

# **Budgeting for IT: Making Cents of It All**

By Gordon Moffat and Shawn Hatcher

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In an effort to establish a general IT budgeting framework for law firms to use as a guide when making technology decisions, we attempt to highlight the major technology purchases that a law firm will encounter in implementing technology into their law practice.

This article is broken into four sections: (1) Server Costs, (2) Workstation Costs, (3) Network Infrastructure Costs, and (4) Application Costs (office/time and billing applications as well as legal-specific case management and trial presentation applications). Although actual technology costs are dependant upon a multitude of factors that will vary from firm to firm (such as firm size, current and future firm needs, degree of implementation, strategic use, etc.), the following is meant to give a rough estimate of what to expect when budgeting for IT.

### **I. SERVER COSTS**

There are three factors that go into determining the overall cost of a new server: hardware, software and labor. Typically these costs are only for the essential pieces; however, you may incur additional costs for items such as subscription renewals, vendor service calls, or business-specific software. Below are examples based on a 15-20 user system configured to provide ease of management, reliability and upgradeability (for processor, hard drive space, and memory). Such a system should provide good service for up to four years, depending upon changes in your usage and needs. It is important to replace your server during or shortly after the warranty period. Hardware vendors discontinue the manufacture and update of many parts after 3 years.

1. *Hardware costs* for a server to handle 15-20 users are estimated at \$5,800. This example includes an IBM server with RAID controller, tape backup, 10 tapes, 1.5 GB of memory, 2.8Ghz processor and a 72 GB RAID hard drive. This hard drive arrangement provides ease of expansion, reliability and data redundancy in case of hardware failure. The server also includes extra slots for memory and an additional processor slot. When purchasing this piece of hardware we recommend a 4-hour response service contract from the vendor for 3 years. The service contract is a very important part of this purchase to most clients because most small businesses have only one server. Therefore, response time is critical when there is a need for service.

2. *Software costs* are estimated at \$2,500 to \$4,000--This cost could include Windows Server software, Backup software, server based anti-virus software, and licensing. Most clients like to purchase the Small Business Server 2003 suite because it generally cost the same as Windows Standard Server, but offers email and several other features. Small Business Server 2003 includes several enhancements to the SBS 2000 package, such as better security, enhanced interface for Outlook Web Access, automatic spam filtering,

enhanced network faxing, and more capabilities for remote users. In many cases we can use the standard backup software that comes with Windows Server 2003, which can bring down the cost. For the more advanced situations we recommend Veritas Backup Exec. Our recommended anti-virus suite has provided us with a centralized method to manage outbreaks on many of your machines remotely through a server; and, from our experience, it has been very reliable.

3. *Labor costs* are estimated at \$3500 to \$4500--This cost is dependent on what you would like to do with the server and how many workstations you have. The services typically included with this cost are the configuration, migration, and/or installation of the following: server, data, e-mail, e-mail desktop clients, fax server, SQL database server, anti-virus software, backup software, and workstation domain. Small Business Server's many different capabilities can affect the overall cost of this expense. The more services you choose to implement, the higher the cost due to the extra labor needed to implement those services.

## **II. WORKSTATION COSTS**

A workstation is the one thing any business will need to function in today's computer-driven office environment. What should you look for in a workstation?

1. A vendor who is proven and will be there for you during the life of the workstation. Those vendors include names like: IBM, Dell, and Micron computing.
2. Make sure the software offered with the workstation is up to date and made for an office environment. Look for XP Professional for your operating system and Microsoft Office, the industry standard in office software.
3. Find a computer that is current with today's standard. A typical workstation for the spring of 2005 costs around \$700. This workstation example is an IBM 3.06 GHz with a 40 Gigabyte hard drive, 512 MB RAM, and Windows XP Professional.

The 2 most important things to remember when getting a new PC is the operating system, Windows XP Pro, and the amount of memory, 512 MB. Do not purchase Windows XP Home for an office environment, or if you ever plan on using your computer at home for work. Windows XP Pro has certain features necessary for business use that Windows XP Home does not have, such as remote access, manageability and advanced networking features. In most instances where XP Home is purchased for the office it is necessary to spend an additional \$200 for an upgrade to Professional. As for memory, you should purchase 512 MB of RAM with any computer you get today because you will eventually make the upgrade in the future, which will end up costing you more money than buying it with a new PC. More memory will make your current work experience more productive and enjoyable.

The standard software purchased with most workstations is Microsoft Office 2003. This software has many features including Outlook 2003. Other programs that come with MS Office are: Word, Excel, PowerPoint, Publisher, Contact Manager, and Access. These

are all dependent on the versions, which are listed from low-end to high-end: Basic, Standard, Small Business, and Professional. As you can guess, Professional has everything. The cost of these software suites ranges from about \$220 to \$400. There is about a \$40 difference at each level.

The labor cost you can expect to incur for a professional to come and setup your workstation will vary. This job will typically take somewhere from 2-4 hours depending on the complexity of the task and what is needed.

Workstation *replacement* should be done every 3-5 years. Many people want to merely upgrade their existing computer systems after 3 years; but, in most cases this is not an effective decision because you are investing more time and money into something that is not worth the time and money you are investing in it. If you decide to upgrade the operating system and memory using your computer support person, then for the hardware and software alone you will probably be spending close to \$300. Then you are looking at 2-4 hours of labor from your computer support person. Many times after an upgrade other parts fail, or there are issues with the upgrade. All of these things cost time and money that could be better spent toward a new computer.

### **III. NETWORK INFRASTRUCTURE COSTS**

These costs include Internet service, hubs, switches, firewalls, cabling, and workgroup printers. These costs are the most variable, but once implemented typically they have a low cost to maintain.

Internet service is important because it gives you email and web access. Most businesses should consider nothing less than DSL service; but, depending on your business you may need more. DSL service starts at \$100 per month. Once you have Internet you will need a hub or a switch to share Internet service. These start as low as \$50 for 4 users, but will typically cost at least \$150.

To secure your Internet connection it is wise to obtain a firewall. These secure your office from outside users gaining access to your information and possibly damaging that information. This will probably be one of the largest expenditures you will make as far as network infrastructure goes. LogicForce currently recommends a SonicWall firewall. These start at around \$350 for 5-10 users, and go up from there depending on additional features needed, including remote access.

Cabling is the connection from each computer to the hub/switch. These lines are similar to phone lines and can be purchased at the same time from your internal phone provider. The typical cost for one of these lines is between \$100 and \$200. The cost is dependent on the installer you use and environmental factors such as distance and building age. LogicForce can recommend an installer for you.

Printers are something you'll definitely need. We typically recommend HP printers because of their proven reliability. An HP LaserJet 4200, which prints 40 pages per minute and can handle the workload of several users, starts at \$1200. This is a great

investment and will provide your business with what it needs to handle its printing. We do not recommend that you obtain an all-in-one printer solution, simply because, if you have problems with your fax or scanner, then you will most likely have problems with your printing as well. There are several offices out there using HP products that have been around for close to 10 years, without any major problems.

#### **IV. APPLICATION COSTS**

A law office does not run on hardware alone. In considering your IT budget, be sure to include office productivity applications, a time/billing/accounting suite, a practice management system, and litigation support and trial presentation tools.

The core of your practice lies in creating documents. A modern office productivity suite is essential to your success. Each workstation will need a separate copy of either the latest release Microsoft Office or WordPerfect Suite. Several versions of Microsoft Office containing different tools exist; make sure that your selected suite contains at least Word, Excel, PowerPoint and Outlook. Expect to spend up to \$400 per copy for the higher level releases of Microsoft Office. The WordPerfect Suite can be purchased more cheaply, but you will probably have to purchase Microsoft Office separately in order to get copies of Excel and PowerPoint.

You cannot make any money if you do not bill for your services. Many fine standalone time and billing packages exist for attorneys. Some of the more prominent are Juris, Billing Matters, Timeslips and PCLaw. Before you purchase a product, involve your bookkeeper and accountant in setting the scope for your needs. You should look at whether or not a particular time and billing package contains an accounting module and how well it integrates with your practice management system. Lower-end time and billing packages can be purchased for as low as \$100 per seat while higher-end suites that provide much greater functionality can range upwards of several hundred dollars per users.

A practice management system will revolutionize your practice and increase your profitability in a dramatic fashion and should definitely be a part of your IT budget. Some products have a built-in time/billing/accounting module and can save you the cost of purchasing a separate system and reduce integration costs. Two of the most popular suites are Time Matters 6.0 and Amicus Attorney. A basic version of Time Matters with the Billing Matters component can be purchased for \$700 for the first user and \$400 for each additional user. Amicus Attorney V+, which does not have an internal billing module but integrates well with your existing time and billing package, retails for \$599 for the first licenses and \$499 for each additional license.

Finally, to harness the power of your computer investment to your litigation, you should budget for a first-class litigation package and a powerful trial presentation suite. The premier litigation database, Summation, is priced differently for differing needs. Expect to pay around \$2400 a copy for the standalone Blaze LG Gold version of Summation and \$1600 per concurrent user for the shared network version. An excellent choice for your

trial presentation package, Trial Director Suite 4.5, sells for \$595 a copy. The Trial Director license currently allows for two installations of the product per copy.

A very important consideration in creating your budget is to be sure to figure in costs for outside consultant and training expenses to ease your installation and configuration and to make sure you get the most from your applications. Lunch and Learn sessions are available upon request to help with various office applications, and more intensive-training classes are available for more legal-specific software such as Summation and TrialDirector.

## **CONCLUSION**

In budgeting for IT, it is important to not tie your hands to a specific budget number or simply to see how little you can get away with. A proper technology plan should be flexible enough to respond to the changing needs of your firm over time, as well as to consider the use of technology in strategic ways as opposed to merely operational ways (i.e., using technology to win clients, expand business, and establish competitive advantages). It is also important to understand that budgeting and contract terms for technology should take into account technology life-cycles, where the upgrade cycle for most IT systems and software programs is 3 – 4 years. There are many variables to consider in properly budgeting for IT, but there is one unwavering constant – budgeting is a necessity!