict Fed actions to keep rates low for a period of time in the near future. While municipal rates do not exactly trend with the Fed rates, a general correlation exists.

Long-term factors

Technology changes impact debt service coverages

Potential adverse impacts of technology changes (and the resulting revenue reductions) could lower projected debt service coverage levels, resulting in fewer investors or higher yield demands.

Currently unknown, and unfunded mandates for communication interconnectivity

Future capital demands on the system could occur as mandates for further enhanced communication operations are imposed. While unknown at this time, further capital requirements could result in the need for more debt issuance, and requiring the State to counteract with: 1) tolerance for lower debt service coverage, 2) tranching of liens to protect current investors but accepting the prospect of higher rates on subsequent (and unknown) bonds, or 3) fee increases to accommodate the increased debt service demands.

Market may continue to have differing perceptions on bonds' credit profile

In the 2006 bond sale, the three rating agencies (Standard & Poor's, Fitch and Moody's) took differing approaches to the credit, resulting in unusual rating discrepancies (AA+, AA- and A2). Moody's analysis placed emphasis on the legal security of the bonds (solely the 911 fees), coupled with technology risk to future revenues. Meanwhile, S&P and Fitch put more emphasis on the project's essentiality to the State, the demonstrated history of legislative support for the program, strong coverage levels, and possibly an assumed degree of State support in the event of 911 revenue short-falls.

A variety of factors could determine how future investors or rating agencies will perceive subsequent bond sales. The list includes, but is not limited to: shifts in the State's financial performance and its perceived willingness or ability to meet expenditures to which it is not legally obligated; geopolitical changes which could put renewed or reduced emphasis on emergency communication capabilities; continuation of the credit crunch, which could create increasingly divergent investor demands.

Possible shifting of Municipal Rating Scale to Global Rating Scale

Historically, municipal ratings have been rated on a different scale from corporate and sovereign entities, such that a (ie) Aa3 municipal rating corresponds with a Aaa corporate rating, when considering probability of default and loss given default. There is currently pressure for the agencies to address this asymmetry, which could lead to future global scale ratings. It is uncertain if the agencies will make this change, and if so, whether the market has already priced this fact into the current prices. However, it is likely that a change in the current status would have a favorable, albeit probably minimal, impact on the pricing – or cost of issuance – of future bonds.

BASE MODEL SUMMARY

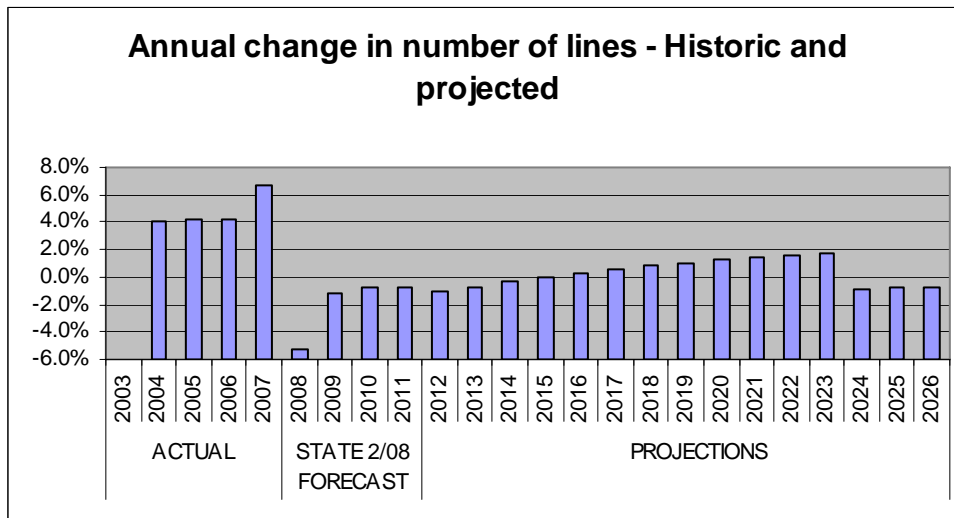
Assumptions: Base Scenario

- 2008 – 2011 Revenues: Match the State’s February Forecast
 - Wired lines decrease by 10% / year
 - Wireless lines decrease by 1.5% ('08), then increase by 5%, 5% and 4%.
- 2012 – thereafter
 - Wired lines decrease by 10% / year
 - Wireless lines increase by 3% / year through 2020, then 0%
- No additional 911 fee increases
- Fees drop as related bonds mature:
 - 2 cents in 2014
 - 15 cents in 2021
 - 10 cents in 2025
 - 10 cents in 2026
- Operating Expenditures inflation = 0%
- 11 year amortization on remaining authorization (\$14.2M, expected 11/08)
- 15 year amortization on future debt (Series 2008, 2009, 2010)
- Metropolitan Council’s debt structure is consistent with State’s appropriation

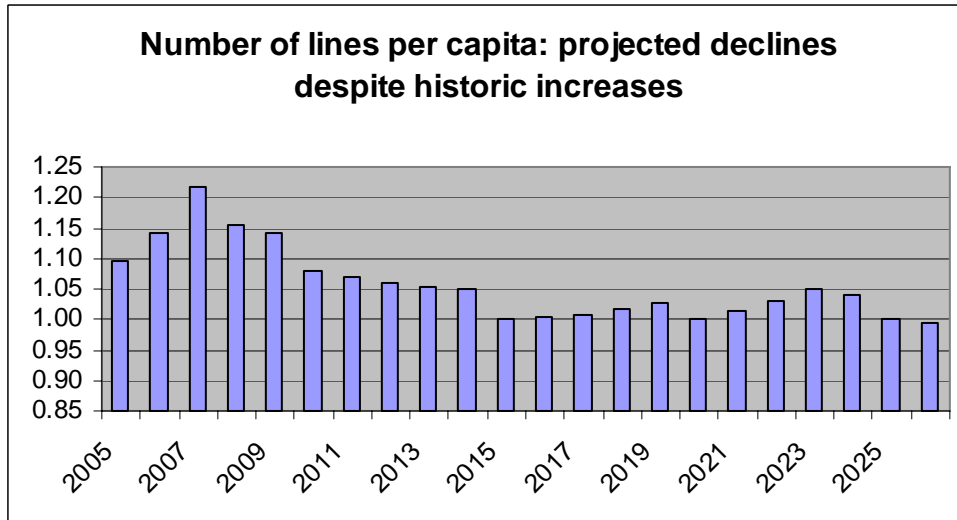
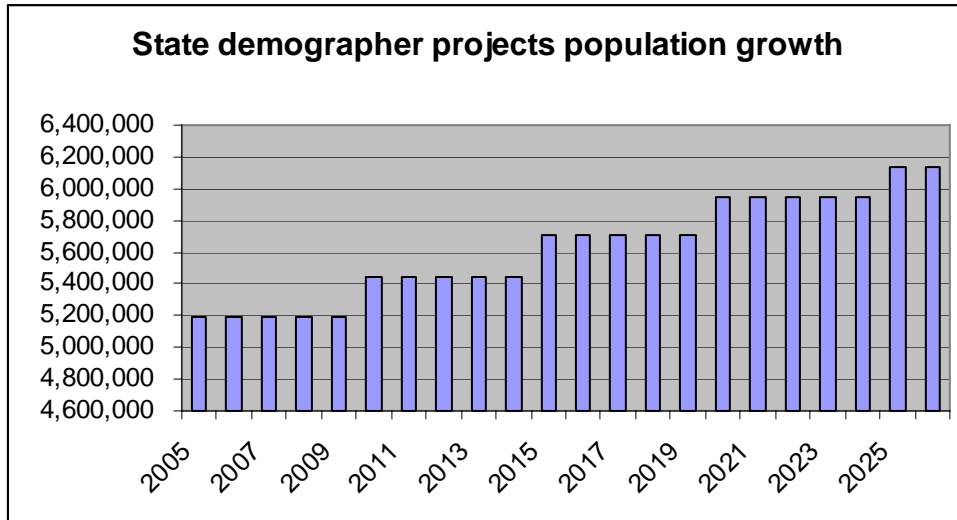
The base model is moderately conservative with respect to the number of customers and 911 fee increases, however does not constitute a stressed environment. As with any pro-forma analysis, annual updates to the projections should reflect most recent actual results and ancillary information. The source data for the base model is attached as Appendix A.

Revenue streams with fee increases

Despite historic growth of total customers annually from 2003 to 2007 (4.0%, 4.2%, 4.2% and 6.7%, respectively), the base model projects declining to flat growth. While the base model shows a decline of 5.2% for 2008, mid-year estimates show a 1.6% increase through 6 months.

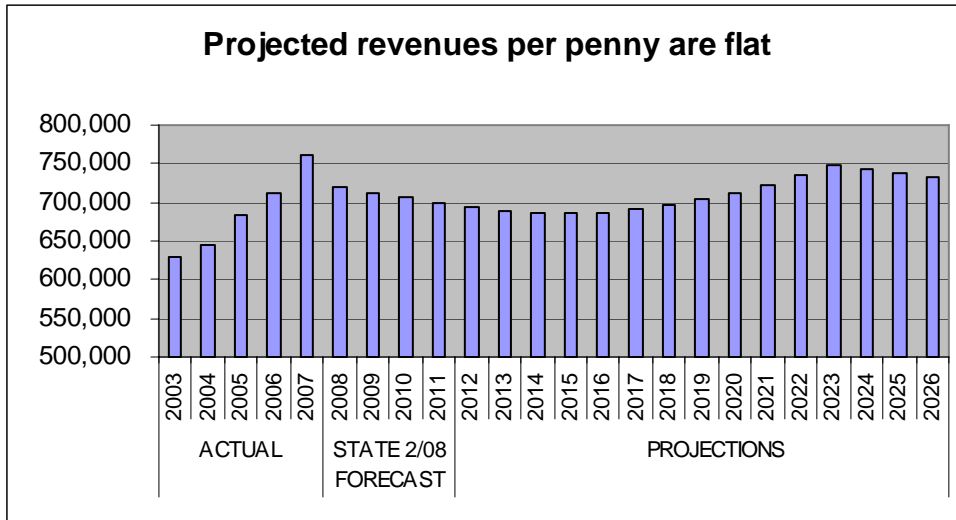


Population projections from the Minnesota Demographic Center were used to provide a Lines Per Capita analysis. Following several years of increasing lines per capita, the projections conservatively show a reduction in number of lines per capita. This metric attempts to reconcile potential technological and demographic changes.



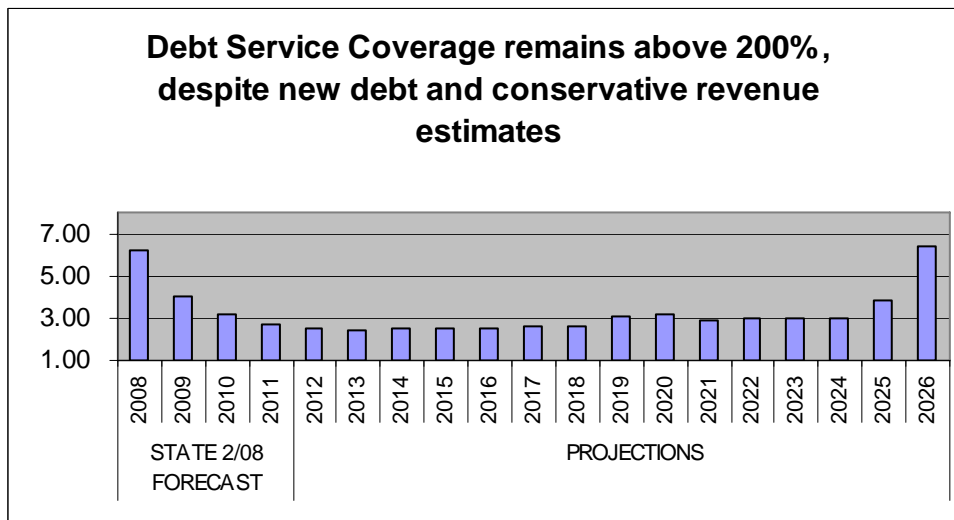
Revenues per penny: Historic increases, flat projections

Following several years of increasing revenues per penny (of fee), the projected revenues per penny are expected to plateau through the life of the expected bonds. Revenues per penny are expected to plateau through the life of the expected bonds. Revenues per penny increased from \$630,082 (2003) to \$761,957 (2007). Despite this historic trend, the model projects this to drop in 2008, and remain essentially flat (to decreasing) thereafter (reaching \$673,000 by 2026). This metric allows multi-year revenue comparisons, while excluding the impact of fee increases.



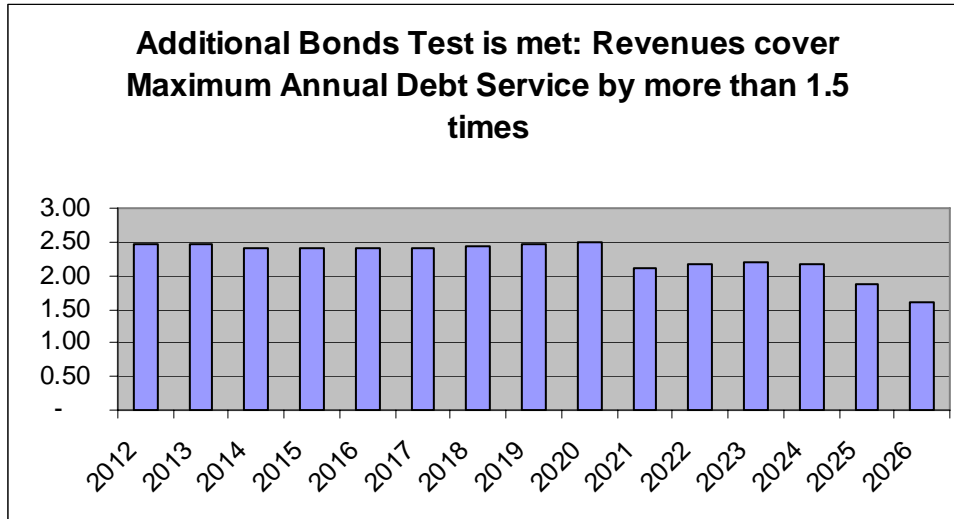
Sufficient Debt Service Coverage

The Series 2006 bonds and future parity debt enjoy a first claim to the program’s gross revenues, resulting in a healthy projected debt service coverage. At its lowest, gross revenues are expected to cover debt service by 2.46 times (FY 2013). Between 2010 and 2024, the average debt service coverage is projected to be a comfortable 2.78 times, which will be an important measure in securing investor interest and the highest bond rating possible.



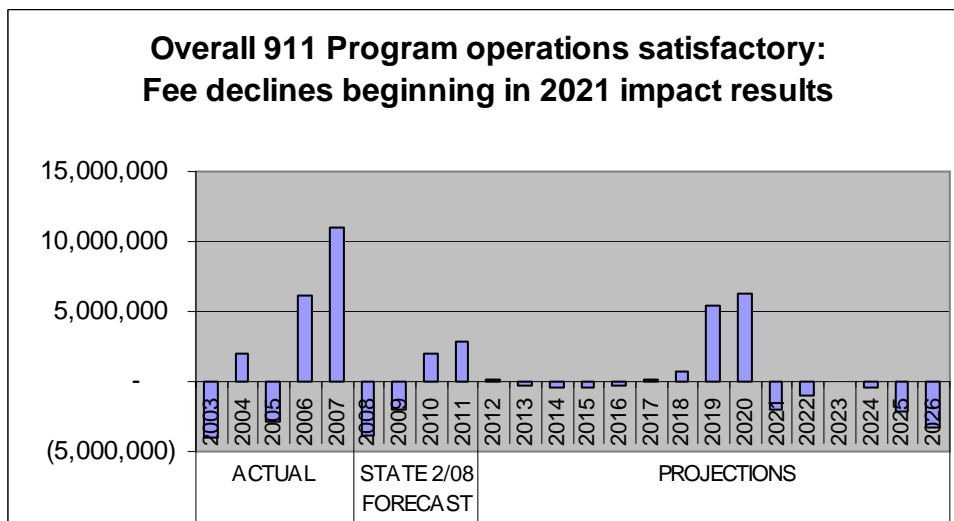
Additional Bonds Test covenant is met

Projected revenues satisfy the Series 2006 bonds' Additional Bonds Test, in which the State covenanted to issue future debt only if revenues in each subsequent year were sufficient to cover Maximum Annual Debt Service (MADS) by 1.5 times. Beginning in 2012 (the first year of full debt service), the weakest MADS coverage is 1.6 times (2026).

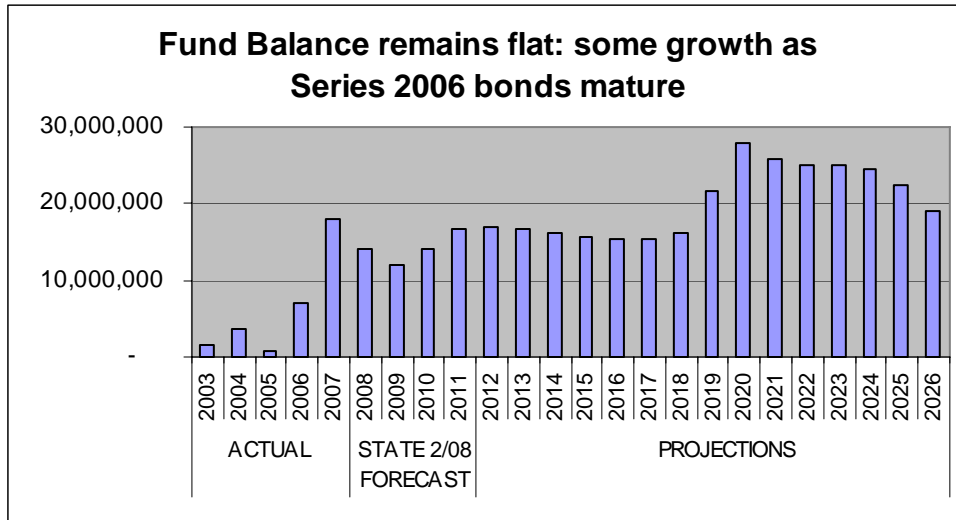


Program Operations have essentially balanced operations until 911 service fees begin declining in 2021 (maturity of bonds) / Satisfactory Fund Balance

Operating expenses are second in the program's flow of funds, paid only after debt service. Despite conservative revenue estimates, program operations remain project essentially balanced operations through 2021, which is when the 911 Service Fee begins declining as the related bonds mature.



The program's fund balance is expected to remain level through 2018. After the Series 2006 bonds mature (2018) there is a brief expected increase in fund balance until the remaining authorization bonds mature (2021) and the related 15 cent fee disappears. Thereafter, beginning in 2021, the fund balance is projected to begin decreasing on an annual basis, evidencing the need for accumulation of reserves in the early years, to provide cushion for capital needs or respond to revenue contingencies.



SENSITIVITY ANALYSIS

Assumptions: Sensitivity Model

- 2008 Revenues: From mid-year actuals (through December 2007)
 - Wired lines decrease by 1.5%
 - Wireless lines increased 4.1%
- 2009 – thereafter
 - Wired lines decrease by 10% / year
 - Wireless lines increase by 8% / year in 2009 (the annualized growth of 2008), then declines by 1% / year (reaching -9% in 2026)
- No additional 911 fee increases
- Fees drop as related bonds mature:
 - 2 cents in 2014
 - 15 cents in 2021
 - 10 cents in 2025
 - 10 cents in 2026
- O&E inflation = 3%
- 11 year amortization on remaining authorization (\$14.2M, expected 11/08)
- 15 year amortization on future debt (Series 2008, 2009, 2010), delayed one year from the base model
- Metropolitan Council's debt structure is actual debt, not State's appropriation

The accompanying source data is shown in Appendix B.

While the early years perform better under this model (because 2008 mid-year estimates are better than the February Forecast), the latter years are more stressed, compounded by the more aggressive decline in wireless users. This model is conservative, as the lines per capita drops in half: to 0.6 in 2026 from 1.22 in 2007. Under this analysis, debt service coverage continues at well over 200% through the life of the bonds, but the fund balance for the entire program goes into deficit balance.

Appendices:

- A: Base projection
- B: Sensitivity analysis
- C: Previous projections
- D: History of bond rates (30 years)
- E: Population trends and projections
- F: Telephone penetration, by State

**911 SERVICE FEE FINANCIAL ANALYSIS:
State of Minnesota**

Appendix A

Base Projection

**911 SERVICE FEE FINANCIAL ANALYSIS:
State of Minnesota**

Appendix B

Sensitivity Analysis

Minnesota Department of Public Safety
Statewide 911 Emergency Telephone Service Program

SENSITIVITY MODEL

	ACTUAL					Projections					PROJECTIONS														
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	
Number of Lines																									
Wired	2,982,343	2,921,343	2,839,448	2,766,054	2,772,418	2,730,460	2,457,414	2,211,673	1,990,505	1,791,455	1,612,309	1,451,079	1,305,971	1,175,374	1,057,836	952,053	856,847	771,163	694,046	624,642	562,178	505,960	455,364	409,827	
% increase/(decrease) (1)	-	-2.05%	-2.80%	-2.58%	0.23%	-1.51%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%
Wireless	2,268,349	2,540,549	2,852,754	3,162,793	3,554,744	3,699,738	3,995,717	4,275,417	4,531,942	4,758,539	4,948,881	5,097,347	5,199,294	5,251,287	5,198,774	5,094,799	4,941,955	4,744,277	4,507,063	4,236,639	3,940,074	3,624,868	3,298,630		
% increase/(decrease) (2)	-	12.00%	12.29%	10.87%	12.39%	4.08%	8.00%	7.00%	6.00%	5.00%	4.00%	3.00%	2.00%	1.00%	0.00%	-1.00%	-2.00%	-3.00%	-4.00%	-5.00%	-6.00%	-7.00%	-8.00%	-9.00%	
Total Lines (3)	5,250,692	5,461,892	5,692,202	5,928,847	6,327,212	6,430,198	6,453,131	6,487,090	6,522,448	6,549,994	6,561,190	6,548,426	6,505,265	6,426,661	6,309,123	6,150,827	5,951,646	5,713,117	5,438,323	5,131,705	4,798,817	4,446,034	4,080,232	3,708,458	
% increase/(decrease)	-	4.02%	4.22%	4.16%	6.72%	1.63%	0.36%	0.53%	0.55%	0.42%	0.17%	-0.19%	-0.66%	-1.21%	-1.83%	-2.51%	-3.24%	-4.01%	-4.81%	-5.64%	-6.49%	-7.35%	-8.23%	-9.11%	
Most recent DPS projections (4)																									
Revenue per penny	630,082	645,965	683,080	711,223	761,957	771,624	774,376	778,451	782,694	785,999	787,343	785,811	780,632	771,199	757,095	738,099	714,198	685,574	652,599	615,805	575,858	533,524	489,628	445,015	
Population (5)			5,192,122	5,192,122	5,192,122	5,192,122	5,192,122	5,446,530	5,446,530	5,446,530	5,446,530	5,446,530	5,709,700	5,709,700	5,709,700	5,709,700	5,709,700	5,943,240	5,943,240	5,943,240	5,943,240	5,943,240	6,135,060	6,135,060	
Lines / capita			1.10	1.14	1.22	1.24	1.24	1.19	1.20	1.20	1.20	1.20	1.14	1.13	1.10	1.08	1.04	0.96	0.92	0.86	0.81	0.75	0.67	0.60	
Resources																									
Beginning Balance	5,648,200	1,628,000	3,673,700	881,300	6,977,400	17,952,200	19,482,220	29,698,100	49,473,141	71,255,532	85,749,192	92,488,324	97,710,817	101,200,881	102,511,856	101,183,162	96,718,754	92,647,464	84,437,439	63,518,842	38,160,417	8,059,595	(27,014,722)	(67,227,667)	
Other																									
Number of Lines	5,250,692	5,461,892	5,692,202	5,928,847	6,327,212	6,430,198	6,453,131	6,487,090	6,522,448	6,549,994	6,561,190	6,548,426	6,505,265	6,426,661	6,309,123	6,150,827	5,951,646	5,713,117	5,438,323	5,131,705	4,798,817	4,446,034	4,080,232	3,708,458	
Revenue/Line (6)	0.33	0.40	0.40	0.65	0.65	0.65	0.75	0.85	0.95	0.95	0.95	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.78	0.78	0.78	0.78	0.78	0.68	
Total Annual Revenue (7)	20,792,700	25,838,600	27,323,200	46,229,500	49,527,200	50,155,546	58,078,181	66,168,317	74,355,904	74,669,934	74,797,570	73,080,432	72,598,756	71,721,534	70,409,817	68,643,228	66,420,371	63,758,391	50,902,703	48,032,755	44,916,923	41,614,879	38,190,973	30,261,015	
Total Funds Available	26,440,900	27,466,600	30,996,900	47,110,800	56,504,600	68,107,746	77,560,401	95,866,417	123,829,045	145,925,467	160,546,762	165,568,756	170,309,573	172,922,415	172,921,673	169,826,390	163,139,125	156,405,855	135,340,142	111,551,597	83,077,340	49,674,475	11,176,251	(36,966,653)	
Authorized Expenditures																									
Debt Service																									
Met Council (8)	1,393,900	1,396,600	1,401,900	1,405,000	1,410,000	1,311,163	1,411,538	1,413,300	1,414,050	1,411,800	1,419,600														
Department of Finance (9) Series 2006 (9)	-	-	-	6,138,000	6,149,000	4,262,363	4,258,763	4,229,263	4,199,513	4,203,313	4,199,750	4,172,250	4,143,250	4,117,500	4,094,500	4,068,750									
Remaining Authorization (\$14.2M, 11/08, 11 yr)(9)	-	-	-	-	-	-	-	1,678,714	1,680,691	1,677,016	1,679,266	1,681,866	1,680,614	1,681,001	1,681,371	1,677,671	1,679,781	1,676,800	-	-	-	-	-	-	
Subtotal Existing Debt	1,393,900	1,396,600	1,401,900	7,543,000	7,559,000	5,573,526	5,670,301	7,321,276	7,294,254	7,292,129	7,298,616	5,854,116	5,823,864	5,798,501	5,775,871	5,746,421	1,679,781	1,676,800	-	-	-	-	-	-	
Est Series 2009 (9)									6,207,259	6,206,506	6,208,499	6,207,379	6,207,086	6,209,861	6,206,441	6,207,321	6,209,951	6,208,201	6,210,241.00	6,208,813.50	6,208,732.50	6,210,450.00	6,206,340.00	6,437,235.00	
Est Series 2010 (9)										6,433,480	6,435,158	6,435,308	6,436,498	6,437,325	6,434,825	6,434,850	6,437,355	6,434,605	6,435,630.00	6,432,953.00	6,434,493.00	6,434,357.50	6,432,872.50	6,432,872.50	
Est Series 2011 (9)										-	6,664,681	6,665,108	6,665,366	6,669,716	6,667,363	6,665,413	6,669,333	6,668,713	6,665,928.00	6,664,628.00	6,667,190.00	6,665,840.00	6,664,800.00	6,668,962.50	
Subtotal Project Debt	-	-	-	-	-	-	-	-	6,207,259	12,639,986	19,308,337	19,308,794	19,308,949	19,316,902	19,308,629	19,307,584	19,316,639	19,311,519	19,311,799	19,306,395	19,310,416	19,310,648	19,304,013	13,106,198	
Total Debt Service	1,393,900	1,396,600	1,401,900	7,543,000	7,559,000	5,573,526	5,670,301	7,321,276	13,501,513	19,932,115	26,606,953	25,162,910	25,132,813	25,115,403	25,084,500	25,054,005	20,996,420	20,988,319	19,311,799	19,306,395	19,310,416	19,310,648	19,304,013	13,106,198	
Debt Service Coverage	14.92	18.50	19.49	6.13	6.55	9.00	10.24	9.04	5.51	3.75	2.81	2.90	2.89	2.86	2.81	2.74	3.16	3.04	2.64	2.49	2.33	2.16	1.98	2.31	
Number of pennies dedicated to debt service (10)				15	15	15	25	35	45	45	45	43	43	43	43	43	43	43	43	43	43	43	43	33	
Number of pennies needed for actual debt service	2	2	2	11	10	7	7	9	17	25	34	32	32	33	33	34	29	31	30	31	34	36	39	29	
Penny coverage				1.41	1.51	2.08	3.41	3.72	2.61	1.77	1.33	1.34	1.34	1.32	1.30	1.27	1.46	1.40	1.45	1.37	1.28	1.19	1.09	1.12	
MADS (2012)						26,606,953	26,606,953	26,606,953	26,606,953	26,606,953	26,606,953	26,606,953	26,606,953	26,606,953	26,606,953	26,606,953	26,606,953	26,606,953	26,606,953	26,606,953	26,606,953	26,606,953	26,606,953	26,606,953	
MADS Coverage (11)						1.89	2.18	2.49	2.79	2.81	2.81	2.75	2.73	2.70	2.65	2.58	2.50	2.40	1.91	1.81	1.69	1.56	1.44	1.14	
Operating Expenses																									
Operating Expense Inflation Rate =										3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Council Operating Budget Supplement	1,100,500	1,225,700	1,330,400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Medical Resource Communication Center	-	-	-	682,000	683,000	683,000	683,000	683,000	683,000	703,490	724,595	746,333	768,723	791,784	815,538	840,004	865,204	891,160	917,895	945,432	973,795	1,003,009	1,033,099	1,064,092	
PSAPS Payments	6,301,300	6,555,800	6,830,800	13,640,000	13,664,000	13,664,000	13,664,000	13,664,000	13,664,000	14,073,920	14,496,138	14,931,022	15,378,952	15,840,321	16,315,531	16,804,996	17,309,146	17,828,421	18,363,273	18,914,172	19,481,597	20,066,045	20,668,026	21,288,067	
Statewide Operations/Service Providers	15,727,900	14,300,500	20,286,100	17,891,900	16,220,400	19,167,000	19,151,000	19,151,000	19,151,000	19,725,530	20,317,296	20,926,815	21,554,619	22,201,258	22,867,296	23,553,314	24,259,914	24,987,711	25,737,343	26,509,463	27,304,747	28,123,889	28,967,606	29,836,634	
Compensation	289,300	314,300	266,400	376,500	426,000	498,000	514,000	514,000	514,000	529,420	545,303	561,662	578,512	595,867	613,743	632,155	651,120	670,653	690,773	711,496	732,841	754,826	777,471	800,795	
Controller/Project Dev/System Design	-	-	-	-	-	5,930,000	5,070,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
ARMER State Backbone Operating Costs	-	-	-	-	-	3,110,000	3,110,000	5,060,000	5,060,000	5,211,800	5,368,154	5,529,199	5,695,075	5,865,927	6,041,905	6,223,162	6,409,857	6,602,152	6,800,217	7,004,223	7,214,350				

**911 SERVICE FEE FINANCIAL ANALYSIS:
State of Minnesota**

Appendix C

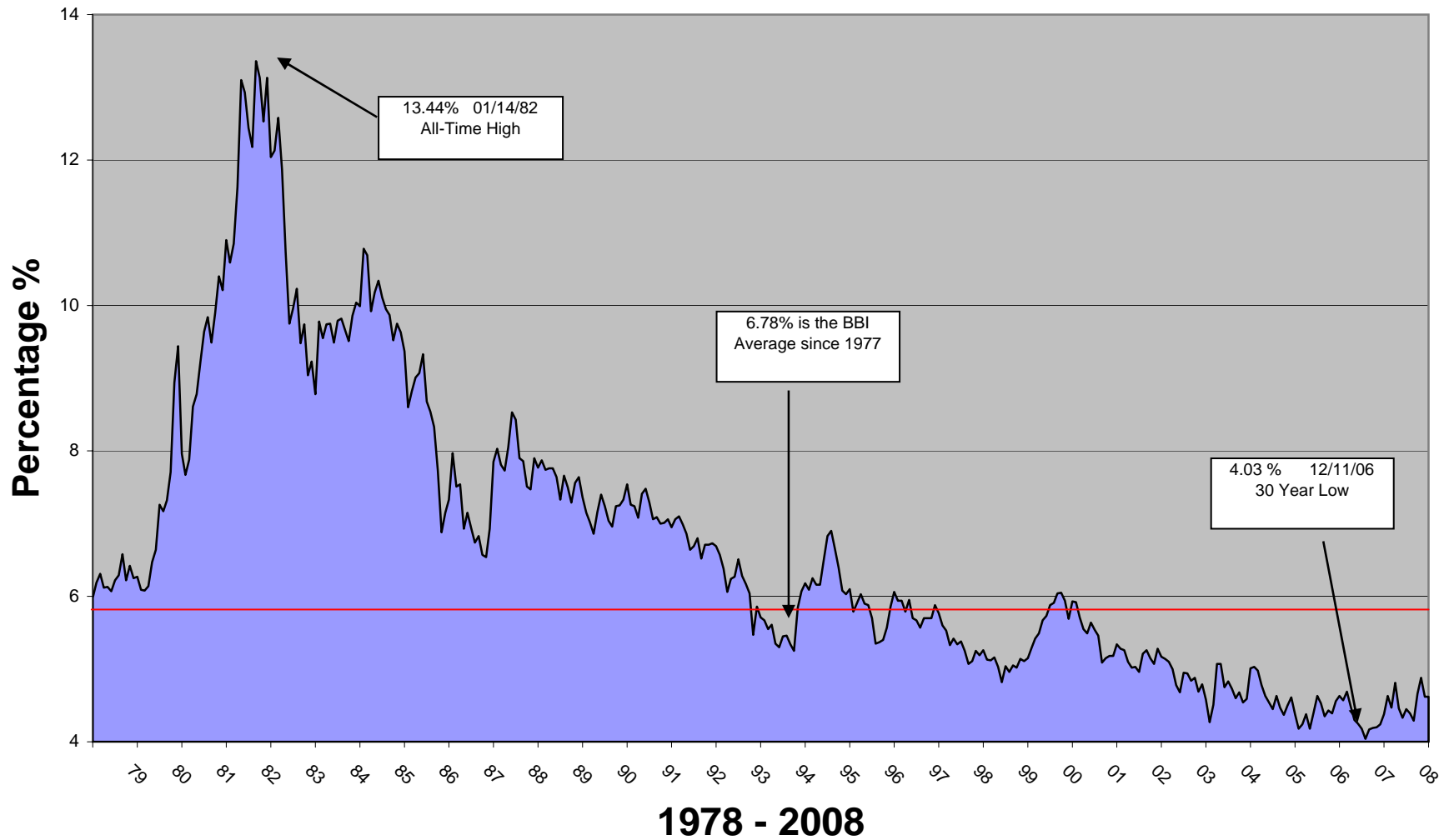
Previous Projections

**911 SERVICE FEE FINANCIAL ANALYSIS:
State of Minnesota**

Appendix D

History of Bond Rates (30 years)

Thirty Year Bond Buyer Index



**911 SERVICE FEE FINANCIAL ANALYSIS:
State of Minnesota**

Appendix E

Population Projections

Minnesota Population Projections: 2005 - 2035
Minnesota State Demographic Center: June 2007

PROJECTED MINNESOTA POPULATION BY COUNTY, AGE AND GENDER MINNESOTA STATE DEMOGRAPHIC CENTER, JUNE 2007														
State of Minnesota	Estimated 2005 Population		Projected 2010 Population		Projected 2015 Population		Projected 2020 Population		Projected 2025 Population		Projected 2030 Population		Projected 2035 Population	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Age														
0 to 4	174,845	165,766	186,500	177,980	193,510	184,660	196,810	187,820	195,240	186,320	193,840	184,920	195,670	186,740
5 to 9	169,134	161,158	182,160	172,890	194,070	185,300	200,150	191,090	202,410	193,250	200,760	191,670	199,900	190,790
10 to 14	183,210	173,243	173,500	165,370	186,610	177,270	197,530	188,670	202,920	193,800	204,900	195,690	203,590	194,440
15 to 19	191,943	183,279	186,850	177,220	176,960	169,090	189,050	180,070	198,790	190,220	203,930	195,080	206,050	197,100
20 to 24	194,603	187,503	194,480	186,430	190,630	181,860	178,770	171,460	188,790	180,410	197,350	189,150	202,750	194,260
25 to 29	179,598	171,371	205,540	195,880	206,280	196,500	200,830	190,610	186,600	177,930	195,990	186,410	204,620	195,060
30 to 34	176,075	170,591	187,920	177,830	212,490	201,410	212,360	201,340	205,850	194,610	191,090	181,450	200,820	190,310
35 to 39	188,753	184,697	181,040	173,920	191,940	180,760	214,490	202,390	213,750	201,820	207,410	195,300	193,140	182,540
40 to 44	213,611	209,600	191,390	186,010	183,600	175,520	193,300	181,420	214,580	201,810	214,070	201,410	208,330	195,390
45 to 49	211,170	209,050	212,620	208,940	190,940	185,840	182,800	175,110	191,720	180,410	212,410	200,180	212,380	200,140
50 to 54	180,809	179,182	207,920	205,740	209,650	205,890	188,290	183,060	180,070	172,320	188,690	177,370	209,040	196,660
55 to 59	146,201	148,429	174,560	174,910	200,950	200,920	202,690	201,020	182,190	178,770	174,470	168,460	183,040	173,490
60 to 64	105,035	110,026	138,500	143,120	165,630	168,850	190,750	193,830	192,590	193,970	173,650	172,850	166,820	163,230
65 to 69	78,071	86,832	96,470	103,550	127,770	135,160	152,990	159,570	176,420	183,230	178,800	183,790	162,050	164,300
70 to 74	63,840	74,244	69,530	80,080	86,530	96,070	115,170	125,810	138,380	148,840	160,390	171,390	163,570	172,520
75 to 79	53,145	71,012	53,380	66,180	58,850	72,030	73,930	87,030	99,210	114,620	120,170	136,250	140,510	157,600
80 to 84	37,107	55,978	40,000	59,170	40,940	56,040	45,880	61,730	58,470	75,410	79,560	100,220	97,630	119,990
85+	31,424	71,588	35,480	73,430	40,140	79,060	43,870	81,540	50,040	89,300	62,830	106,060	85,120	136,670
Gender totals:	2,578,574	2,613,548	2,717,860	2,728,670	2,857,490	2,852,210	2,979,660	2,963,580	3,078,030	3,057,030	3,160,310	3,137,640	3,235,040	3,211,220
Total Population	5,192,122		5,446,530		5,709,700		5,943,240		6,135,060		6,297,950		6,446,270	

**911 SERVICE FEE FINANCIAL ANALYSIS:
State of Minnesota**

Appendix F

Telephone Penetration, by State

Telephone Penetration by State
(Percentage of Households with Telephone Service)

State	November 1983	November 2007	Change
Alabama	87.9 %	92.1 %	4.1 % *
Alaska	83.8	96.9	13.2 *
Arizona	88.8	91.6	2.8
Arkansas	88.2	91.9	3.7
California	91.7	96.7	4.9 *
Colorado	94.4	97.0	2.6
Connecticut	95.5	97.6	2.1
Delaware	95.0	95.9	0.9
District of Columbia	94.7	92.0	-2.8
Florida	85.5	94.2	8.7 *
Georgia	88.9	92.8	3.9
Hawaii	94.6	95.1	0.5
Idaho	89.5	96.0	6.5 *
Illinois	95.0	94.7	-0.3
Indiana	90.3	88.6	-1.7
Iowa	95.4	96.9	1.5
Kansas	94.9	96.4	1.5
Kentucky	86.9	94.3	7.4 *
Louisiana	88.9	96.1	7.2
Maine	90.7	95.8	5.0 *
Maryland	96.3	94.9	-1.4
Massachusetts	94.3	97.0	2.7
Michigan	93.8	95.2	1.4
Minnesota	96.4	97.8	1.4
Mississippi	82.4	90.6	8.2 *
Missouri	92.1	96.5	4.4 *
Montana	92.8	95.4	2.6
Nebraska	94.0	94.3	0.3
Nevada	89.4	96.4	6.9 *
New Hampshire	95.0	97.5	2.5
New Jersey	94.1	96.3	2.2
New Mexico	85.3	91.3	6.0
New York	90.8	94.2	3.4 *
North Carolina	89.3	95.1	5.8 *
North Dakota	95.1	98.5	3.4
Ohio	92.2	96.2	4.0 *
Oklahoma	91.5	96.5	5.0
Oregon	91.2	95.8	4.6
Pennsylvania	95.1	97.6	2.5
Rhode Island	93.3	94.8	1.4
South Carolina	81.8	88.9	7.1 *
South Dakota	92.7	97.7	5.0 *
Tennessee	87.6	92.1	4.5
Texas	89.0	92.5	3.6 *
Utah	90.3	96.1	5.8 *
Vermont	92.7	96.4	3.7
Virginia	93.1	95.9	2.8
Washington	92.5	96.3	3.8
West Virginia	88.1	95.4	7.3 *
Wisconsin	94.8	96.6	1.8
Wyoming	89.7	96.6	6.8 *
Total United States	91.4	94.9	3.5 *

* Increase is statistically significant at the 95% confidence level.

† Decrease is statistically significant at the 95% confidence level.

Differences may not appear to equal changes due to rounding.

SOURCE: Telephone Subscribership In the United States

Industry Analysis and Technology Division

Wireline Competition Bureau

Federal Communications Commission

Released: March 2008