

Not-For-Profit Leadership Summit VII

*Navigating The New World Order:
The Not-For-Profit Imperative*

Presented by:
ArtsWestchester
United Way of Westchester and Putnam
Westchester Community Foundation

Workshop on:
Cost Management Strategies

Facilitated by;
RESOURCE CENTERS for MANAGEMENT, INC.

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Cost Management Strategies

Facilitated by:
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Jeffrey L. Marston, President

The Guide to Reducing Telecomm Costs

- Reducing telecomm costs is becoming harder as voice and data transmission rates approach zero. We have all shared in the saving of hundreds of billions of dollars over the past 25 years since the break up of AT&T and the advent of competition in the local telephone calling world.
- The New York telecomm world is still competitive with several companies having survived years of battles with Verizon.
- If you are still a Verizon customer, the easiest way to save money is to switch to another carrier. The second easiest way is call Verizon, threaten to switch, and ask for a consultation about your usage, features, and rates.
- A serious review of your telecomm should always include your CSR (Customer Service Record). It is almost indecipherable, but you can learn about all the lines, services, and calling for which you are being charged.
- Costs are continuing to trend downwards, so do not sign a contract with a carrier for over twelve months to lock-in lower costs
- For larger agencies, an audit of past telephone bills used to be a nice one-off way to get a refund, but telecomm companies have generally limited any refunds to six months of incorrect billings.
- It is reasonable to bid out your telecomm services every two years. It is reasonable to ask telecomm companies to submit price and service proposals.
- Make sure that you ask any proposing telecomm carrier if any of their recommendations would require changes to your current telephone system
- One of simplest ways to cut costs to reduce the number of telephone lines you use. A POTS line costs about \$400 year.
 - Many times, organizations modernize their telephone systems and forget to terminate some of the lines that fed the old system.
 - If you are not receiving complaints that callers are receiving busy signals and if your staff are able to make outgoing calls without having to wait for an open line, you may want to consider cutting the number of lines

Resource Centers for Management, Inc.

- Unlimited calling plans were a great way to reduce costs five years ago. However, as the per minute costs have decreased and as many organizations are making fewer calls, these calling plans may be not be saving money on some lines. If your monthly bills do not provide you with the necessary call-detail information, you should ask your carrier to get it for you.
- To maximize the cost saving potential of unlimited calling plans, you should make sure that your telephone equipment is programmed to funnel outgoing calls to the “last lines” of your hunt group to maximize the cost savings potential of unlimited calling on just those lines.
- Many calling plans have a bundle of calling features that you may not be using. You should ask carriers if eliminating some of these features would reduce your costs monthly recurring costs.
- If you have at least 15 phone lines, modest data requirements, and a non-ancient telephone system, you may be able to save money by combining your voice and data on a PRI T-1 that is flexible in the amount of voice and data communications that it carries on a moment-by-moment basis
- If you have a voice T-1 and a receptionist, you may want to consider DID numbers (direct inward dialing) for certain staff and reduce the workload on the receptionist
- In Westchester, T-1 costs vary greatly from location to location due to distances from data hubs and lower customer densities.
- For larger agencies with remote locations, Voice Over IP may be a cost-saving solution within a VPN. Potential lower call quality will not be such a problem as it would be for calls outside of the agency.
- Voice Over IP can be a way to save money, but unless you are calling someone on the same carrier, it is not free. Remember, Voice Over IP is still relatively new and not as standardized as are calls among traditional carriers.
- Cable providers are increasingly providing voice and Internet access at bundled rates. This may be an option for smaller agencies, but Internet access speeds are generally NOT guaranteed. This is more important for offices located in residential areas and those that need more bandwidth for sending certain data or graphics.
- Some carriers offer phone plans that provide non-profits with monthly donations. These are reputable plans, but make sure to do the math to determine your real cost

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The Guide to Getting the Best “Bang for your Buck” In Health Insurance

- Never “just renew” your plan. Always look at alternatives to make sure you are in the best spot for your company.

- The type of plan you have – Traditional, EPO, PPO
H.S.A./H.R.A.

- H.S.A./H.R.A. plans are a hybrid between fully insured and self insured plans, cost savings can be substantial based on the health of your group.

- Insurance Company reputation, doctors list (We have 6 small group insurers in NYS you need to compare!)
- The time to evaluate your plan to see what is good and where improvements can be made is 2-3 months before renewal.

- Many insurers have programs that help employees become healthier--keeping claims down. Make sure your employees understand these benefits and give an incentive for people who take advantage.

- Smoking cessation
- Exercise Programs
- Weight Loss Management
- Preventive care is always covered (many times for 100%)

- A lot of money is spent on health benefits for employees; make sure the plan IS a benefit for them.

- Large local network
- Claims are paid correctly
- Procedures are approved
- Administration is complete

- Should you have ancillary benefits?

- Life insurance
- Disability insurance

- Dental insurance
 - Voluntary
 - Employer paid
- Offer educational meetings to your employees
 - Make sure they understand their program and have a place to go with issues.
- Find a GOOD broker
 - In NY, NJ and CT brokers cost small groups nothing!
 - A good broker should:
 - Educate you each year about the plans and companies that are options – what's new in the industry
 - Negotiate rates on large groups.
 - Handle claim and billing issues
 - Educate employees
 - Offer options on state continuation and cobra administration
 - Help with the administration of your health plan: additions and terminations
 - Should have a staff available to you during business hours
- Employees do look at their benefit packages from their employer. Make sure you don't lose a valuable employee because of benefits!
- What does the Obama legislation mean to me?
 - Attached is a breakdown of the new "Obama" plan.
- Rates will continue to rise in 2011
 - Insurance companies protecting themselves against government changes.

This handout is to provide you a summary of the key components of the health care reform legislation and how it may impact you and your business. I expect that given the number of years that it will take to fully rollout these reforms, there will continue to be changes to many elements of the legislation. However, for the first time in over a year, we have a much clearer view of the changes that will potentially take place. This bill will:

- Mandate that everyone must have insurance.
- Result in more than 30 million additional people becoming insured.
- Provide for subsidized coverage for people that can't afford it and increase the number of people that will qualify for Medicaid.
- Make cuts to Medicare Advantage Plans and change their payment formula.
- Increase taxes and fees to many individual Americans and Corporations.
- Make many changes to the way Insurance Companies do business from not allowing them to use pre-existing conditions to limiting their rates based on medical loss ratios.

Many of these elements do not phase in for many years. Those that are most immediate and are expected to occur in 2010 are:

- Tax credits for certain small businesses.
- Elimination of pre-existing conditions and an increase in dependant coverage to age 26.
- Creation of a temporary reinsurance program to provide coverage for retirees over 55 who are not eligible for Medicare.
- The further creation of a temporary national high risk insurance pool.
- The prohibition of lifetime limits on benefit payments.
- Closing the so called "doughnut hole" by providing immediate tax credits for Medicare patients who face a gap in prescription drug coverage.

The real impact in the health insurance system won't occur until the year 2014. During the interim, there will be the phase-in of additional new taxes that will provide added government revenue to pay for these changes. The four most significant changes occurring in 2014 are:

- Insurers will be required to take all applicants.
- Insurance will be mandated for all Americans.
- Tax credits to help pay premiums will start flowing to middle-class working families. The most aid – including help with copayments and deductibles – will be made available for those individuals and families on the lower end of the income scale.
- Insurance exchanges will be created to help administer subsidies for those individuals that require them.

When fully implemented, I believe that the majority of working-age Americans and their families will continue to have employer-sponsored coverage as they do today. In addition, through mandates and other subsidies, the number of people insured can grow by more than 30 million.

Your broker should work with you to help you navigate through the various changes of this legislation to ensure that you and your employees are always offered the most choice and greatest value of benefits available in the marketplace.



HEALTH CARE REFORM: NEAR TERM CHANGES FOR SMALL EMPLOYERS

Under the recently-enacted health care reform laws, some small employers will be eligible to receive a tax credit for a portion of the health insurance premiums the employer pays. This Alert explains the new small employer health care tax credit.

Small Business Health Care Tax Credit

Effective for 2010, new Internal Revenue Code Section 45R provides a tax credit of up to 35% for small businesses (and certain tax-exempt organizations) that provide health insurance for their employees. To qualify for the credit, an employer must employ no more than 25 “full-time equivalent” employees (“FTEs”) and must pay average annual wages of less than \$50,000 per FTE. An employer must also contribute a uniform percentage of the premium cost of coverage and this uniform percentage must not be less than 50%, based upon the premium rates for single coverage (even if an employee elects to cover dependents). If an employer only pays a portion of the cost of the premiums, only the employer-paid portion of the premiums is counted towards the credit, and premiums paid through a salary reduction arrangement are not treated as paid by the employer for this purpose.

For 2010-2013, the maximum credit is 35% of the employer-paid premiums (25% for tax-exempt organizations), and the premium amount used for this calculation cannot exceed the average premium for similar coverage in the small group market in the State where the employer offers coverage (as determined by the Department of Health and Human Services and published by the IRS). Additionally, an employer will not receive a tax deduction for the health insurance premiums it pays for which it receives this tax credit. Thus, an employer will not receive both a tax credit and a tax deduction for the same premiums it pays.

When determining the average number of FTEs and the average annual wages, the following persons are excluded: sole proprietors, partners in a partnership, two percent or greater shareholders in an S corporation and all owners of more than five percent of a business. In addition to excluding these persons for purposes of determining the number of FTEs and average wages, the premiums paid on their behalf are excluded when determining the tax credit.

All employers that are aggregated together as a single employer for purposes of the “controlled group” or “affiliated service group” rules of Code Section 414(b), (c), (m) and (o) are also aggregated for purposes of determining eligibility for the tax credit. Thus, an individual owning an entity with 50 employees could not divide the entity into two separate entities, each employing 25 employees, and have each entity qualify for the tax credit.

The IRS has indicated that it will provide additional guidance, including “transitional relief” to make it easier for employers to satisfy the requirements for the new tax credit for 2010. In particular, it is expected that an employer that does not pay a uniform percentage of employee premiums for medical insurance will be able to claim a credit for 2010 (assuming the other requirements are satisfied).

If the number of FTEs exceeds 10, or if average annual wages exceed \$25,000, the amount of the credit is reduced (but not below zero). If the number of FTEs exceeds 10, the reduction is determined by multiplying the otherwise applicable credit amount by a fraction, the numerator of which is the number of FTEs in excess of 10 and the denominator of which is 15. If average annual wages exceed \$25,000, the reduction is determined by multiplying the otherwise applicable credit amount by a fraction, the numerator of which is the amount by which average annual wages exceed \$25,000 and the denominator of which is \$25,000. In both cases, the result of the calculation is subtracted from the otherwise applicable credit to determine the credit to which the employer is entitled. For an employer with more than 10 FTEs and average annual wages exceeding \$25,000, the reduction is the sum of the amount of the two reductions. This sum may reduce the credit to zero for some employers with fewer than 25 FTEs and average annual wages of less than \$50,000.

Example: For 2010, a qualified employer has 12 FTEs and average annual wages of \$30,000. The employer pays \$96,000 in health care premiums for those employees (which does not exceed the average premium for the small group market in the employer’s state) and otherwise meets the requirements for the credit.

The credit is calculated as follows:

- (1) Initial amount of credit determined before any reduction:
 $(35\% \times \$96,000) = \$33,600$
- (2) Credit reduction for FTEs in excess of 10:
 $(\$33,600 \times 2/15) = \$4,480$
- (3) Credit reduction for average annual wages in excess of \$25,000:
 $(\$33,600 \times \$5,000/\$25,000) = \$6,720$
- (4) Total credit reduction:
 $(\$4,480 + \$6,720) = \$11,200$
- (5) Total 2010 tax credit:
 $(\$33,600 - \$11,200) = \$22,400$

Qualifying employers will claim the tax credit on their 2010 tax return. In early April 2010, the IRS published a series of FAQs on the new tax credit. Check the IRS website for a copy of the FAQs: <http://irs.gov/newsroom/article/O,,id=220839,00.html>.

This has been one of a series of “Alerts” to help guide you in understanding the new health care reform laws.

If you have any questions or would like additional details, please contact your local BenefitMall Sales Team.

President Obama has approved a short-term extension of COBRA health insurance premium subsidies for involuntarily terminated employees.

Now, employees terminated from April 1 through May 31, 2010, will receive the 15-month, 65% federal premium subsidy. Prior to this extension, March 31, 2010 was the cut-off date.

President Obama is urging lawmakers to extend the COBRA premium subsidy through the end of the year. The Senate is currently working on this new extension.

GLOBAL COVERAGE, INC.

Insurance Specialists

9 EAST 37TH STREET • NEW YORK, N. Y. 10016-2897 • (212) 683-2622 • FAX (212) 779-7731

Reduce Your Insurance Premiums (and your exposure to loss)

- Do not retain more than you can afford to lose
 - Retentions
- Do not retain large exposures to save a little premium
 - Homeowners
 - Umbrella
 - Boiler and Machinery – Low frequency but high severity

- Do not spend a lot of money for a little protection

Take a higher deductible on auto physical damage and use that savings to buy umbrella

- Do not consider insurance as a substitute for loss control

Low deductible
Frequency
Nuisance Claims

- Use retention and loss control (deductibles, fire alarms, burglar alarms, avoidance, non-insurance transfers)
- Loss Control
 - Can be free and is available from your insurance carrier
 - Look into Disaster Recovery. In the event of a loss, what would you do?

GLOBAL COVERAGE, INC.

- Minimizing Risk
 - Employment Practice Liability Insurance
 - Cyber Liability
 - Kidnap and Ransom
 - Crime
- Credits – Alarms
- Workers Compensation
 - Experience Modification
 - Safety Groups
- Don't re-market every year
- Review policies in your insurance program annually with your broker
- Develop relationship with Broker and Company
- Use your broker as a consultant and risk manager
- View your broker as you do your accountant and attorney

Questions to ask:

Are there major NYS Regulations that are changing cost / coverage?

How to shop for a Broker/Company?

Are costs moving up or down in certain insurance areas?

Are there major differences in pricing for equal coverage from different companies?

Notes:

10 ways

nonprofits can save on
online donation services
...that you need to know



Here's 10 top ways to get optimal online donation services:

1. ***Get your own merchant account.*** Have YOUR name on the donor's month-end credit card statement, not a 3rd-party aggregator. No more donor chargebacks.
2. ***Get lower rates for different categories of cards.*** Third party aggregators charge a HIGH fixed rate for all transactions. With your own merchant account you get lower tiered-price transactions: you can now retain more from donor proceeds!
3. ***Freeze the merchant account when it is not needed.*** In quiet months when you don't use the account, an email can halt unnecessary fees, until needed again.
4. ***Accept e-checks.*** As an alternative to credit cards, donors can use electronic checks to donate—one time or recurring—saving you credit card percentages.
5. ***Look like a bigger organization.*** With the right level of services, your donations will definitely increase. Don't settle for mediocrity or cookie-cutter templates.
6. ***Your online donation page should look like your website.*** It should be customized to your "look and feel" without exorbitant web programming expenses.
7. ***Later you can make changes to your donation page.*** Flexibility among different levels of online donation services can help you adjust to future changing needs.
8. ***Hire an energetic, experienced consultant.*** Get advice from a seasoned expert who teaches you ways to benefit from change in the industry, saving money.
9. ***Get independent assistance.*** Bankers urge you to use their in-house processing services. A mix of outside service providers ensures your mission's success.
10. ***Don't get penalized for a breach.*** Heighten your organization's inside security awareness. Learn best practices in donor privacy, PCI, SSL. Train your staff too.



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technology to enhance
donations*

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You deserve unparalleled experience, energy, creativity and client service.*



Rakow Commercial Realty Group, Inc.

David M. Richman, Associate
(914) 422-0100 ext. 13

A Tenant's Guide to Lease Renewals & Relocations

Overview

- Since brokerage commissions are included in the rental rate that you pay, it is wise for Tenants to engage their own real estate agent who will be representing their best interests
- When you call the real estate agent whose sign is on the building, you are dealing with the building owner's agent – and this person has a fiduciary responsibility to represent the building owner's best interests.
- Landlords generally make more profit on a lease renewal than on a new deal, and new Tenants are generally offered more incentives and more favorable lease terms than existing Tenants.
- When Tenants renew their lease directly with the Landlord, they very often leave significant money on the table and fail to negotiate for important terms and concessions that they would be more likely to receive if they were properly represented by their own Agent. That's why savvy Tenants choose to engage their own real estate agent when renewing or renegotiating their lease – they know that their agent's presence will create a much higher level of negotiating leverage.
- We are in a wonderful market to take advantage of early lease renewals and lease renegotiations, and some Landlords are receptive to having these discussions well before a Tenant's lease is up.

Lease Renewal & Relocation Strategies

- When looking at space, find out the Usable and Rentable Square Feet. The difference is referred to as the "loss factor". Most buildings in this area average an 18-22% loss factor. When space planning, account for the loss factor in determining the range of rentable square feet that you will need. Most real estate agents and/or architects can help with this process.
- Find out what's included in the rental rate. Most office leases are full service gross which means they include both a base rent per square foot charge and an electric per square foot charge and most other cost items are included in the rental rate. Find out if operating expenses, real estate taxes, heat/ac and cleaning are included in the rent.



- Most office leases have escalation clauses that “pass through” increases in operating expenses and real estate taxes to the Tenant’s after the first lease year (also referred to as the “Base Year”). When renewing your lease, ask the Landlord to update your Base Year so that you are not paying additional rent on top of the new base rent for the first year of the new lease. When relocating, make sure the “Base Year” is the year in which you take occupancy or begin paying rent. You want to be certain that you are not responsible for paying increases to operating expenses or real estate taxes until after the first lease year.
- Make sure that you have the right to sublet or assign your lease (usually with the Landlord’s consent which should not be unreasonably withheld.) The sublet clause should allow for you to rent out individual offices or work space without the Landlord being able to recapture that portion of the space or without being able to take a portion of the rental proceeds for that portion of the space.
- Most leases allow for the Landlord to relocate the Tenant during the lease term in order to rent their space (in most cases) to a larger Tenant requiring the space. Should this clause be in your lease, make sure that the Landlord will relocate you (at their expense) to comparable space (you may want to define what that is) in the building with ample notice (for smaller Tenants this can be 3-6 months, for larger Tenants this can be closer to 12 months.) Make sure that the Landlord will not increase your rent or additional rent if you are relocated to larger space and make sure that your rent and additional rent will be proportionately decreased if you are relocated to smaller space, and try to make sure that the space can not be more than 10% smaller in size.
- Most Tenants have a security deposit in the form of cash or a letter of credit with the Landlord. When renewing your lease, perhaps there is an opportunity to have a portion of the security deposit refunded. Ask the Landlord to put the security deposit in an interest bearing account. (Though they are not obligated to do so and may take out an administrative fee.)
- Most leases have a “hold over” clause which can significantly penalize a Tenant for remaining in their space after the expiration of their lease. Be sure to examine this clause to see what the potential penalties could be.
- Most leases have a “restoration clause” which requires the Tenant to restore the premises to the condition it was in prior to the Tenant taking occupancy. This could result in a tremendous “exit cost” to the Tenant upon the expiration of their lease. Examine this clause carefully and see if it applies to your lease and what the potential ramifications could be.
- If the Landlord is performing the work or Tenant fit out, make sure that the scope of work is clearly defined in the lease. If you are negotiating for the Landlord to perform a significant amount of Tenant Improvements, you may wish to also bid out the work to your own contractor as their construction costs may be less and negotiate for a work allowance from the Landlord instead. Consult with your real estate agent on the best course of action to take.

* Rakow Commercial Realty Group, Inc. has been representing Tenants for over 25 years. Please call us today for a free Lease Review or a Market Overview, 914-422-0100 ext. 13

A Quick Guide to Cutting Costs while Ensuring Technology Performance

Technology Basics

The first step in discovering ways to cut costs while getting the most or more out of technology is to understand the function of equipment and software. Develop a basic familiarity with your network (computers, servers, firewalls, antivirus, switches, e-mail solutions, etc.), website(s), database or whichever kind of technology whose associated costs you are seeking to reduce. This will help you understand how to maintain or increase functional efficiency and discover where it is possible to reduce costs. For example, it may be possible to maximize a server to control your network, run the organization's e-mail and hold a database, depending on how the equipment is configured and how much capacity it has.

Logistics Surrounding Your Technology

Before engaging in a cost-saving initiative, it is important to develop a clear picture of the terms of service connected to IT, internet services (ISP), bandwidth, web development, website hosting, telephone and current associated costs. Here are some tips:

- When choosing any services provider; make sure all of the bids include costing for the **exact** same services.
- Examine the agreements for all services, including expiration dates, exit clauses (most are 60-90 days), costing associated with cancelling services, if any, and services you are receiving for the money, on paper and in practical application.
- Determine your billing cycles for services associated with technology, terms of payment (net 0 or net 30) and additional costs such as travel time. Always ask about unseen fees.
- Develop a comprehensive timeline which lists when services expire, when upgrades will be implemented and when equipment will require replacing. ***Technology planning is the single most effective method of cutting costs in the long and short term because it will help you avoid panic spending.***

Know Your Options

There is always a multiplicity of options for every technology solution, some more expensive and less functional, some less expensive and more functional. Some examples of alternate choices are:

- Google Apps instead of an Exchange Server – no maintenance costs, same functionality
- Competing bandwidth providers - dependent on locale, they will compete for your business
- Microsoft SharePoint instead of VPN to access and collaborate on files remotely - file sharing anywhere in the world, customized to look and feel like an internal application
- Website hosted on an open source content management system like instead of a custom-built server – ability to maintain web content internally with no equipment maintenance and reduced risk to website code.

For further information, please contact Nonprofit Solutions (NSN):
info@nonprofitsolutions.net
or 212-666-4082

People

The bad news of cost-cutting initiatives usually includes having to make tough decisions about staffing. Considering the human element, it may be possible to reduce hours of current staff and outsource technology projects, rather than cutting staff entirely. A full analysis of hours spent on tasks and net results of internal technology services to determine return on investment should be conducted. Internal staff can also liaise with outside service providers as project managers.

On-boarding Stakeholders

Lay leaders and funders can usually serve as a rich resource for making decisions about technology. Recruiting a committee of tech-savvy board members to take part in the decision-making process can be an effective way to cut costs, ensure the correct technical decisions are made in the process and build board consensus for the measures.

Spending to Save

Projects like upgrading phone systems, purchasing faster computers or upgrading software should be embarked upon taking into account the extent to which the end result will save money and maximize individual worker's and the organization's productivity. A poorly constructed database, for example, may require a smaller outlay of funds, but actually cost more in troubleshooting in the long run and result in nominal cost savings, or even a loss. Determine the net financial and operational gain at the end of the project as conclusively as possible. When choosing a vendor to provide technology services, make sure you have a chance to check references, participate in trials (software, web-based applications) and ask detailed questions about the solution, itself. Making decisions solely on the basis of costs associated with technology is strongly discouraged and will invariably result in higher costs to fix problems later.

Budgeting

Technology budgeting should include at least a 5% margin of error in case emergency spending is required. Since technology was created by humans it is imperfect. A non-functional phone system or Exchange Server crash can halt your organization. Sufficed to say, replacing technology necessary for typical daily workflow when required should **not** become an emergency.

Targets

When considering areas of technology and associated services to target for cost-cutting, it is crucial to keep in mind that leveraging technology efficiently can increase the organization's efficacy on the population(s) you serve, enhance programming and enable your organization to grow in scope and, ultimately, in budget. Cut costs with care.

Resources

SharePoint: <http://www.sharepointsite.com>

Google Apps: <http://www.google.com/apps/>

Microsoft: <https://mocp.microsoftonline.com>

Tech Soup: www.techsoup.org



CUTTING YOUR OFFICE SUPPLY PURCHASING COSTS

One Source Purchasing

Consolidate vendors

Reduce soft costs and increase efficiencies

All major suppliers give you choices of manufacturers





Corporate Cost Analysis

Specific pricing on your unique products
Special pricing for your large volume items

On-line Ordering

Immediate access to sales and promotions
Access to order histories and reporting
Allows you to centralize or decentralize purchasing with control





Personal Service

Assigned Salesperson and customer service

Representatives quickly resolve issues and requirements specific to your account

Consolidated Monthly Billing

Single invoice breaking out departments and multiple locations

Eliminate third party deliveries and charges

Reduce accounting staff time

OEM Versus Generic

Customer loyalty programs





Goodbye Costco

Avoid office trips to superstores and purchasing inappropriate quantities

Look at the Big Picture

Focus on large ticket items, not loss leaders





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Savings Company**

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Energy Audits- Are They Really Worth It??

Current Energy Production Impacts

Burning of fossil fuels impacts global warming, adversely affects air quality, and for New York, limits economic growth. Affecting all of us, higher utility costs makes us less competitive, hampers growth and even lowers property values.

Siting new power plants is costly and takes a very long time. With consumer demand increasing an average of 3% per year and alternative energy still costly, what can we do to address the problem???

It's Energy Efficiency! And Here's Why:

First off, we need to dispel the old theory that the only way to save energy is to turn off the lights and lower our thermostats in winter. New technologies have made products (e.g. lighting and appliances) better and use less energy. Energy efficiency saves businesses and consumers millions of dollars in energy costs, helps protect the environment, and reduces the need for additional capacity.

Energy efficient solutions can **reduce your energy bills by 20%-30% or more!**

So Why Have an Energy Audit?

An energy audit identifies capital equipment inefficiency and/or need for replacement. It ensures proper billing from your utility provider. An audit is often needed to obtain tax incentives, rebates or incentives. Most importantly, it provides data to make informed decisions.

An energy audit provides a better understanding of current energy usage, identifies improvements, and provides costs and payback data in order to make better decisions.

An audit often provides a quick analysis to help evaluate alternative energy projects such as: solar PV or hot water, cogeneration, geothermal, etc.

2010 The Daylight Savings Company

Cost Reduction Workshop May 10, 2010



The Audit Report

The audit report provides a complete inventory of facility equipment and a historical analysis of energy usage and costs.

It identifies energy cost reduction opportunities, called ECROs, and will include: anticipated energy savings; implementation costs and maintenance considerations; government and other potential incentives; and a financial analysis (e.g. payback, life cycle costs, NPV.)

The cost of an energy audit may be funded by local, state or federal programs. In New York, audits are funded by NYSERDA.

NYSERDA

The New York State Energy Research and Development Authority (NYSERDA) provides incentives, funding and rebates for energy efficiency and alternative energy projects, including energy audits.

Information on NYSERDA's many programs can be found on:

www.nyserdera.org

NYSERDA Energy Audit Program

The audit program is available to commercial, industrial, state and local governments, schools, and non-profits that use less than \$75,000 per year in electricity.

The refundable audit fee is \$100- \$400.

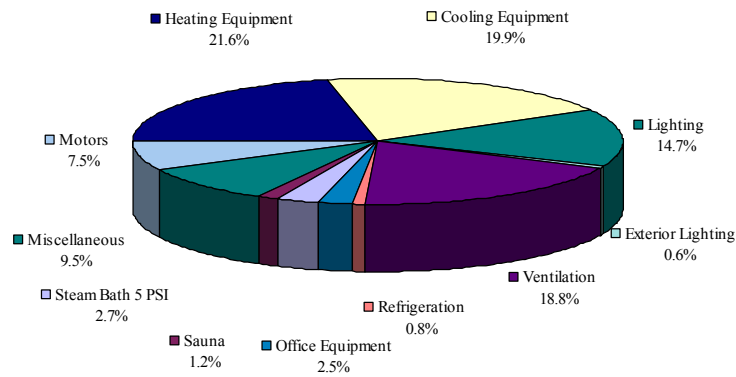
Energy Audits Are Not All Equal

There are many types of energy audits, however, the quality and depth of analysis varies considerably. There are home energy audits, utility assessments, vendor "free audits", walk thru audits, ASHRAE Level 1 and 2 audits, and finally, investment grade audits.



Sample Energy Audit Results

Electricity End Use



Energy Cost Reduction Opportunities (ECRO's)

Description	Cost	Annual Savings	Payback (years)	% of Annual Energy Cost
Upgrade the Lighting	\$8,546	\$3,904	2.2	1.9%
Install Lighting Controls	\$6,635	\$944	7.0	.2%
Improve the Building Envelope	\$125,975	\$8,702	14.5	4.3%
Upgrade the HVAC	\$136,000	\$14,442	9.8	6.9%
Improve the Motors	\$3,393	\$1,748	1.9	0.9%
Improve Temperature Control	\$10,000	\$4,951	6.1	2.5%
Other Measures (Combined Heat & Power)	\$220,000	\$32,000	6.9	15.8%
Other Measures (Duct Leakage)	900	\$95	9.5	>.1%
Other Measures (Low-Flow Shower heads)	\$5,500	\$5,600	1.0	.03%
Totals	\$516,949	\$72,386	7.1	32.8%

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Benchmarking Results and Impact to Carbon Footprint

Performance Metrics	Current	Projected	Net Change
Energy Intensity			
Site (kBtu/ft2)	207	148	59
Source (kBtu/ft2)	372	205	167
Energy Cost			
\$/year	201,989	\$136,401	\$65,588
10 Year Cost (\$) (*)	\$2,540,596	\$1,715,637	\$824,959
\$/ft2/year	\$5.77	\$3.90	\$1.87
Greenhouse Gas Emissions			
MtCO2e/year	517	318	199
kgCO2e/ft2/year	15	9	6

CO2 automobile equivalent*:	36
CO2 tree equivalent*:	13,267

**By implementing the recommended energy-saving measures in this report, the CO2 reduction would be roughly equivalent to removing 36 automobiles from the highway! Since trees consume about 30 lb. of CO2 in one year, your project would be roughly equivalent to planting 13,267 trees!!!*

After the Audit

If needed, obtain qualified implementation assistance. Investigate any and all potential incentives and rebates from: NYSERDA, utilities, government, financing assistance and grants.



So Are Energy Audits Worth It?

The short answer isYES!

Just be careful who you choose to perform the study. Some utilities will offer “free audits”; however, these are typically lighting replacement surveys. Vendors will often do “free energy audits, but again they will be trying to sell or promote their product.

With the frenzy over energy efficiency there is an inrush of inexperienced “energy auditors.

Energy Efficiency Is:

- Cleaner, faster, cheaper than other options
- There are simple steps you can take
- Energy audits provide the technical expertise and data
- NYSERDA funded audit program & incentives
- **Save Energy, Save Money, Save the Environment**

The Daylight Savings Company

The Daylight Savings Company, founded in 1991, is an energy efficiency engineering company that has completed over 5000 projects in commercial, manufacturing, multifamily, hospital, educational, hospitality, industrial and multi-use facilities covering more than 300 million square feet. We are also an approved Flexible Technical Assistance (FlexTech) Contractor, a “Partner” in the new Multifamily Performance Program (MPP) and the exclusive energy auditor for the Bronx, Westchester, Orange and Rockland counties for the New York State Energy and Development Authority (NYSERDA). Daylight Savings is also the exclusive energy auditor for the Long Island Power Authority (LIPA).

Our auditors have years of experience auditing various types of facilities and are Certified Energy Managers and /or PEs.

In addition, Daylight Savings assists customers with implementing energy saving measures from design, bid, construction management, verification and obtaining state and other incentives.

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Your Guide to Reducing Utilities Costs

There are two ways to reduce utility costs. Way number one is to use less energy. Way number two is pay less for the energy that you do use. This assumes that you are paying for utilities directly and not through a lease “pass-through” arrangement.

The key to paying less for your natural gas and electricity is to take advantage of the “decoupling” of utility “supply” from utility “distribution.” Since the late 1990’s, the State of New York has been a leader in allowing utility customers to buy their electricity and/or gas from “ESCO’s” (energy supply companies). Individuals, non-profits, and businesses are all eligible to select the ESCO option.

All ESCO’s are approved by the NYS Public Service Commission and the local utilities. There is NOT a fee for switching from your incumbent utility to an ESCO, nor is there a fee for switching back to your incumbent utility. The State mandates that your utility take you back as a customer at the then current rates.

A customer can generally save up to 10% on the supply portion of its gas and electricity by switching to an ESCO and staying with month-to-month, “variable rate” or fixed-price pricing. Depending on distribution costs which will not change, a customer can save from 4% - 5% on the total bill. Savings on some taxes and fees can increase the savings another 4% - 5%.

SHOP AROUND. Most ESCO’s will regularly save customers money, but their sources of supply are NOT the same and their prices are NOT same.

Bigger savings are available if a customer takes a bigger risk and signs a fixed-rate contract with an ESCO for from 6 to 60 months. The price in a fixed-rate contract would usually be higher than the latest variable rate that a customer is paying. Many times, however, the fixed-rate price is lower than the average of the customer’s costs over the previous 12 months. Today, some fixed rate prices are lower than the estimates for future variable-rate prices.

There are two primary benefits of a fixed-rate contract:

- Unit Price Certainty. The customer is protected from major increases in utility supply costs for the term of the contract

Resource Centers for Management, Inc.

- The customer's monthly utility bills will vary less than with variable-rate pricing since supply costs tend to increase in the months that everyone is using more electricity and/or gas. The only variance is consumption and the customer can predict future costs based upon average previous consumption on a month to month basis.

Generally, the longer the term of the contract, the higher the price of energy, because the supplier of energy has to purchase futures contracts for both the amount and price of energy

The risk of a fixed-rate contract is if the market gets soft and prices drop, the customer will be locked into the contract. However, some ESCOs will offer a "Blend and Extend" program near the end of your contract by averaging the unit cost of the remaining months in your contract with the then current fixed rates to reduce your risk.

When thinking about switching to an ESCO, customers are NOT required to:

- Switch both their electricity and gas at the same time
- Switch both their electricity to the same ESCO. Many ESCO's only supply one type of energy
- Enter into the same type of pricing or term of contract for electricity and gas.

When entering into any contract, be sure to understand:

- Pricing philosophy and strategy of the ESCO
- Any provisions that would allow the ESCO to change the price of energy
- The provisions for any price changes if your energy usage increases or decreases beyond the "volume parameters" in the contract
- The termination provisions in case you decide to move locations or have to cease or significantly reduce operations.

When selecting an ESCO, I suggest that:

- You select only those that will bill you through your incumbent utility. It reduces the cost of an additional check and eliminates the headaches of dealing with turn-off notices when your check to the ESCO is late or when the ESCO is slow in paying your incumbent utility
- Consider working with an agent who has relationships with a variety of ESCOs in order to match your needs to the proper source (agents are paid by ESCOs so there is no added cost to the customer).

Notes for the “green energy” customers:

- “Green energy” is more expensive than energy generated by oil, coal, and gas.
- Make sure that you understand the source(s) of any utility’s or ESCO’s “green energy.”
- An alternative to buying “green energy” directly is to buy Renewable Energy Certificates (REC’s) that are offsets for the regular energy that you would buy. The money you pay for REC’s is funneled through an EPA-program to the producers and buyers of “green energy” in areas where it is readily available.