Origin of the Converged Communications Fee along with subsequent rationale and updates to the rates charged.

Current Rate for FY17 remained at 3%.

Rate increased to 3% in FY16 to accommodate the transition of Department employed desktop support personnel (and their associated costs) into the Centralized IRT Desktop/Field Support Group.

Rate increased to 2.1% in FY15 to accommodate the initial costs of implementing a Centralized IRT Desktop/Field Support group.

Rate increased to 1.5% in FY14 to additionally accommodate costs related to SoM IRT's wired and wireless network communications infrastructure/systems and management. This change was initiated by SU ITSS that SoM transition both wired and wireless network communications infrastructure/systems and management to SU ITSS, thus necessitating an increase in the fee we pay to them for these services, partially offset by a reduction in some of these costs in SoM IRT.

Rate implemented in FY13 at 0.8% as per below communication.

The Below Memorandum implemented the Converged Communication Fee

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Memorandum

TO: SoM Department Chairs

FROM: Sam Zelch, CFO and
Associate Dean, Fiscal Affairs

CC: Marcia Cohen, Senior Associate Dean, Finance and Administration
Philip Pizzo, MD, Dean
Department DFA's

DATE: March 28, 2012

RE: Adapting to Stanford University's Converged Communications Transition

At the February 17th DFA meeting, we presented SoM's efforts to adapt to the University's announcement of a "Converged Communications" strategy. The University's plan involves two significant components; 1.) a transition to enhanced desktop phones, services and technology

using VOIP (voice over internet protocol), and 2.) a change to the method of charging for these services.

Currently, desktop phone services are billed monthly on detailed statements, charged directly to each unit/department, and sourced to funds selected by each DFA. Under the University's plan, desktop phone services will be charged in a single lump sum to an SoM Deans Office fund. This billing methodology change allows SU to eliminate outdated software, as well as the staff associated with the current detailed monthly billing processes. Combined, these changes are expected to reduce by 12% the cost to end users for desktop phone services, thus saving SoM units/departments approximately $390k annually.

Since this billing methodology change parks 100% of the costs in an SoM Dean's fund (costs that currently reside in SoM units/departments), we collaborated with SU Financial Management Services to develop a fringe rate mechanism to collect the funds from SoM units/departments necessary to offset the expense. The application of this telecommunications fringe rate is modeled after an established SU process of charging a fringe for the funding of the Tuition Grant Program (TGP). As with TGP costs, the telecommunications fringe rate will not apply to salaries sourced to Federal Sponsored awards nor to Service Center PTA's.

A major advantage of this new telecommunication fringe charge methodology (given that we had no choice but to adapt to the University's changes), is that this methodology requires the least amount of central and local administrative burden. Another advantage is that further savings will accrue to SoM units/departments since staff in these units will no longer need to review/manage/reconcile monthly phone bills nor assign fund sources to specific phones. And additionally, since an exact telecommunications fringe percentage rate will be calculated annually, the fringe rate will be known in advance, able to be budgeted, and will remain fixed for each full fiscal year.

SoM units/departments paid in FY11 approximately $3.25M to SU ITS for desktop phone services (cell phone and pager services are separate from this discussion and will continue to be billed to SoM units/departments as in the past). When dividing these costs into the total SoM non-federal (and non-service center) salaries paid, the fringe rate percentage necessary to offset the cost is less than 1%. Since this expense is already funded by SoM units/departments, and only the billing methodology is changing, this fringe rate should not be looked at as a new cost, rather as simply a new method to fund the existing costs. And because there is a revised downward projection for FY13 of the Total Benefit Fringe Rates (31.6%), SoM units/departments as a whole will see additional savings in FY13 as compared to that which was budgeted for FY12 (32.9%) even with the addition of the telecommunication fringe rate charging methodology beginning in FY13 (31.6% total benefit fringe + approx 0.8% telecommunications fringe = 32.4% as compared to FY12 budget of 32.9%).

As with many complex issues, this proposal was presented at meetings of the SoM Administrative Steering Committee, a Senior Associate Deans meeting, and at the most recent DFA meeting. The presentations were designed to solicit comments and feedback, which resulted in both praise and some concerns for the proposed methodology. One concern raised is that what is now a pre-selected choice by each DFA for where these costs are sourced, will become pre-determined by where salaries are sourced. This results in some shifting of where

the costs currently reside, but results in a much wider, and potentially more appropriate distribution of fund sources used.

Concerns were also raised about what incentive units/departments will have to make judicious choices about when and where to deploy desktop phones and when to terminate little used phones. The reality is that these choices are made today by local units with a varying degree of effectiveness. Because of the technology advantage of VOIP over existing TDM phone technology, we will additionally have new tools to help identify phones which might be appropriate to eliminate over time. We also will have a re-basing of phone costs annually determined by the number of total active phones deployed in SoM. As part of the transition to VOIP technology, each desktop phone unit will be replaced with a new device, and during this process experience dictates that a number of phones will be identified as able to be terminated, and corrections will be made to ensure that only applicable phones are coded/charged to SoM. This will be the first time that such a school wide effort will be made to re-base our desktop phone deployments and efforts in other schools during a similar transition to VOIP have resulted in additional cost savings.

The analysis, effort, and this proposed resolution culminates from almost 18 months of work. As noted, we presented this solution to various constituents, and would now like to proceed, but we are open to any comments that might improve on this solution. Our goal from the beginning was to adapt to the challenge laid before us by the University without adding undue costs or administrative burden to any layer of the SoM organization. I believe we have successfully achieved that goal with this plan. Barring any alternate proposals that would achieve the same goals, we must gear up to proceed as outlined above. Therefore, we have now begun the process to incorporate this methodology into the FY13 budget cycle with a planned start date for this telecommunications fringe charge beginning on 9/1/2012 (the FY13 budget year).