

Mending Your Spending: Technology Budgeting Basics

Ms. Alicia A. Slade
Plummer Slade, Inc.
428 Forbes Avenue, Suite 2450
Pittsburgh, PA 15219
(412)261-5600 x202
slade@plummerslade.com

Outline

- 1) Introduction/context
 - a) We care about tech budgeting because planned, intentional spending can get us to a solid platform in which we notice the computers less while use them more and better.
 - b) Debunking the Myths about IT and spending
 - i) Donations are a great way to get IT tools
 - ii) Interns bring useful talent for mission-critical purposes
 - iii) Volunteers bring useful talent for mission-critical purposes
 - iv) Tech moonlighters/one man shops are great because they're cheap
 - v) The only cost of IT is the purchase price of hardware
 - (1) Total Cost of Ownership Aging PCs cost more than new PC
 - a. Band-aids
 - b. Opportunity cost in software upgrade constraints
 - vi) Staff time is a sunk cost
- 2) Get a handle on what you're currently spending on your organization's IT; look for duplication in these expenses
 - a) Computer Hardware
 - i) Planned Obsolescence quiz
 - (1) What's the life of a PC and file server?
 - (2) What's the life of a good laser printer?
 - (3) What's the life of a flat-screen monitor?
 - ii) 4-year rotation
 - (1) 100% replacement every 4 years
 - a. Keeping pace with operating system changes
 - b. Keep pace with software versions
 - i. Bigger leap for your users to jump up several versions
 - ii. Data conversion issues
 - c. Service costs are lower – work out all the kinks at once
 - d. Morale boost for everyone
 - e. If leasing, you don't end up with a huge cash outlay in one year: spread it out through leasing
 - (2) 25% replacement every year
 - a. Expose yourself to dual-OS, dual-software version issue
 - b. Have to make the decision about who gets the new machines – tiering users by use and need; adds service cost for reconfiguration
 - c. If you're going to own everything, this is a manageable cash outlay
 - b) Software
 - i) Purchases
 - ii) Software as a service license (ASP)
 - (1) Annual support licensing (Anti-virus, Anti-spyware, Spam-filtering)
 - c) Printers and copiers
 - i) Ratio of purchase to toner/maintenance cost
 - ii) Laser printers can be extended
 - iii) Networked copier/printer savings

- d) Web hosting & DNS Services
 - i) Domain name registration
- e) Email
 - i) Some people think that just because they have the Verizon or Comcast line, they can/should use an email account through that provider
 - (1) Provider domain name@verizon.com
 - (2) Organization's domain name but hosted by provider, you end up with POP3 accounts vs. IMAP accounts. Will they work for remote access and synchronization with handheld devices
 - ii) Internal hosting keeps internal email inside
- 3) what to include in your technology budget;
 - a) Hardware
 - i) Purchase price
 - ii) Annual support renewals
 - iii) Depreciation – nonprofits can't expense their depreciation under Section 179
 - (1) Accountants will want to use 7 year period, but that doesn't work for end user hardware
 - (2) Vary the periods based on equipment type
 - b) Software
 - i) Annual licenses are the pricing model of the present and future
 - c) Supplies
 - i) Toner
 - ii) Backup media (tapes)
 - d) Services
 - i) Network support
 - ii) Web design/development
 - e) Telecomm
 - i) Broadband connections – making sure they're business connections not home connections
- 4) rules of thumb for forecasting expenses;
 - a) 10% of payroll
 - b) \$1000-\$1700 per pc per year
 - c) Leasing
 - i) creates predictable monthly expense
 - (1) First two years: low maintenance expense
 - (2) Second two years: increasing maintenance expense
 - ii) Different types of leases
 - (1) \$1 lease
 - (2) 10% buyout lease
 - (3) Fair market value lease
- 5) how to determine your return on technology acquisition investment.
 - a) Save money
 - b) Serve more people
 - i) Low costs of email to donors, constituents, etc. means you can reach more people
 - ii) Fax-serv – hit them with a different method
 - c) Serve the same people better
 - i) Low costs of email to donors, constituents, etc. means you can communicate more often and more specifically
 - ii) Free up your staff from drudgery to enable them to do better analysis, service
 - (1) Positions are richer and enhanced
 - (2) Retention is better when people are feeling challenged and valued