



Cost Estimate Guidance & Successful Negotiations

February 22, 2007

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- ❑ Bob Sutphen brings over forty years of experience in Public Safety to the TA, with key skills including program and project management, contract negotiations and RF communications system design, procurement, and implementation management. Bob is a member of the Association of Public-Safety Communications Officials (APCO) and the Institute of Electrical & Electronic Engineers (IEEE).
- ❑ Elaine Ayensu comes to the TA with experience in organizational change, communication and technology. Elaine is a Consultant for the TA who assists in the facilitation of Outreach Strategy and Event Management.

Introduction





Microsoft Live Meeting – How To

- Question & Answers
- Moods
- Full Screen – Small Screen
- Scroll Bar
- Phones
- Reentering the Meeting
- PDFs



Learning Objectives

Upon completion of this module, participants will:

- Understand how to prepare a Cost Estimate and the level of detail required
- Receive information regarding the updated Incumbent Labor Reimbursement Policy which addresses reimbursement of licensee internal labor costs incurred in planning for or reconfiguring their systems
- Receive information regarding the FCC's Order regarding Non-Disclosure Agreements
- Receive tips for successful negotiations

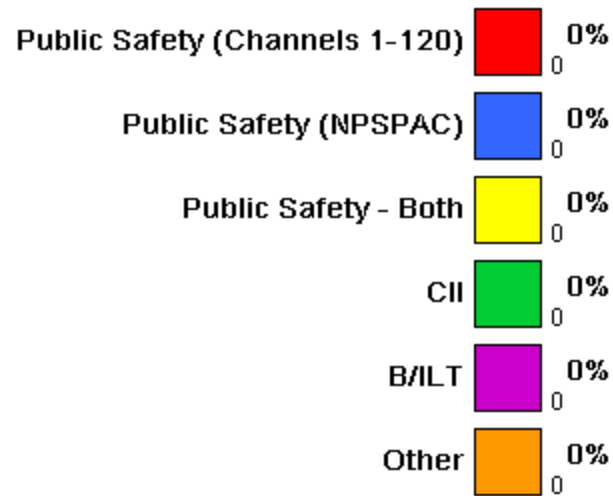


Agenda

- Cost Estimate Guidance**
- Updated Incumbent Labor Reimbursement Policy**
- Tips on Successful Negotiations**
- FCC's Order regarding Non-Disclosure Agreements**
- Information to Know**

To which of the following groups do you belong?

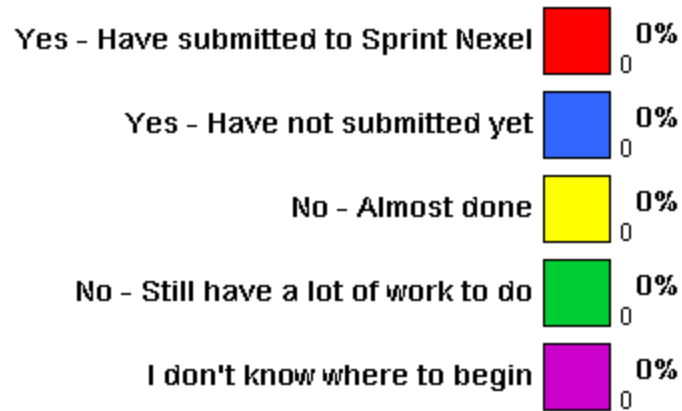
Polls are open.



[Poll 1]

Have you completed a Cost Estimate?

Polls are open.



[Poll 2]



Cost Estimate Guidance

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Cost Estimate Overview



- Cost Estimates are submitted to request planning and reconfiguration funding and to be used during Planning Funding Agreement (PFA) and Frequency Reconfiguration Agreement (FRA) negotiations
- After completing FRA negotiations, the final Cost Estimate and Statement(s) of Work (SOWs) should be attached as Schedule C to the FRA
- The TA will review reconfiguration tasks and costs provided to determine if they are reasonable and prudent expenses directly related to the retuning of an 800 MHz system



Cost Estimate Overview

For each reconfiguration task and subtask with associated costs, the TA requests cost detail to include:

- A clear description of goods and services
- Level of effort by type of resource (typically person hours)
- Labor rate by type of resource (typically \$/hour)
- Per unit costs, if appropriate (typically \$/radio retuned)
- Payee (incumbent or vendor name)



Cost Estimate – Cost Categories

There are several categories of tasks for which licensees may want to include costs in the Cost Estimate, if applicable to the system:

- Pre/Post FCC applications for License Modifications and Notice of Construction with FCC
- Subscriber Equipment Reconfiguration
- Infrastructure Equipment Reconfiguration
- Mutual Aid and Interoperability Reconfiguration
- System Cutover and Fallback Plan
- Engineering and Pre/Post-Verification
- Contracts and Legal
- True Up Costs with Sprint Nextel
- Other Costs

NOTE: Certain tasks and subtasks are not applicable to all reconfigurations and it is not necessary to include costs for each task and subtask in the Cost Estimate.

A Sharing Slide

800 MHz Reconfiguration Transition Administrator: RFPF Forms - Microsoft Internet Explorer
provided by BearingPoint Inc. - bob sutphen



Cost Estimate / SOW Contents...

- When Preparing a Cost Estimate for All Systems larger than a Single Site, Format the Cost Estimate and SOW Document to become part of the FRA Schedule C and Include:**
 - A Detailed Infrastructure System Description
 - System Manufacturer
 - Trunked Simulcast
 - Conventional Simulcast
 - Number of Sites and Number of Repeaters at each Site
 - Quantities of Repeaters to be Retuned, Reprogrammed, Replaced
 - Number of Combiners, Receiver Multicouplers, Antennas (Tx/Rx), Tower Top Pre-Amps at each Site
 - BDA Sites (In-Structures and/or Outside)
 - Quantity of Controllers affected and Modifications
 - Consoles and System Manager Quantities and Modifications

Cost Estimate / SOW Contents...



Cost Estimate / SOW Contents...

- When Preparing a Cost Estimate for All Systems larger than a Single Site, Format the Cost and SOW Document to become part of the FRA Schedule C and Include:**
 - A Detailed Interoperability System Description
 - List of Agencies Programmed onto Your System
 - Quantities and Radio Types of Your Units Programmed into Other Agencies' Systems
 - Roaming
 - Agencies Programmed into Your System
 - Quantities of Your Units Programmed into Other Agencies; Listing of those Agencies

Cost Estimate / SOW Contents...



Cost Estimate / SOW Contents...

- When Preparing a Cost Estimate for All Systems larger than a Single Site, Format the Cost and SOW Document to become part of the FRA Schedule C and Include:**
 - Define National Mutual Aid Infrastructure and Subscriber Unit Frequencies Configurations
 - Following the guidance in the TA's Mutual Aid Fact Sheet, define Method of Maintaining Mutual Aid Continuity During the Reconfiguration Period
 - If Your Agency Operates the Mutual Aid Repeaters, List All Agencies Operating Their Mutual Aid Subscriber Units On the System along with the Quantities and Types of Units
 - The Lead Agency for Each Special Mutual Aid and Interoperability Configuration including Memorandum Of Understandings, Agreements, etc.

Cost Estimate / SOW Contents...



Cost Estimate / SOW Contents...

- When Preparing a Cost Estimate for All Systems larger than a Single Site, Format the Cost and SOW Document to become part of the FRA Schedule C and Include:**
 - Reconfiguration Milestones:
 - Define as "Contract Execution + xx calendar days"
 - For Large Systems a GANTT Chart is the Best Method of Tracking Progress
 - Tasks to be included (as appropriate):
 - FCC Licensing Pre/Post & Notice of Construction to the FCC
 - Project Start
 - Reconfiguration Planning
 - Reconfigure Subscriber Units
 - Reconfigure the Infrastructure
 - Reconfigure the Interoperability Subsystems
 - Developing the Cutover and Fallback Plan
 - System Pre/Post Testing and Acceptance Testing

Cost Estimate / SOW Contents...



Cost Estimate / SOW Contents...

- When Preparing a Cost Estimate for All Systems larger than a Single Site, Format the Cost and SOW Document to become part of the FRA Schedule C and Include:**
 - Planning Costs, If Required, either in a PFA or in the FRA**
 - Follow the RFPF Form found on the TA's Website at http://www.800TA.org/content/PFD/forms/RFPF_Instructions.pdf
 - Frequency Analysis per Section 2 of the RFPF
 - System Inventory per Section 3 of the RFPF
 - Implementation Plan per Section 2 of the RFPF

Cost Estimate / SOW Contents...



Cost Estimate / SOW Contents...

- When Preparing a Cost Estimate for All Systems larger than a Single Site, Format the Cost and SOW Document to become part of the FRA Schedule C and Include:**
 - Licensee's Internal Costs
 - Vendor Costs
 - Consultant Costs
- These Costs for Each Major Functional Line Item Task may include:
 - Program Management
 - Engineering
 - Legal

Cost Estimate / SOW Contents...



When Developing a Cost Estimate...

- Prior to negotiating an FRA with Sprint Nextel, obtain a cost estimate and SOW from your consultant (if applicable) and vendor(s)
- Assemble any other costs you may incur internally during reconfiguration.
- For each task and subtask with associated costs, the TA requires:
 - A clear description of goods and services
 - Level of effort by type of resource (typically person hours)
 - Labor rate by type of resource (typically \$/hour)
 - Per unit costs, if appropriate (typically \$/radio returned)
 - Payee (incumbent or vendor name)

When Developing a Cost Estimate...



Websites for Cost Estimates and SOW Preparations...

- Guidelines for Preparing a Cost Estimate**
http://800ta.org/content/PDF/forms/Guidelines_for_Preparing_a_Cost_Estimate.pdf
- Cost Estimate, Schedule C Template**
http://www.800ta.org/content/PDF/forms/Cost_Estimate.doc
- Request for Planning Funding (RFPF)**
http://www.800ta.org/content/documents/rfpf_forms.asp
- Change Notice Forms and Procedures**
http://www.800ta.org/content/documents/change_notice.asp
- Cost Classification Policy**
<http://800ta.org/content/PDF/policy/CostClassificationPolicy.pdf>

Websites for Cost Estimates and SOW Preparations...



Interactive Q&A

TA Contact:

Phone: 1-888-800-8220
Website: www.800TA.org
Email: comments@800TA.org

FCC – 800 MHz Reconfiguration:

Website: <http://800MHz.gov>



Updated Incumbent Labor Reimbursement Policy

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Overview of Incumbent Labor Reimbursement Policy

- For internal labor costs to be reimbursable by Sprint Nextel, they must be incurred specifically due to 800 MHz band reconfiguration
- All internal labor costs must be negotiated and agreed with Sprint Nextel and approved by the TA
- Licensee must certify that its internal labor costs are the minimum necessary to obtain facilities comparable to those presently in use
- Incumbent Labor Reimbursement Policy was revised in January 2007



Reimbursement of Internal Labor

- All internal labor costs that licensee expects to incur and submit for reimbursement need to be included in a Cost Estimate
 - Cost Estimate will be negotiated with Sprint Nextel and incorporated into either PFA or FRA

- Sprint Nextel will reimburse internal labor costs based either on a “per unit” price or a “per hour” rate
 - Preference for “per unit” price reimbursement (*e.g.*, per radio)
 - Any “per unit” price or “per hour” rate proposed by a licensee must be agreed upon by Sprint Nextel and approved by the TA
 - Each licensee must include the basis of any proposed “per unit” price or “per hour” rate in its Cost Estimate



Reimbursement of Internal Labor

“Per Unit” Price Reimbursements:

- Use of "per unit" reimbursement is appropriate when there is an established market-based internal "per unit" price for the task

- If a market-based internal "per unit" price is not available, the licensee and Sprint Nextel can negotiate and agree upon an estimate of the number of hours typically required to complete one instance of the task. The "per unit" price is then determined by multiplying this estimate by a mutually agreed-upon internal labor rate

- The total *estimated* cost for each reconfiguration task involving internal labor will equal the agreed-upon "per unit" price multiplied by the agreed-upon estimate of the number of times the task will be performed

- For each task actually performed during planning or reconfiguration, the licensee will be reimbursed at the applicable "unit price" set forth in the TA-approved Cost Estimate included in the PFA or the FRA



Reimbursement of Internal Labor

“Per Hour” Rate Reimbursements:

- “Per unit” rate may not be appropriate for estimating internal labor for certain reconfiguration tasks (*i.e.*, project management, engineering, and legal)

- Licensee and Sprint Nextel can negotiate and agree upon hourly rate and estimate of time typically required to perform task

- The total *estimated* cost of each task will be determined by multiplying the mutually agreed-upon hourly rate by the mutually agreed-upon estimate of the total number of hours that will be required to perform the task

- For each internal labor hour actually incurred in performing each task during planning or reconfiguration, the licensee will be reimbursed at the applicable “per hour” rate set forth in the TA-approved Cost Estimate included in the PFA or the FRA



Reimbursement of Internal Labor

The applicable “per hour” rate could be:

- ❑ **Market-Based Rates:** Established market-based internal labor rates (both regular and overtime rates) for similar work are normally acceptable to the TA (needs reasonable support). Examples include intra-agency rates or rates charged to outside parties

- ❑ **Negotiated Rates:** If established market-based rates are not available, the TA will accept rates (both regular and overtime rates) that Sprint Nextel and the licensee negotiate, assuming they are fair and reasonable for the work performed and the employees involved



Reconciliation of Advance Payments for Internal Labor

Advance payments to a licensee for estimated internal labor costs will need to be reconciled with the internal labor costs incurred by the licensee in planning for or reconfiguring its system:

- Once planning or reconfiguration implementation is complete, licensee must submit evidence of costs incurred to Sprint Nextel (including internal labor costs required by the applicable PFA or FRA). Reconciliation documentation that licensee must submit depends upon whether labor costs are claimed on a "per unit" or a "per hour" basis.
- Actual* number of units or internal labor hours incurred will be reconciled against *estimated* number of units or hours contained in TA-approved Cost Estimate (included in applicable PFA or the FRA) to determine if a "true up" payment to licensee or a refund to Sprint Nextel is required.
- After reconciliation Sprint Nextel will prepare and send closing documents to licensee. The TA reviews licensee closing documents and Sprint Nextel's payment records to ensure that payments received from Sprint Nextel are consistent with the approved Cost Estimate



TA Review and Record Retention Requirements

As required by the terms of the PFA and FRA, each licensee's reconciliation documentation and related supporting records may be subject to review by the TA or the external auditors of the reconfiguration program

- Licensees should retain such documentation and supporting records for 24 months after the closing of a PFA or 18 months after the closing of a FRA
- Longer retention periods may be required by the licensee's established record retention policy or applicable provisions of state, local or municipal law
- As part of the audit process, licensee documentation and records should include evidence of the number of planning or reconfiguration tasks that required internal labor in addition to which type of unit of measure ("per unit" or "per hour") was used for the reimbursement



Interactive Q&A

TA Contact:

Phone: 1-888-800-8220
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Email: comments@800TA.org

FCC – 800 MHz Reconfiguration:

Website: <http://800MHz.gov>



Tips on Successful Negotiations

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What Do I Need To Negotiate?

Key terms and conditions to be negotiated include:

- Agreement on the reconfiguring licensee's new frequencies (i.e., that they are comparable)
- The overall costs for reconfiguration
- A Cost Estimate (and Statement of Work for complex systems)
- Transactional costs, such as fees for attorneys and fees for consultants
- Timetable for physical reconfiguration
- Payment terms
- Who will prepare and file FCC applications



Prepare for Negotiations

Prepare for negotiations (complete your “homework”).

- Complete Requests for Planning Funding (RFPF), if necessary, by the established deadlines to allow adequate time for negotiations
- Provide adequate detail and explanation for RFPFs and cost estimates
- Don't assume that SN knows your issues or your system
- Help us understand your unique system and how it correlates to your reconfiguration costs
- Become familiar with published TA policies (Incumbent Labor Rate, Education Reimbursement, Cost Classification, etc.)
- Think about areas where you may be flexible regarding costs
- Don't just “wing it”



What to Expect

Typically during the negotiations period:

- You should be contacted by SN to commence negotiations. If that doesn't occur, contact SN at 800MHz@Sprint.com
- Negotiations occur via phone calls and emails between you and SN
- Face-to-face meetings can be scheduled, if necessary
- Reconfiguration activities negotiated will include (among others):
 - Costs indicated in your RFPF and/or Cost Estimate
 - Vendor and consultant rates and activities required for completion of reconfiguration.
 - Intermodulation studies and other "exceptions" indicated by licensee



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FCC's Order on Non-Disclosure Agreements

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NDA Order

A January 8, 2007 FCC Order allows for the exchange of information among public safety licensees.

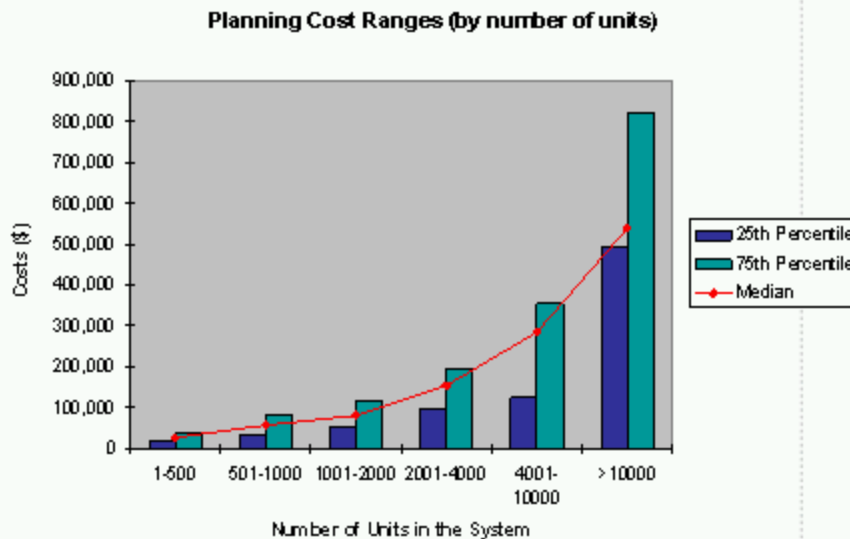
The benefits of the ruling to public safety licensees include:

- Allows public safety licensees to engage in historical information sharing
- Provides Public Safety licensees with a check and balance for certain costs and activities as compared to similar or comparable systems
- Provides a mechanism for reviewing proposed costs and activities against similar or comparable systems

The FCC's Order does not allow parties that have already negotiated PFAs or FRAs to reopen negotiations.

NDA Order (cont.)

Pursuant to the FCC's Order, the TA has published PFA cost ranges.



Several data slices provided:

- Total planning costs
- Incumbent licensee costs broken down by cost category
- Vendor costs broken down by cost category
- Hourly licensee and vendor rates by cost category

Data points provided:

- 25th percentile (low point)
- Median
- 75th percentile (high point)

This information provides licensees seeking planning funding with ranges for similar sized systems... It is a starting point for comparison and not meant to be your only source of information.



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FCC – 800 MHz Reconfiguration:

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Information to Know

The following resources are available on the TA's Website:

<http://www.800TA.org>

- TA Online Reference Guide (Reconfiguration Handbook)
- Guidelines for Preparing a Cost Estimate
- Updated Incumbent Labor Reimbursement Policy
- Updated Mutual Aid and Interoperability Fact Sheet
- FCC's Order regarding Non-Disclosure Agreements



TA Contact:

- Phone: 1-888-800-8220
- Fax: 1-888-701-4380
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- Website: www.800TA.org

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Contact Information