



Payment Agreement for Emergency 9-1-1 Service Costs to Cingular Wireless, Inc.

Finance & Audit Committee Briefing
May 31, 2005



Purpose

- Familiarize the Finance & Audit Committee members with the Emergency 9-1-1 Wireless Service initiation, deployment, budget challenges and financial benefit opportunity to the City with Cingular and AT&T wireless carriers.
- Recommend approval of payment and release settlement of further obligations for Phase I & II Emergency 9-1-1 Wireless implementation from Cingular Wireless, Inc.



Legislation History

- Telecommunications Act of 1996 enacted legislation requiring wireless carriers to provide 9-1-1 emergency service.
- City passed an ordinance in September 1996 enabling collection of 9-1-1 service fees from wireless carriers (\$0.62) / wireless line
- In May 1997, Texas Legislature passed House Bill 2129 requiring wireless carriers statewide to collect and remit service fees to the Commission on State Emergency Communications (\$0.50) / wireless line

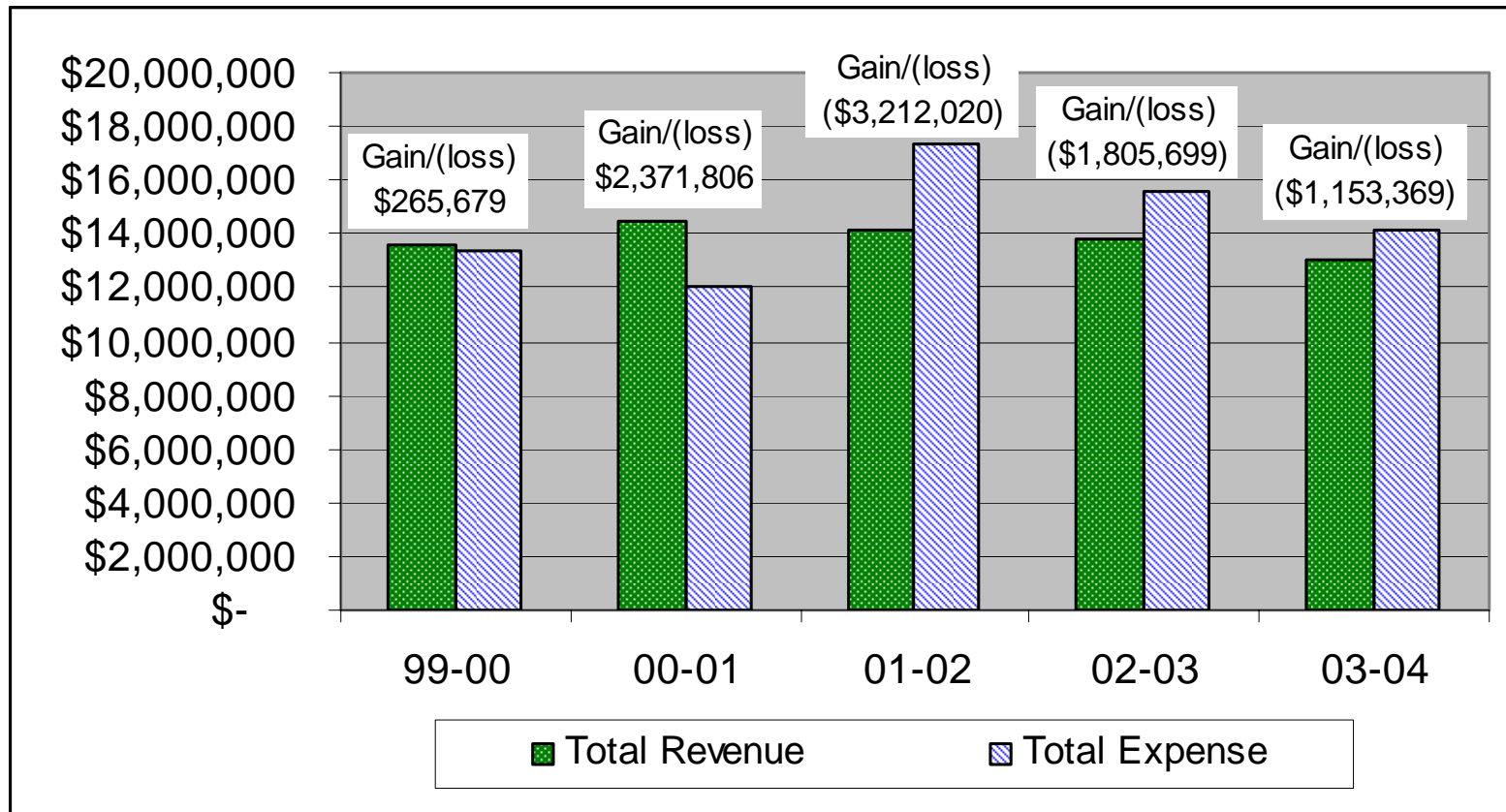


Fee Collection Process

- “911 Service Fee” on your monthly cell phone bill = \$0.50
- Carriers remit fees collected to State Comptroller’s Office
- Funds are disbursed by State 911 Commission to 911 Entities
 - Disbursement based on population of entity



9-1-1 Revenue & Expense – Gain/(loss)



Budget & Forecast Challenges



- Ensuring adequate funds are reserved for timely payment has been a significant challenge with this service.
 - Repeated delays from carriers in providing the City with cost information and billing.
 - Multiple extensions (1999, 2001, & 2005) granted from the FCC to the carriers to complete the construction deadlines and provide the service for Phases I and II.
 - Wide variances in cost projections from Cingular & AT&T:
 - In Feb.'03 Cingular provided cost estimates for their construction to be approx. \$4.8 million, and AT&T's cost estimate was approx. \$8 million.
 - In Mar.'04 Cingular revised the billing amount for construction to approx. \$3.3 million, and AT&T's revised billing amount was approx. \$2.5 million.
 - In Feb.'05 Cingular communicated to the City that AT&T had severely underestimated their costs by a factor of 3!
 - Inability of carriers to properly forecast amount and dates for payments, made it difficult for us to budget.
 - Each year, the City was faced with two choices: 1) Continue to reserve funds. This would have necessitated increasing revenue (presumably by a higher property tax rate) or 2) Use the 9-1-1 funds for appropriate 9-1-1 expenses and maintain a lower property tax rate.

Carriers' Implementation History



2002

- Nextel completed Phase I
- Sprint completed Phase I
- Verizon completed Phase I
- AT&T completed Phase I
- Cingular completed Phase I

2003

- T-Mobile completed Phase I & II
- Nextel completed Phase II
- Sprint completed Phase II
- AT&T completed Phase II
- Cingular completed Phase II
- AT&T submitted costs in November

2004

- Verizon completed Phase II
- Cingular submitted costs in March



Carriers Delivered Service In Two Phases

- Phase I: the ability to route the Telephone # of the cellular caller to the Public Safety Access Point (PSAP).
- Phase II: provides the PSAP with Latitude and Longitude coordinates within 150 meters of a cellular caller dialing 9-1-1.



Cost Benefit Opportunity

- Since Cingular has acquired AT&T Wireless, they have proposed a revised payment option that benefits the City of Dallas.

ORIGINAL OBLIGATION		
<u>Cingular</u>		
Payable thru Dec.'05	\$	1,434,511
Payable thru Dec.'06	\$	465,944
		\$ 1,900,455
Payable Annually for Years Beyond 2006	\$	465,944
<u>AT&T</u>		
Payable thru Dec.'05	\$	827,365
Payable thru Dec.'06	\$	709,170
		\$ 1,536,535
Payable Annually for Years Beyond 2006	\$	709,170

NEW OFFER		
<u>(Cingular & ATT Combined)</u>		
Pay Sept. 2005	\$	1,000,000
Pay Dec. 2005	\$	1,000,000
Pay Dec. 2006	\$	999,877
		\$ 2,999,877
Future Costs Beyond 2006		0.00

COST SAVINGS BENEFIT		
Original Cingular Obligation thru Dec. 2006	\$	1,900,455
Original AT&T Obligation thru Dec. 2006	\$	1,536,535
		\$ 3,436,990
New Combined Cingular and AT&T Offer thru Dec. 2006	\$	2,999,877
Total Cost Savings thru Dec.'06	\$	437,113

Future Cost Avoidance for subsequent years beyond 2006 \$1,175,114



Additional Background Information



9-1-1 Wireless Funding Authorization

- State of Texas Health & Safety Code
§ 771.0711 Emergency Service Fee for Wireless
Telecommunications Connections, section (g) – *reference
Appendix 1*
- April 9, 2004 Briefing to Finance & Audit
Committee Members – *reference Appendix 2*
- City of Dallas Annual Budget for Fiscal Year 2004-
2005, section E1 – *reference Appendix 3*



Appendix 1

administrative fee of one percent of the amount collected. Money the advisory commission collects under this subsection is from local fees and the money remains outside the state treasury.

(c) Money collected under Subsection (b) may be used only for services related to 9-1-1 services, including automatic number identification and automatic location information services. Within 15 days of the date of collection of the money, the advisory commission shall distribute to each regional planning commission and emergency communication district a portion of the money that bears the same proportion to the total amount collected that the population of the area served by the commission or district bears to the total combined population of the areas served by a commission or district.

(d) A service provider of telecommunications service involved in providing wireless 9-1-1 service is not liable for any claim, damage, or loss arising from the provision of wireless 9-1-1 service unless the act or omission proximately causing the claim, damage, or loss constitutes gross negligence, recklessness, or intentional misconduct.

(e) A member of the advisory commission, the governing body of a public agency, or the General Services Commission is not liable for any claim, damage, or loss arising from the provision of wireless 9-1-1 service unless the act or omission causing the claim, damage, or loss violates a statute or ordinance applicable to the action.

(f) A wireless service provider is not required to take legal action to enforce the collection of any wireless 9-1-1 service fee. The advisory commission may establish collection procedures and recover the cost of collection from the subscriber liable for the fee. The advisory commission may institute legal proceedings to collect a fee and in those proceedings is entitled to recover from the subscriber court costs, attorney's fees, and interest on the amount delinquent. The interest is computed at an annual rate of 12 percent beginning on the date the fee becomes due.

(g) On receipt of an invoice from a wireless service provider for reasonable expenses for network facilities, including equipment, installation, maintenance, and associated implementation costs, the advisory commission or an emergency services district of a home-rule municipality or an emergency communication district created under Chapter 772 shall reimburse the wireless service provider in accordance with state law for all expenses related to 9-1-1 service.

(h) Information that a wireless service provider is required to furnish to a governmental entity in providing 9-1-1 service is confidential and exempt from disclosure under Chapter 552, Government Code. The wireless service provider is not liable to any person who uses a 9-1-1 service created under this subchapter for the release of information furnished by the wireless service provider in providing 9-1-1 service. Information that is confidential under this section may be released only for budgetary calculation purposes and only in aggregate form so that no provider-specific information may be extrapolated.

(i) Nothing in this section may be construed to apply to wireline 9-1-1 service.

(j) Nothing in this section precludes funds collected under Section 771.072 (Equalization Surcharge) from being used to cover costs under Subsection (g), as necessary and appropriate, including for rural areas that may need additional funds for wireless 9-1-1.

Added by Acts 1997, 75th Leg., H.B. 2129, eff. Sept. 1, 1997.



Appendix 2

Memorandum



CITY OF DALLAS

Date April 9, 2004

To Members of the Finance & Audit Committee:
Chair Donald W. Hill, Vice-Chair, Bill Blaydes, Mitchell Rasansky, Ed Oakley,
Gary Griffith, Steve Salazar

Subject Payments to Wireless Providers for Phase II Identifier Technology

Attached are the briefing materials on the Payments to Wireless Providers for Phase II Identifier Technology to be presented to the Finance and Audit Committee on Monday, April 12, 2004.

Please let me know if you should need additional information.

A handwritten signature in black ink, appearing to read 'R. Miguez'.

Ramon P. Miguez, P.E.
Assistant City Manager

c: Honorable Mayor & Members of the City Council
Teodoro J. Benavides, City Manager
Shirley A. Acy, City Secretary
Thomas M. Taylor, City Auditor
Madeleine B. Johnson, City Attorney
Judge Jay Robinson
Mary Suhm, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Ryan Evans, Assistant City Manager
Charles Daniels, Assistant City Manager
Stuart Murchison, CIO, Communication and Information Services

Payments To Wireless Providers for Phase II Identifier Technology

Finance & Audit Briefing

City Manager's Office

April 12, 2004

What Is and Who initiated Wireless Phase II?

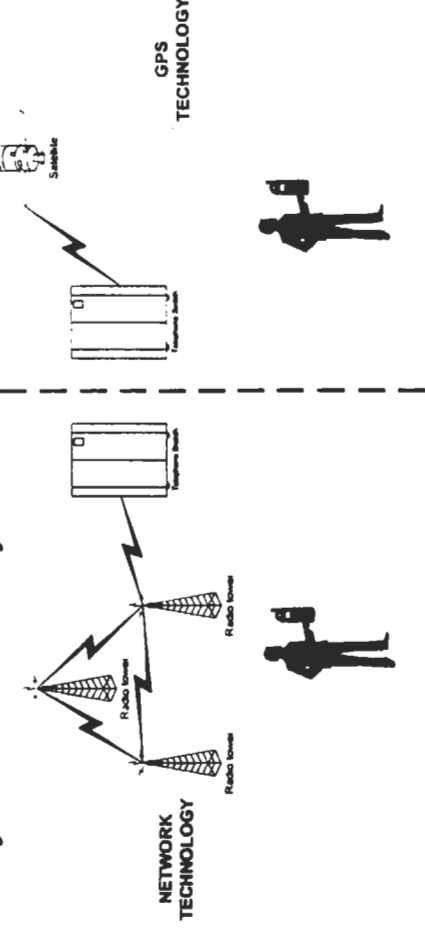
- The Federal Communications Act of 1996 required that wireless phone carriers support the identification and routing of 9-1-1 calls for emergency services.
 - The FCC stipulated that **Public Safety Answering Points (PSAP)**, had to initiate the request to the wireless vendors to support 9-1-1 calls. *A PSAP is a location (e.g., City of Dallas) where 911 emergency telephone calls are received and then routed to the proper emergency services.*
- The FCC defined for the wireless carriers that they were to provide the identifier technology to support the dialing of 9-1-1 in two phases. The deadlines for implementation have been extended by the FCC at various times, since they were initially set.
- The City of Dallas initiated it's request to the wireless carriers on January 2001 for Phase II.

What is the Identifier Technology?

- Phase I provided the Telephone # of the cellular caller to the PSAP.
- Phase II provided the PSAP with Latitude and Longitude coordinates within 150 meters of a cellular caller dialing 9-1-1.

Technology Delivery Options

- Each wireless carrier had to decide what technology it would use to deliver a 9-1-1 call between the cellular phone and PSAP.
- The choices were **Global Positioning System (GPS)** which is a technology chip installed into the cell phone device that connects to a worldwide satellite navigational system formed by 24 satellites orbiting the earth.



- The second option is a **Network**, which is an infrastructure made up of computers and communication towers / antennas within a geographic area that triangulate position. This is the more expensive option.
- The major wireless carriers and their choice of delivery technology were:
 - AT&T(Network) Cingular(Network)
 - Nextel(GPS) Verizon(GPS) Sprint(GPS) T-Mobile(GPS)

How are the wireless carriers recovering their cost to deliver 9-1-1 calls?

- Passing the increased cost of the cellular device, outfitted with GPS technology, to their customers.
- Monthly 9-1-1 surcharge fees added to the cellular customers' billing statement. These funds are then collected by the State, and distributed out the various PSAP's statewide.
 - 771.0177 Emergency Service Fee for Wireless Telecommunications Connections
 - C. "Money collected under Subsection (B) may be used for services related to 9-1-1 services, including automatic number identification and automatic location information services."
- One-time and monthly recurring costs billed by the wireless carriers to the PSAP's for recovery of the infrastructure expense incurred with deploying the Phase I and II technology, and other costs associated with the ongoing maintenance and support of the hardware and software that delivers the 9-1-1 call to the PSAP's.

What were the one-time costs submitted to the City of Dallas for Phase II?

- **AT&T (Oct.'03)** \$2,182,156. *AT&T offered its PSAP's The City is making monthly payments over a five-year period.*
- **Verizon (Mar.'04)** \$ 712,277. *The City of Dallas is currently disputing \$542,647 of its bill (along with other PSAP's) which Verizon identified as GPS chipset technology in the cellular phones. None of the other wireless carriers charged the PSAP's for technology applied to the cellular devices.*
- **Cingular (Mar.'04)** \$3,542,177. (Phase II) &
 \$ 476,422 (Phase I)

Note: The FY 2003-2004 Budget anticipated Phase I and II charges and assumed payment over a five-year period. Prior year budgets have also assumed Phase I & II payments. However the FCC extensions and technology development delayed invoicing by the wireless providers.

Current Options

1. Pay SBC Capital over a five-year period.
SBC Capital has offered to accept payments over five-years for amounts due to Cingular.
2. Pay Cingular now with Internal interim financing and consider alternate financing in the FY 2004-2005 budget.

Recommendation

- Pay Cingular now with Internal interim financing and consider alternate financing in the FY 2004-2005 budget.
- No City Council Action is Necessary.



Appendix 3

9-1-1 SYSTEM OPERATIONS

DEPARTMENT MISSION

To provide the best emergency communications service possible to the City of Dallas and its citizens. To develop and educate our staff in the latest communications technology, and allow all employees a chance to work and grow in an atmosphere of equality and unity.

PROGRAM DESCRIPTION

9-1-1 System Operations

The Communications and Information Services department is responsible for managing the financial, technical, contractual and regulatory aspects of 9-1-1, assurance of the 9-1-1 / 3-1-1 telephone system maintenance, 9-1-1 legislative and technology issues and recommends and implements 9-1-1 system and program enhancements. Administers the Private Switch 9-1-1 program for the city, which includes initiating and monitoring contracts with private telephone system vendors, insurance, accounts payable and accounts receivable. Provides for the coordination of 9-1-1 activity with all telecommunication providers currently operating within the City including Southwestern Bell Telephone, Verizon, six wireless companies, and the ever growing number of new competitive telephone companies authorized to provide service due to the deregulation of the telecommunications market. Coordinates all 9-1-1 related matters with the Police and Fire departments.

OBJECTIVES FOR FY 2004-2005

- Continue to enhance 9-1-1 services by fully utilizing the features of the new 9-1-1 system

MAJOR BUDGET ITEMS

- Add 0.8 regular FTE (Sr. IT Analyst) and \$59,494 for technical support operation of the 9-1-1 systems (offset by reimbursement from Homeland Security Funds)
- Add 0.8 regular FTE (Office Assistant II) and \$35,223 to support the Automatic Location Identification and Master Street Addressing Guide data bases (offset by reimbursement from Homeland Security Funds)
- Includes \$784,192 in transfer to Aviation for repayment of interim financing loan
- Reduce \$634,192 in transfer to the Police Department for 9-1-1 related reimbursable activities