



# CROWE PROJECT

RECAP AND PROGRESS UPDATE

# PROJECT SCOPE

- ISP engaged Crowe in the spring to perform independent financial analysis based on AFRs submitted since 2017 and Surcharge Distributions during the prior calendar year.
- A scope of work was developed after internal discussions and meetings with Crowe to cover:
  - Surcharge Methodology – possible alternatives to the current ZIP code/Wireless Subscriber Count Methodology
  - AFR Analysis – Consolidation Profitability
- Project delays have included the following:
  - Finalizing scope of work and nondisclosure agreement
  - Crowe Team's availability due to other State of Illinois engagements (GAAP projects)
  - Establishing source data uniformity
  - ISP resources needed to focus on system-readiness for 2024 AFR filings
  - Availability of staff both ISP and Crowe
  - ISP access to Power BI

# MODEL BASIS – SURCHARGE METHODOLOGY

- Based on the methodology used by the following states, ISP worked with Crowe to modify these methodologies and define possible scenarios for a revised funds distribution methodology
- **Connecticut** (\$0.57 for wireline, wireless, and VOIP)
  - The State of CT uses a funding model that includes population of towns served by the PSAP and its respective 911 call volume, weighted 25% for population and 75% for 911 call volume. Its philosophy is that these are two *measurable* variables indicative of how “busy” a PSAP is.
  - Funded entities include: municipalities that have populations 40,000 or more, multi-town PSAPs (serving two municipalities) and regional centers (serving 3 or more municipalities).
- **Kentucky** (\$0.32 - \$4.00 wireline, \$0.70 wireless, \$0.32 - \$4.00 VOIP)
  - Kentucky attempts to overcome the rural/urban funding issue by dividing 911 fees into two pools.
  - 50% goes into a “pro rata” fund - every certified PSAP receives an equal share
  - 50% goes into a “workload” fund – every certified PSAP receives per connection funding based on the # of wireless subscribers
- **Minnesota** (\$0.95 for wireline, wireless, and VOIP)
  - Current legislature appropriation is \$28M annually to approximately 95 of 103 PSAPs. Secondary PSAPs or new PSAPs that came into existence after the statute language was adopted are not eligible
  - 50% of the \$28M is divided equally between all eligible PSAPs. The remaining 50% is divided by percentage based upon population of the serving PSAP jurisdictional boundary. This portion is updated every 10 years following the US Census reports.

## WORK COMPLETED – SURCHARGE METHODOLOGY

- Models built for IL Statewide 911s include distribution of surcharge based on the following:
  - Call volume
  - Population
  - Varying percentages of the remaining fund not allocated based on call volume or population divided evenly over all PSAPS
- Next draft due to ISP at the beginning of January

## WORK SCOPE & WORK COMPLETED – AFR ANALYSIS

- AFR Analysis included the filings for reportable years 2017 through 2022
- Microsoft Power BI is used to compile AFR data, prepare comparison analysis, and generate graphical presentations of system consolidation and/or modification financial effects
- Dashboards for financial performance will be easily updated annually after AFR is filed

## NEXT STEPS

- Crowe's final steps have been to condense the data to a presentable form and ISP has refined several drafts submitted for ISP Review.
- Due to the complexity and quantity of the data, ISP continues to work with Crowe on analysis presentation to ensure:
  - Data presentation is useful to the Advisory Board
  - Data presentation is representative of the current state in order to define a possible future state
- The AFR analysis also includes a mechanism to facilitate future AFR data verification. The initial work is complete, but has not yet been reviewed with ISP to provide feedback. A meeting is scheduled for January 3<sup>rd</sup>