

1. The past contract costs over the first three (3) years increased by more than 61%. Please explain how and by what methods were employed that allowed such a significant cost increase in such a short period of time?

Response: In the first few years after wireless E-911 services were implemented in Virginia, the number of wireless 9-1-1 calls answered was increasing rapidly. At the time we were negotiating the first agreement, the percentage of wireless 9-1-1 calls to total 9-1-1 calls was around 30%. Our projections were that this percentage would exceed 40% during the term of the agreement. Since wireless and wireline had two different funding sources, I felt it was important that the apportioning of cost between the two services for the shared network components be reflective of this shift. As a result, the agreement increased the amount paid by the Wireless Fund each year.

2. Asked, but unanswered, how were the cost in the 2005 contract determined and how are the future contracts being determined which have given a basis for the past contract and future contracts?

Response: The costs were determined, both in 2005 and for the current agreement, by reviewing the direct and indirect costs incurred by Verizon in the provision of E-911 service. These were the total costs including costs for wireline and wireless E-911. The costs of the network components that are shared between wireline and wireless E-911 (the selective router and CALI) were split between the two services. As indicated in the response to question #1, the percentage of the split varied in the 2005 agreement, but is a constant 50%/50% split for the new agreement, which is reflective of the current average distribution of calls in Virginia. The entire cost of the database management system (DBMS) was applied to the wireline E-911 service since wireless E-911 adds a negligible number of database records. The wireless E-911 trunks from the selective router to the PSAP are dedicated to wireless E-911 service and thus their entire cost is included in the Verizon agreement.

3. With a \$120 million surplus for FY10, has VITA sought funds from that surplus for not only the FY11 contract, the FY10 costs which Verizon has indicated they will seek, or to provide funding for the grant program?

Response: No, the Appropriations Act stipulates how surplus funds, if any, are managed.

4. Is VITA getting any concession(s) or benefits for acting as the localities' agent for this contract from Verizon?

Response: No.

5. Why has there been no competitive process to facilitate previous contracts or future contracts for 9-1-1 service in the Commonwealth? There are several vendors with technology who could participate in an open procurement process.

Response: The executed agreement is strictly a billing agreement established as an administrative convenience to pay for services centrally at a reduced rate. VITA does not determine the type of service or its design. The PSAP consumes the service and is free to seek other sources for this service. A few PSAPs have already done this for one or more of the E-911 service components. It is especially important that the PSAP manage this process since much of the E-911 network is shared between wireline and wireless services and a change to one of the services impacts the other.

6. Please refer to a letter dated May 12, 2010 to Chairman Kline which outlines additional questions and concerns. Many of these questions continue to be unanswered.

Response: The questions from the May 12, 2010 letter to Chairman Cline are answered below. The format of that letter made identification of all questions difficult so if any questions were missed that require answers, it was strictly an oversight. Please feel free to point them out and we will answer them as quickly as possible.

7. What process should/could be taken to audit the previous contract with Verizon?

Response: The 2005 agreement with Verizon was part of each annual financial audit conducted by the Auditor of Public Accounts during the life of the agreement. Additionally, at the time of execution, the agreement was reviewed by the Board counsel from the Attorney General's Office for legal compliance. As a result, no additional audits are planned.

8. Has the "favored nation contract" concept been considered, insuring that services paid for to Verizon in Virginia are facilitated through reasonable charges as are offered to other states for similar services?

Response: I assume this question is asking if a "most favored nation" pricing clause was considered. This type of clause is often included in contracts for commodities and requires that a contractor extend their best price to the contract holder. If the contractor offers another customer a better price for the same service, it is automatically adjusted to the lower price in the contract. Since this services being paid for under this agreement are unique to Virginia, a "most favored nation" clause is not appropriate. While the 9-1-1 network in other states may have similar components, the quantity and location of these components, as well as differences in PSAP configurations, creates a great deal of disparity from state-to-state and offers an uneven basis for comparison.

9. Are we being charged twice for the same services? There is ONE selective router – how can we be charged for the same costs for selective router on both the wireline cost *and* wireless cost – double charged?

Response: No, the Commonwealth is not being charged twice for the same services. The Commonwealth can be charged for selective routing cost for both wireline and wireless E-911 services because the total selective routing costs are simply split between the two services.

10. What exactly is being paid for through these contracts? It is very difficult, if not impossible, to determine how costs have been factored and since no one in the PSAP community has had access to the current contract being negotiated, many questions and/or concerns continue to exist. We were assured we would have copies of the FY11 proposed contract by July 1 – we still have not seen the contract and as recently as June 30<sup>th</sup> were told there was no promise to have the proposed FY11 contract available for review or comment. It seems that, although we consider this matter urgent, ISP staff does not and, as recently as 6/30, indicated that since the next Wireless Services Board meeting has been moved to July 21<sup>st</sup>, we (the PSAP community) will have plenty of time to review it. That is not the point.

Response: The agreement covers all wireless E-911 costs in support of the PSAP. At a high level, this includes three components. These components are 50% of the total selective router costs, 50% of the total CALI costs and 100% of the wireless trunking costs.

We are still committed to providing the final draft of the agreement for public review. We cannot release it until we have a draft both Verizon and VITA support. To publish a draft before then will add confusion that may lead some individuals reviewing the document, to believe both parties have already agreed to its content. We are not at a final draft point with Verizon, but hope to be within the week. We recognize the urgency of this issue and are moving the process forward as quickly as possible. To that end, the agreement with CenturyLink has been completed and a draft has been posted to the ISP website at: <http://www.vita.virginia.gov/isp/default.aspx?id=12244>.

11. What has been done to insure the Governor is aware of the lack of funds available to support an FY11 Verizon contract for 9-1-1 infrastructure and the impact the re-distribution of funds had had to the overall delivery of 9-1-1 service in the Commonwealth.

The Annual Report of the Wireless E-911 Services Board is provided to the Governor, General Assembly money committees and Crime Commission. That report addressed the “re-distribution of funds” in the following way:

“The Appropriations Act for the current biennium budget continues the transfer of \$3.7 million to the Virginia State Police. Also included in this budget is a \$6M transfer from the Wireless E-911 Fund to the Compensation Board to support Sheriffs’ dispatchers. If these appropriations are not eliminated, they may impact the ability of the Commonwealth and its localities to receive future federal grants for E-911.”

## Virginia Beach Questions:

1. What are the specific shell records that Verizon is reporting for each locality?

Response: This information has been posted to our website for each locality at the same link as the CenturyLink contract listed above.

2. Are PSAPs forced into paying more, due to Verizon losses from competition?

Response: I am not aware of nor do I believe that any of the cost associated with wireless E-911 service is due to Verizon's financial losses. The amount proposed as part of the billing agreement is based on the direct and indirect costs of providing the service on an ongoing basis. No prior losses were included in that calculation. I may have caused the confusion when explaining that prior to the 2005 agreement that Verizon was not charging for wireless E-911 services and was likely subsidizing the E-911 service from other lines of business. Competition in those other lines, in that time period, made it more difficult (or not impossible) for that to continue, which is why Verizon sought to begin charging for the wireless E-911 service.

## Response to May 12<sup>th</sup> letter to the Board

1. As such, how much opportunity do Board members have to review with specificity items which will demand critical decisions of the Board having an impact on every PSAP in the Commonwealth for many years?

Response: Meeting information is provided to the Board approximately one to two weeks before the Board meetings. Some issues are discussed for several meetings before the Board acts upon them. The Board has always welcomed comments from the PSAP community and general public at any of their meetings.

2. What accountability and oversight existed that permitted a contract of such significance and value to the 9-1-1 community and entire Commonwealth of Virginia is overlooked?

Response: The contract was not "overlooked". ISP staff began discussions with the service providers prior to its expiration. That process took much longer than expected and could have been handled better, but at no time was provision of the service threatened or interrupted.

3. Was there a conscious decision to not renew the contract?

Response: No.

4. Is it possible that this lack of information and specific detail of the content of the Verizon contract by members of the Wireless Service Board and members of the PSAP community has contributed to more being paid out to Verizon for 9-1-1

trunks than ever paid in the past?

Response: The amount paid for the trunks under the billing agreement with Verizon (\$58.75) is 30% less than the tariff rate for E-911 trunks (\$84) paid prior to the billing agreement.

5. Has a comparative cost analysis been conducted with other states regarding the price others pay for 9-1-1 wireless trunks?

Response: Since the network design in Virginia is unique to the Commonwealth, no comparison is possible.

6. How were the cost parameters of such a contract determined? How did those costs compare, in reality, to the costs of independent local contracts with Verizon who paid trunk charges only (database and selective router charges did not exist)?

Response: The cost parameters are based on the direct cost incurred by Verizon in Virginia. They exactly align with the costs paid by the localities through the wireline E-911 tariff.

7. In 2004 a locality paid \$98.00 per wireless trunk line. In the spreadsheet that was sent out, if you do the math, a 4.2 million dollar contract divided by 468 wireless trunk lines, equates to \$8,974.36 per wireless trunk line, or 7.6 times the original costs. How did VITA and Verizon determine these costs???

Response: The billing agreement covers trunks at \$58.75 per trunk per month. The additional cost is for routing and database services not previously paid. These costs are divided between the wireless E-911 services billing agreement and the wireline E-911 tariff. The cost structures for both services are aligned.

8. Are Board members and the localities being provided with sufficient and specific information with an appropriate amount of time to intelligently make a decision without feeling backed into a corner and threatened by exorbitant costs to buy-in to a state Verizon contract? Do you know what the terms of the contract will be and how these terms compare to prior costs paid by the localities?

Response: A draft contract will be provided to the Board to allow for review and discussion before execution.

9. How should the terms of the contract be addressed with NG911 on the horizon?

Response: The agreement will allow any PSAP to upgrade to newer technology within the billing agreement if the PSAP so chooses. The PSAP is in full control of what services to consume or whether to consume them at all.

10. Is it possible that this lack of information and content of its contract by members of the Wireless Service Board and members of the PSAP community contributed to more being paid out to Verizon for 9-1-1 trunks than ever paid in the past?

Response: The amount paid to Verizon during the now expired contract period was more than ever paid in the past. This was a conscious decision. If the agreement had not been executed, Verizon intended to seek a tariff for wireless E-911 services that would have been at an even higher rate.

11. If a locality “opts” out of the upcoming contract (if it continues) what impact and requirements are the PSAPs going to have to follow, i.e. doing true-ups again etc.?

Response: The “true-up” process was eliminated in 2007 and will not be reinstated. A locality opting out of the billing agreement will need to negotiate their own rates and contract for wireless E-911 services.

12. Was a competitive process sought out to ensure the best possible costs? Not only by using a competitive procurement process to save monies, the variables of the contract and associated expectations should be considered in such a process. Is there a performance measure in the contract to which Verizon must meet?

Response: The executed agreement is strictly a billing agreement established as an administrative convenience to pay for services centrally at a reduced rate. VITA does not determine the type of service or its design. The PSAP consumes the service and is free to seek other sources for this service. Since the agreement is just for payment, there are no performance measures in the agreement.

13. Why do these costs (CenturyLink’s) appear to be nowhere close to the charges being passed on by Verizon? If the same cost for doing business was utilized by Verizon, the costs to the PSAPs would be significantly reduced.

Response: CenturyLink proposed a different cost model than Verizon. CenturyLink proposed to utilize a flat rate per PSAP per month for the wireless E-911 services beyond trunking. This results in large PSAPs paying the same as a very small PSAP. Since most CenturyLink’s PSAPs were of similar size, this approach was accepted. The disparity of size among Verizon PSAPs was just too great to permit this methodology for Verizon.

14. Are funding and/or opportunities from the grant program being taken for granted? The question could be asked, have the PSAPs become accustomed to the grant program for their needs and should they have and continue to have an expectation of relying on the grant program?

Responses: The Code of Virginia creates the PSAP grant program and established its funding, but that approval of any grant should not be viewed as a guarantee.

The Commonwealth is facing significant challenges from the greatest economic recession since the Great Depression so nearly all services have been impacted.

15. Through recent fiscal events facing the Commonwealth, monies were transferred from funds collected through surcharges to its citizens for the specific purpose of supporting 9-1-1 efforts in the Commonwealth. Was there any indication to members of this Board that these monies were viewed as an opportunity for the Commonwealth to make up for lost revenue? Was there any attempt to thwart such a reduction in available funding to the PSAPs?

Response: The Board is made aware of any budget changes that impact the Wireless E-911 Fund when the budget is released by the Governor (typically in December) or in response to any member amendments during the General Assembly session. Since any change to the Wireless E-911 Fund requires action of the General Assembly, all changes are public information well before the appropriation act is signed into law in April. The Board has included language in their annual report about the use of E-911 funds for the Virginia State Police and Sheriff Dispatchers through the Compensation Board.

16. With the “diversion” of the 11 million dollars in the coming budget, has no one serving on the Virginia Wireless Services Board or VITA staff raised any objections to the Governor or his staff in light of the fact that there was a multi-million dollar contract pending for renewal? With the pending and expected funds needed to pay for 9-1-1 wireless trunks, who readily and realistically provided the Governor’s office with a true picture of the impact the loss of \$11 million dollars would have on 9-1-1 wireless services in the Commonwealth?

Response: Individual members of the Board are welcome to participate in the legislative process as they feel appropriate and need not report this to the Board. As a result, you would need to contact individual Board members to determine if they raised any objection. Beyond the Board’s stated position in their Annual Report, the Board as a group has not taken any additional position.