

# New Communication Technologies Funding Model and Transition to VoIP for Phones

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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 = \$8.00 per month
  - Drives departments to remove phones, convert to cell phones or Skype, 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
- Telephone technology has progressed to provide a viable and cost-effective data network based solution: Voice-over-IP (VoIP)
- Have signed agreement with Verizon to transition to a VoIP solution over the next two years
- 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

# 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 has been submitted by the Office of Research

# Funding Model Summary

- Departments –  $0.54\% \times \text{payroll}$
- Student fee –  $0.54\% \times \text{cost to educate}$ 
  - $1/3$  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

# 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?