

New Communication Technologies Funding Model and Transition to New Phone Technology

Larry Conrad
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Issues with Current Comm Tech Funding Model

- Based on phone service only...no networking charges
- Revenues generated from bundled voice/data charge
 - Phone cost = \$48.00/month...by comparison the NCSU cost for a phone is \$8.00 per month
 - Drives departments to remove phones, convert to cell phones or Skype...which is a loss of network infrastructure funding...but network use increases
- The entire cost is on department operating budgets
- No funding for student use (except in residence halls)
- No funding from UNC Hospitals
- No funding for capital refresh or network expansion

Issues with Current Phone Service

- Long term contract with AT&T expired the end of March, 2011
- That contract had punitive language governing removal of phone lines
- Have transitioned to the State of NC ITS AT&T contract for the duration of the migration to VoIP which allows us to ramp down without penalty
- Telephone technology has progressed to provide a viable and cost-effective data network based solution: Voice-over-IP (VoIP)
- Have signed an agreement with Verizon to transition to a VoIP solution over the next two years

Baseline Services--Redefined

- Core services – included in network infrastructure charge
 - Wired connections
 - Wireless connections
 - Off-campus wireless connections
 - VLANs and ACLs
 - Access control
 - Installing fiber and copper
 - IP address assignment
 - Domain name service
 - NTP services
 - Monitoring and addressing abnormal network activity

A-la-Carte Services--Redefined

- Optional services – charged on an a-la-carte basis
 - **Telephones and related services**
 - Off-campus wired connection
 - Wireless refresh in advance of schedule
 - Restricted VPN use
 - Microwave transport
 - Dedicated alarm lines
 - Dark fiber and T1
 - MetroEthernet
 - Cable tv
 - Point-to-point video transport

Process to Allocate Cost

- Need to provide \$11.3 million/year for Core (network)
- Principles
 - Charge on the basis of a % of total salaries
 - Use by all member of the campus community – faculty, staff, students – should be paid for on an equitable basis
 - Basic charge applicable to all users, with additional charges to special sub-groups
 - Pie must be expanded, with no dramatic increases to departments in this budget environment
 - Expansion ideally means new sources of revenue for departments as well as sources of revenue beyond departments
- A-la-carte services will pay for themselves

% of Payroll Enlarges the Pie

- Charges to salary source, so direct charge to contracts and grants
 - Historically, grants not charged
 - Historically not in F&A rate base either
 - \$1.4 million reallocated to contracts and grants by this rate model based on current salary distributions
- Office of Research found other institutions directly charging contracts and grants for this
- Request to be allowed to direct charge contracts and grants has been submitted by the Office of Research

Funding Model Summary

- Departments – 0.54% x payroll
- Student fee – 0.54% x cost to educate
 - $1/3$ to $1/2$ from reallocated or increased (E&)T fee
 - Remainder from central University sources
- ResNet (Housing) – direct cost + overhead
- Affiliated entities (e.g., UNC Healthcare and GA) – as negotiated with each
- Building operating reserve – as appropriated by Legislature
- Capital project fee (non-recurring) – as charged to projects

Estimated Recurring Revenue Stream

Departmental funding	\$ 6,500,000
Student funding	\$ 3,100,000
ResNet	\$ 433,337
Affiliated entities (estimate)	\$ 100,000
Building operating reserve	<u>\$ 801,106</u>
Total	\$ 10,934,443

Transition Plan

● 2011-12

- ITS produce a pro forma invoice for the new funding model and an actual invoice for the current model each month for every department
 - Same practice as when other utility rate models change
 - Allows orderly reallocation of funds among departments by Deans and/or Vice Chancellors
- Student E&T fee decision processed through student fee process that begins in August 2011 for the 2012-13 year
- VoIP Implementation defined and coordinated

● 2012-13

- Implementation

“Bottom Line”

- Phone line charge drops from \$48/mo to \$14.50/mo
- “Baseline” services are for the network, not the phone
- VoIP transition will begin this fall and is targeted for completion within two years
- New funding model will be effective July 1, 2012
- Pro-forma billing will begin this fall for the new funding model to give units information about their future billings



QUESTIONS?