MERCHANT & TELECOM SERVICES COST REDUCTIONS

Where to Find Money in Overhead Expenses?

Cost Reduction Strategies:

- Merchant Services – Bank Card Services
- Telecom Expenses Cost Reduction – Schooley Mitchell Hartford

E-Rate Consulting Services for Educational Institutions: K-12 & Libraries with Schooley Mitchell
Where Can You Find Money in Your Municipality?
Cost Reduction Strategies for BankCard Services

BankCard Services Independent Agent Office

Deborah Winick – Principal
860-559-9428
BankCard Services is an independent agent office as well as a leading provider of low cost merchant services.

Why independent? You get an unbiased opinion!
We specialize in secure, fast, and affordable payment terminals, POS systems, card readers and more.

At BankCard Services, we take a consultative approach to learn about our clients' business and processing needs. We then recommend the best solution at a competitive cost.

We're proud to say we have a client retention rate well above the industry standard. We do this by providing timely customer service before, during, and after the sale.

Already processing through another company? We may be able to offer you a more cost competitive plan.
Where to Find Money in Overhead Expenses?
Cost Reduction Strategies:
Telecom Services Expenses

Schooley Mitchell
Optimization Specialists

Paul Nelson – Principal
www.schooleymitchell.com/pnelson

October 2017
EXECUTIVE SUMMARY

1. Industry Turmoil and Confusion: Telecom Services
2. Budgets and Process Challenges
3. Strategy on How to find Money in Your Overhead Expenses
4. 3rd Party Value Proposition – Choices in Business Models Options
5. Methodology: Expense & Process Optimization
6. Value Proposition: Unbiased Service Analysis & Project Based Services
7. Who is Schooley Mitchell?
8. Taking Action the Schooley Mitchell Way: Getting Started
TELECOM SERVICES INDUSTRIES TURMOIL

• Multiple Rates, Tariffs, Contracts, Plans
• Constant Technology Changes
• Mergers, Acquisitions, Bankruptcies
• Constant Change Among Vendors
• Thousands of Disparate Billing Platforms
• Extensive Billing Errors
• Differences – State By State
TELECOM CONFUSION

- Local Service
- Wireless
- Long Distance
- Data
- Internet
- International
- Toll-Free
- Calling Cards
- Audio Conferencing
- Two-Way
- Video Conferencing
- Paging
- Accessories
- Security, Data Backup, Disaster Recovery
BUDGETS & PROCESS CHALLENGES

- Manage & Fund Important Initiatives
- Understanding the Issues – Prioritize Projects
- Limited Internal Resources
- Phone by Phone, Line by Line, Feature by Feature Analysis to Create Found Money
- Optimization is a Very Difficult Process - Vigilance
WHY GET 3RD PARTY ASSISTANCE WITH TELECOM SERVICE?

- Independent & Objective Review
- Subordinate Position To Directors and Managers for Business
- Reports Prepared for Presentation by Directors and Managers
- Expand Internal Resources
- Hire Experts Who Will Do the Work For You
- Free up Internal Resources for More Strategic and Critical Initiatives
- Focus on Core Competencies
WHAT CAN A 3RD PARTY DO TO ASSIST IN TELECOM SERVICES?

- Identification of Billing Errors
- Conduct Price Negotiations
- Depth of Knowledge Across Entire Marketplace
- Help With Technology Platform and Vendor Selections
- Implementation/Project Management
- After Engagement Support and Continuing Expense Optimization
- Looks the Same, Weighs the Same – Pay It?
- Elimination of Redundant Services
- Are you Provisioned for What You Need?
CHOICES IN 3RD PARTY BUSINESS MODEL

**Telecom Service Agent/Broker**
- Can Explore a Variety of Suppliers
- One Point of Contact for Support
- Thorough Industry Knowledge
- Paid by Suppliers as a Percentage of Current Spend / Partial Contingency or Retainer Fees

**Independent Consultant**
- Can Review Any Supplier – No Ties to Carriers
- One Point of Contact for Support
- Thorough Industry Knowledge
- Contingency Based Fees – Only Paid if Costs Go Down
PROVIDE A DEFINED METHODOLOGY

- Independence – Look Out Only For Clients - Non-Profits/ Municipalities
- Interviewing/Understanding Needs
- Expense Analysis
- Reconciliation of Billings, Equipment Records & Inventory
- Due Diligence on Vendors
- Recommendations for Approval
- Implementation Plan/ Execution
- Support and Continuous Follow Up
EXPENSE OPTIMIZATION

- Stop Burning up the Hard Earn Money
- 81% of Surveyed Organizations Incurred Billing Errors
- Eliminate Redundant Services
- Selection of Best Alternatives: Suppliers and or Technologies
- Vendor Selection - Price, Stability of Vendor, Contract Terms, Service Capabilities, Customer Testimonials
OPTIMIZATION PROCESS

Discovery
- Systematic Bill Audit

Analysis
- Local
- Long Distance
- Cellular/Wireless
- Pagers
- Data Network
- Internet

Implementation
- Contact Vendors
- Order Changes
- Confirm Orders
- Verify Complete
- Test
- Correct Errors

On-going Audit
- Add'l Savings

Customer Go/No-Go
PROVIDE UNBIASED SERVICE ANALYSIS

Clients

Optimum Configuration & Least Cost Solutions

Rates & Tariffs Analysis

Schooley Mitchell

Critical Telecommunications Information

Optimum Business Decisions & Expense Reduction

LOCAL
LONG DISTANCE
WIRELESS
DATA
INTERNET
PROVIDE PROJECT BASED SERVICES

- Help With Technology Selection
- Right Product, Right Supplier, Right Price
- Needs Analysis
- RFP, RFI, RFQ Preparation
- Selection of Bidders/Vendors
- Apples-to-Apples Comparison
- Aid with Vendor Selection
- Implementation/Project Management
- Watchdog Services for the client
WHO IS SCHOOLEY MITCHELL?

- Largest Independent Telecom & Merchant Service Consulting Firm
- Locations Across United States, Canada & Caribbean
- Established in 1980
- Background in Technical Professions, Accounting Firm, and Management Consulting
- Professional, Independent, Objective, & Expert
WHO IS SCHOOLEY MITCHELL?

- Local, National, International Presence
- $240 Million Dollars of Client Telecom & Merchant Service Expenditures Under Management
- Specialists for Multi-Location Clients – Needs Are Unique
- Scores of Consultants Available to Provide Expertise and Time
- Research & Development Department
For Profit/Non-Profit/ Municipality
• Incur no expenses
• Use no internal resources
• Incur no risk
• Are always in charge of go/no go decision
• We only charge a fee if we find savings

Our fee comes from “Found” money
• 95% of clients are not optimized
• 90% reduce expenses by more than 18%
• 70% never have to change vendors
SCHOOLEY MITCHELL KEY ADVANTAGES

- Independence & Objectivity
- Additional Resources – Variable
- Outside Perspective
- Vigilant Optimization
- Specialized Tools
- Industry Clout
- Specialized Knowledge
- Unlimited Resources
GET STARTED VIA SCHOOLEY MITCHELL

- 50/50 Share in Found Money & Recoveries for 24 Months
- After 36 Months – 100% to Municipality
- Service Agreement
- Letter of Authorization
- 3 Months of Billings & Records; Contracts & Agreements
E-Rate

Schooley Mitchell Consultants
Paul Nelson, Greg Lowry & Kitty Waters
Overview

• What is E-Rate?
• Why is this important to you?
• Who is eligible & which services?
• What should schools/districts be doing now?
• Funding year timeline
• Business case study
• What to look for in an E-Rate consultant?
What is E-Rate?

- E-Rate provides 20%-90% discounts to eligible schools/districts & libraries
- E-Rate applicants must apply each year
- State specific programs may be available
- E-Rate is funded by telephone bills – not federal funds
Today’s Technology Requirements

ISPs

1Gbps

500Mbps
School & District Eligibility

- Must be Not-For-Profit
- Must not have an endowment exceeding $50M
- Grades – K-12 (State specific: Pre-K, Head Start, adult education & juvenile justice)
- Public or charter
- Independent and/or religious
- Internet usage & filtering policies
Student Eligibility

- Student eligibility is determined by either:
  - The National School Lunch Program (NSLP)
  - Community Eligibility Program (CEP)
  - The Alternative Discount Mechanism
    - Discounts based on actual surveys collected
Discount Ranges

Discount levels measured by the percentage of students that meet the acceptable measures of poverty

<table>
<thead>
<tr>
<th>Category</th>
<th>Urban Location Discount</th>
<th>Rural Location Discount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1%</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>1% to 19%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>20% to 34%</td>
<td>50%</td>
<td>60%</td>
</tr>
<tr>
<td>35% to 49%</td>
<td>60%</td>
<td>70%</td>
</tr>
<tr>
<td>50% to 74%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>75% to 100%</td>
<td>90%*</td>
<td>90%*</td>
</tr>
</tbody>
</table>

*The maximum Category 2 discount is 85%
## Category 1 Services
### Telecom & Internet

| ELIGIBLE SERVICES  
NO REDUCTION          | ELIGIBLE SERVICES  
20% REDUCTION        | INELIGIBLE SERVICES |
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>INTERNET ACCESS</strong></td>
<td><strong>LANDLINE</strong></td>
<td><strong>WEB HOSTING</strong></td>
</tr>
<tr>
<td>Ethernet</td>
<td>Local</td>
<td>CELLULAR DATA</td>
</tr>
<tr>
<td>Cable Modems</td>
<td>Long Distance</td>
<td>EMAIL</td>
</tr>
<tr>
<td>Fixed Wireless</td>
<td></td>
<td>Paging</td>
</tr>
<tr>
<td><strong>DIGITAL TRANSMISSION</strong></td>
<td><strong>CELLULAR</strong></td>
<td><strong>VOICE MAIL</strong></td>
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<tr>
<td>MPLS</td>
<td>Voice</td>
<td>TEXT MESSAGING</td>
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<tr>
<td>P2P</td>
<td></td>
<td></td>
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<tr>
<td>WAN</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DISTANCE LEARNING</strong></td>
<td><strong>HOSTED VOIP</strong></td>
<td></td>
</tr>
<tr>
<td>Telecom Or Internet</td>
<td>Cloud Based</td>
<td></td>
</tr>
</tbody>
</table>

*NOTE: These are partial lists*
# Category 2
## High-Speed Internal Connections

<table>
<thead>
<tr>
<th>ELIGIBLE SERVICES</th>
<th>INELIGIBLE SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>WAPs, Routers, LAN Switches, etc.</td>
<td>Hardware &amp; maintenance supporting voice services (e.g., phone sets &amp; PBXs)</td>
</tr>
<tr>
<td>Firewalls</td>
<td></td>
</tr>
<tr>
<td>UPS, Cabling, Racks, etc.</td>
<td></td>
</tr>
<tr>
<td>Caching</td>
<td></td>
</tr>
<tr>
<td>Managed internal broadband services</td>
<td></td>
</tr>
<tr>
<td>Software supporting components</td>
<td></td>
</tr>
<tr>
<td>Basic maintenance – new eligible equipment</td>
<td></td>
</tr>
<tr>
<td>Basic maintenance – existing eligible equipment</td>
<td></td>
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</tbody>
</table>

**NOTE:** These are partial lists.
## Business Case – 5 Year Summary

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<thead>
<tr>
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<tbody>
<tr>
<td><strong>Annual Spend Before E-Rate</strong></td>
<td>$873,072</td>
<td>$873,072</td>
<td>$873,072</td>
<td>$873,072</td>
<td>$873,072</td>
</tr>
<tr>
<td><strong>Annual E-Rate Savings</strong></td>
<td>$536,535</td>
<td>$482,858</td>
<td>$469,438</td>
<td>$469,438</td>
<td>$469,438</td>
</tr>
<tr>
<td><strong>Annual Spend After E-Rate</strong></td>
<td>$336,537</td>
<td>$390,215</td>
<td>$403,634</td>
<td>$403,634</td>
<td>$403,634</td>
</tr>
</tbody>
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</thead>
<tbody>
<tr>
<td><strong>Budget Averaged Over 5 Years</strong></td>
<td>$217,113</td>
<td>$217,113</td>
<td>$217,113</td>
<td>$217,113</td>
<td>$217,113</td>
</tr>
</tbody>
</table>

**NOTES:**
1. Demographics: School district with 60 campuses & 11,134 students
2. Category 2 Calculation: ($150 Per Student) x (11,134 students) x 65% Discount
3. Category 2 Total 5 Year Budget = $1,085,565 (Includes 65% Discount)
4. Category 2 Total Budget = $1,670,100 – District is responsible for $584,535
What Does This Mean For Schools & Districts?

• Assume more financial responsibility for voice services as discounts are reduced to zero

• Very important to reduce voice costs through:
  - **E-Rate and telecom optimizing services**
  - **Technology improvements/economies of scale**
  - **Eliminate/upgrade legacy services**
  - **Review & optimize cellular plans**
  - **Synchronize transition plans with decreasing discounts for Category 1 Services**
Important E-Rate Dates
Milestones Every Funding Year

Summer
Form 470 Window Opens

January
Form 471 Window Opens

February
Final Date For Form 470

March
Final Date For Form 471

Note: Following the submission of the Form 470 – there is a 28-day waiting period for service provider bids.

Example: Form 470 submitted on September 1 – contract signing can take place September 29.

2017-2018 Dates: The dates for the Form 471 are TBD – approximately 2 month delay
E-Rate Steps

1. Review Requirements
2. Get Started
3. Form 470
4. 28 Day Bid Process
5. Sign Service Provider Contracts
6. Form 471
7. PIA Review
8. Receive FCDL
9. File 486
10. BEAR (472)
11. SPI (474)
12. Receive Funding
13. Project Starts
When Working With A Consultant

• Proven experience & references

• Comprehensive service - more value than just paper filing
  ➢ Assist with financial complexity & uncertainty during transition periods
  ➢ Perform audits that lead to:
    ➢ Identifying optimization opportunities & cost reductions
    ➢ Provide technology recommendations – that further enrich students’ learning environment

• Objective & independent
Resources

- Universal Service Administrative Company (USAC)
  - http://www.usac.org
  - http://www.portal.usac.org

- FCC FY2016 Eligible Services List

- Income Eligibility Guidelines

- Alternative Discount Mechanism
Contact Information

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