

# MOREnet Council Meeting Agenda

TIME: 10:00 a.m. – 11:00 a.m.  
Wednesday  
October 21, 2009

PLACE: Toll Free: Number 877-483-7900  
Meeting ID: 862683  
Meeting Password: 98789

## A G E N D A

- |  | <u>Tab</u> | <u>Presentation by:</u> |
|--|------------|-------------------------|
| <b>I. Introduction</b>   |            |                         |
| A. Call to Order   |            | Conroy, Chair           |
| B. Introduction of Council Members, Staff, Observers               |            | Conroy, Chair           |
| <b>II. Action Items</b>  |            |                         |
| A. Minutes of the July 30, 2009 MOREnet Council Meeting – Approval | A          | Conroy, Chair           |
| <b>III. Consent Items</b>  |            |                         |
| A. None  |            |                         |
| <b>IV. Discussion/Information Items</b>                            |            |                         |
| A. FY09 Year-End Compared to FY09 Original Budget – Information    | B          | Rodman                  |
| B. Projected Network Growth Trends – Information                   | C          | Niederhelm              |
| C. Stimulus Project Update – Information                           |            | Byers                   |
| D. Legislative Campaign – Information                              |            | Mitchell                |
| E. Member Advocacy – Information                                   |            | Angell                  |
| F. Meeting Schedule  |            |                         |
| 1. October 21, 2009  |            |                         |
| 2. December 15, 2009   |            |                         |
| 3. March 11, 2010  |            |                         |
| 4. July 30, 2010   |            |                         |
| 5. October 22, 2010  |            |                         |
| 6. December 14, 2010   |            |                         |
| <b>V. Open Time for the Public to Address the Council</b>          |            |                         |

## MOREnet Council Members

Title	First	Last	Position	Organization	E-mail	Phone	Term Ends
Dr.	Gary	Allen	Vice President for Information Technology, University of Missouri Missouri Chief Information Officer, Executive Director UMBC, Assoc Prof Vet Path	University of Missouri	allengk@missouri.edu	(573) 882-9200	No Term
Dr.	Russell	Brock	Superintendent	Gasconade R-II School District	rbrock@owensville.k12.mo.us	(573) 437-2177	12/31/2009
Ms.	Margaret	Conroy	Director	Missouri State Library	margaret.conroy@sos.mo.gov	(573) 751-2751	No Term
Mr.	David	Doennig	Director	Stone County Library	ddoen@scl.lib.mo.us	(417) 357-6410	12/31/2010
Dr.	Tim	Gallimore	Assistant Commissioner Academic Affairs	Department of Higher Education	tim.gallimore@dhe.mo.gov	(573) 751-1764	No Term
Dr.	Rita	Gulstad	Interim Vice President and Dean of the University	Central Methodist University	rgulstad@centralmethodist.edu	(660) 248-6212	12/31/2010
Ms.	Debbie	Hughes	Director of Technology and Library Services	Jefferson City Public Schools	debbie.hughes@jcps.k12.mo.us	(573) 659-3121	12/31/2010
Ms.	Glenda	Hunt	Director	Adair County Public Library	glendahunt@real.more.net	(660) 665-6038	12/31/2009
Dr.	Craig	Klimczak	Vice Chancellor for Technology & Educational Support Services (TESS)	St. Louis Community College	cklimczak@stlcc.edu	(314) 539-5426	12/31/2009
Mr.	Bill	Mitchell		MOREnet	bill@more.net	(573) 884-2666	No Term
Mr.	Tim	Robyn	Deputy CIO for Web Presence	Office of Administration Information Technology Services Division	tim.robyn@oa.mo.gov	(573) 751-4232	No Term
Dr.	Bert	Schulte	Deputy Commissioner	Department of Elementary & Secondary Education	bert.schulte@dese.mo.gov	(573) 751-3503	No Term

### MOREnet Council Alternates

Ms.	Margaret	Cline	Chief Information Officer and Associate Vice President	Missouri University of Science and Technology	cline@mst.edu	(573) 341-6995	No Term
Mr.	Jeremy	Kintzel	Research Associate	Department of Higher Education	Jeremy.Kintzel@dhe.mo.gov	(573) 751-1798	No Term
Mr.	Mark	Mabe	Director	Missouri Western State University	mark@missouriwestern.edu	(816) 271-4261	12/31/2010
Mr.	Waller	McGuire	Executive Director	St. Louis Public Library	wmcguire@slpl.org	(314) 241-2288	12/31/2010
Ms.	Barbara	Reading	Division Director of Library Development	Missouri State Library	barbara.reading@sos.mo.gov	(573) 751-2679	No Term
Mr.	Mike	Roling	Special Assistant for Operations	Office of Administration Information Technology Services Division	michael.roling@oa.mo.gov	(573) 526-0705	No Term
Ms.	Deborah	Sutton	Director Instructional Technology	Department of Elementary & Secondary Education	deborah.sutton@dese.mo.gov	(573) 751-8247	No Term

### MOREnet Staff

Ms.	Natasha	Angell	Director Member Services and Interim Director of Programs		angelln@more.net	(573) 882-9025
Mr.	Chip	Byers	Director New Initiatives		chip@more.net	(573) 882-9787
Ms.	Sherry	Loyd	Executive Staff Assistant		loyds@more.net	(573) 884-2666
Ms.	Debbie	Rodman	Budget Coordinator		rodmand@more.net	(573) 882-8453
Mr.	Greg	Silvey	Director of Fiscal & Contractual Services		silveyga@more.net	(573) 884-6476

# **MOREnet Council**

## **Memorandum of Understanding**

### **1. Statement of Purpose**

#### 1.1. MOREnet Mission and Operations

- 1.1.1. The Missouri Research and Education Network (MOREnet) is a statewide telecommunications delivery system developed to support education, research, public service, government, and economic development.
- 1.1.2. MOREnet is committed to providing high-quality, cost-effective telecommunications and support services that meet customers' needs.
- 1.1.3. MOREnet was established in 1991 at the University of Missouri – Columbia (UMC) and operates as a separate unit within the University of Missouri (UM) System. MOREnet staff members are University of Missouri employees.
- 1.1.4. MOREnet operates under the auspices of the MOREnet Council and through signed Participation Agreements and other contracts between the Curators of the University of Missouri and organizations eligible to receive MOREnet services.

#### 1.2. Objectives and Functions of the MOREnet Council

- 1.2.1. The primary function of the MOREnet Council is to direct and oversee planning and budgeting for the MOREnet infrastructure including the technical support required for the future growth and success of programs sponsored by Council members.
- 1.2.2. The MOREnet Council will have oversight of MOREnet activities and initiatives that are supported by state appropriations or that impact state-funded activities and initiatives.
- 1.2.3. The MOREnet Council will engage in consensual decision-making to the extent possible and will follow parliamentary procedure when more formal decision making is required.

#### 1.3. Signatories and Sponsoring Agencies

- 1.3.1. This memorandum of understanding is signed by the Commissioner of Education, the Commissioner of Higher Education, the Secretary of State, and an authorized representative of the University of Missouri Board of Curators on behalf of their respective agencies and governing bodies.
- 1.3.2. A sponsoring agency is defined as a state agency that has a client base of public K-12 schools, higher education institutions, or public libraries.
- 1.3.3. Additional organizations or state agencies may petition the current sponsors to become sponsoring agencies. All prospective sponsors must agree to the terms and conditions of this Memorandum of Understanding. Such petitions will be approved or declined by mutual agreement among current sponsors. Approved petitions will become active once the heads of the current and prospective sponsoring agencies sign an Addendum to this Memorandum of Understanding.

### **2. Governance**

#### 2.1. Composition of the MOREnet Council

- 2.1.1. The MOREnet Council will be led by a core team of staff and constituents of sponsoring agencies. All of these individuals are full members of the Council.
- 2.1.2. The head of each sponsoring agency will select one staff member to serve on the MOREnet Council. Staff members will serve an indefinite term at the

discretion of their respective agency head. Staff members have full privileges on the MOREnet Council.

- 2.1.3. Two external representatives will be appointed by each sponsoring agency from among the institutions served by the agency. The external representatives have full privileges on the MOREnet Council.
  - 2.1.4. The MOREnet Council will be chaired by a staff or constituent of each sponsoring agency on an annual, rotating basis. A vice chair will also be selected to fulfill the duties of the chair in his or her absence.
  - 2.1.5. The appointed representatives will normally serve a term of two years. During the initial year of the Council's operation, one appointment from each Sponsoring Agency will be for a period of one year in order to set up a rotation of half of the appointed members each year.
  - 2.1.6. The Vice President for Information Systems for the University of Missouri System will serve as a full member of the Council.
  - 2.1.7. The MOREnet Executive Director and the state's Chief Information Officer will serve as an ex-officio member of the MOREnet Council.
- 2.2. Operating Procedures
- 2.2.1. The MOREnet Council will meet at least quarterly, either face-to-face or through technology-mediated means.
  - 2.2.2. Representatives from other agencies and organizations may be invited to attend and be part of the agenda of Council meetings as appropriate.
  - 2.2.3. MOREnet will implement the mutually agreed-upon decisions, actions, and documents endorsed by the MOREnet Council.
  - 2.2.4. In situations where there is not mutual agreement on proposed actions that impact state-funds, the issue will be referred to the sponsoring agencies and UM senior administrators for a decision.
- 2.3. Contractual Arrangements
- 2.3.1. Sponsoring agencies may maintain or establish a contractual relationship with MOREnet for the delivery of services and for projects funded directly by a sponsoring agency.
  - 2.3.2. The MOREnet Council may review all such contracts as part of its overall duties as described in Section 2.2.

### **3. Responsibilities**

#### 3.1. MOREnet Council Responsibilities

- 3.1.1. The MOREnet Council will review, modify, and endorse long-range plans developed by or for MOREnet staff.
- 3.1.2. The MOREnet Council will review, modify, and endorse MOREnet's proposed annual financial plan, financial assumptions, and business practices and policies.
- 3.1.3. The MOREnet Council will implement procedures consistent with a quality-driven organization:
  - 3.1.3.a The MOREnet Council will annually develop for MOREnet and itself statements of objectives that reflect the convergence of customer needs, technological solutions, and available resources.
  - 3.1.3.b. The MOREnet Council will review annual statements of deliverables for each sponsoring agency to ensure that these statements are consistent with the Council's objectives.
  - 3.1.3.c. The MOREnet Council will annually develop a set of performance measures derived from the statements of objectives and deliverables,

and will evaluate and report on MOREnet's performance on each measure.

- 3.1.3.d. The MOREnet Council will participate in the annual performance evaluation of the Executive Director.
  - 3.1.3.e. The MOREnet council will conduct annual self-assessments of the effectiveness of the Council with the assistance and input of the Executive Director.
  - 3.1.4. The MOREnet Council will review and recommend the annual appropriation request(s) on behalf of MOREnet for submission to the appropriate governing bodies of sponsoring agencies, and subsequently the Governor, and the General Assembly.
  - 3.1.5. The MOREnet Council will become and remain informed about state information technology standards and policies in order to make decisions that ensure MOREnet's compatibility with state standards and policies in the future.
  - 3.1.6. The MOREnet Council will establish advisory groups or task forces as needed.
  - 3.1.7. The MOREnet Council will advise the UM Vice President for Information Systems on the selection of the Executive Director to administer MOREnet.
  - 3.1.8. The MOREnet Council will interact with organizations that exist or are formed to serve the needs of specific groups of MOREnet clients.
- 3.2. MOREnet Responsibilities
- 3.2.1. MOREnet will implement policies and procedures consistent with a quality-driven organization:
    - 3.2.1.a. The MOREnet Executive Director will be responsible for the overall operation of MOREnet programs.
    - 3.2.1.b. The MOREnet Executive Director will maintain an effective and efficient organization.
    - 3.2.1.c. The MOREnet Executive Director will focus on speed, productivity, customer service, and value.
    - 3.2.1.d. The MOREnet Executive Director will report to the Council at regular meetings and provide additional reports as requested.
  - 3.2.2. MOREnet will provide the MOREnet Council with current financial information according to the normal appropriations cycle calendar, including (but not limited to) the items described below.
    - 3.2.2.a. MOREnet will provide the annual appropriation request to MOREnet Council members within two weeks of approval by the UM Board of Curators.
    - 3.2.2.b. MOREnet will provide the proposed annual operating budget based on the Governor's recommendations to the MOREnet Council within four weeks of the release of the Governor's budget.
    - 3.2.2.c. MOREnet will provide a final annual operating budget based on the final state appropriations bills to the MOREnet Council within two weeks of the signing of corresponding legislation, or within two weeks of a signed sponsoring agency contract, as appropriate.
  - 3.2.3. MOREnet will operate a secure, reliable, and robust shared network to maximize Missouri's investment in public-sector communication.
  - 3.2.4. MOREnet will remain informed about state information technology standards and policies in order ensure MOREnet's compatibility with state standards and policies in the future.
  - 3.2.5. MOREnet will deliver high value services that support the effective use of technology in accomplishing Missouri's research and education goals.
  - 3.2.6. MOREnet will conduct information technology research to provide solutions that add value to existing MOREnet programs and services.

- 3.2.7. MOREnet will implement additional programs as designated within each sponsoring agency's Statement of Deliverables.
  - 3.2.8. MOREnet will inform the Council about the creation of any advisory committees and inform the Council about any input, recommendations, or decisions of these groups.
  - 3.2.9. MOREnet staff will inform the Council about any projects MOREnet undertakes outside of the Council's jurisdiction.
- 3.3. Sponsoring Agency Responsibilities
- 3.3.1. Each sponsoring agency will appoint one staff member and two external representatives to the MOREnet Council.
  - 3.3.2. Each sponsoring agency will represent the needs, missions, and views of its constituents to the MOREnet Council.
  - 3.3.3. Each sponsoring agency will communicate the decisions and outcomes of MOREnet Council meetings to its constituents.
  - 3.3.4. Sponsoring agencies will share and communicate their positions on major state-level decisions.

#### **4. Miscellaneous**

No amendment, consent, or waiver of terms of this Memorandum of Understanding shall be binding unless made in writing and signed by the signatories indicated in Section 1.3. Any such amendment, consent, or waiver shall be effective only in the specific instance and for the specific purpose given.

The meetings of the MOREnet Council will be open to the public, and all interested parties are encouraged to attend.

## APPROVALS

**For the Missouri Department of Elementary and Secondary Education:**

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**For the Missouri Department of Higher Education:**

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**For the Missouri Secretary of State:**

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**For the Curators of the University of Missouri on behalf of MOREnet:**

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## GLOSSARY

Term or Acronym	Definition
American Recovery and Reinvestment Act (ARRA)	Economic stimulus package enacted by the 111 <sup>th</sup> United States Congress and signed into law by President Barack Obama on February 17, 2009.
Affiliates	Private K-12 schools, libraries, non-profit organizations, community information networks and similar organizations not eligible for other MOREnet managed programs.
Aggregation Circuit	A circuit that combines multiple tail circuits on a single larger capacity circuit to MOREnet.
Backbone Circuit	A circuit that connects two hub facilities.
Broadband Technology Opportunities Program (BTOP)	Provides grants to support the deployment of broadband infrastructure in unserved and underserved areas, to enhance broadband capacity at public computer centers, and to encourage sustainable adoption of broadband service.
e-Discovery	Any process, in which electronic data is sought, located, secured, and searched with the intent of using it as evidence in a civil or criminal legal case.
Email Virus and Spam Filtering Service (EVSF)*	A low-cost layer of protection for email systems that removes all known email-borne viruses and most spam.
E-rate	Federal educational discount for technology purchases that pays for additional bandwidth for K-12 TNP schools.
Federal Budget Stabilization Funds	One pot of increased federal funding that became available to the States as part of ARRA.
Fiscal Exigency Reserve (FER)	A financial risk mitigation plan to provide assurance to member organizations and to the University in the event of a significant loss of funding.
For-Fee Services (FFS)	Services available to any member for an additional fee.
Hub Facility	The building that houses MOREnet core network equipment and acts as a major network hub.
Indefeasible Right of Use (IRU)	The effective long-term lease (temporary ownership) of a portion of the capacity of an international cable.
Internet Circuit	A circuit from MOREnet to an Internet Service Provider (ISP) used to access the commodity Internet.
Internet Content Filtering (ICF) Service*	Content filtering software to help MOREnet members filter web traffic of unacceptable material while meeting state- and federally-mandated guidelines.
K-12	Kindergarten through 12th grade/high school senior.
kinetic*	Services (email and Web hosting) created/managed by MOREnet but locally administered by members.
Missouri Education & Research Consortium (MERC)	Primary provider of network services to Missouri's higher education institutions through MOREnet.
Plant Fund (PF)	A mechanism for establishment of funds to support future anticipated or emergency capital expenditures.
Program	Ongoing, regularly funded, state-funded, contracted services and deliverables. Currently MOREnet has two programs: K-12 TNP and REAL, though MERC and Affiliates can be considered program-like as state sponsored and contracted.
Program Operating Reserve (POR)	A level of funding in excess of planned expenses for a fiscal year to support unique program needs.
Remote Electronic Access for Libraries (REAL)	MOREnet program that delivers Internet connectivity and related services to Missouri's tax-supported public libraries.
Remote Vulnerability Assessment (RVA) Service*	A study and feedback on potential vulnerabilities of a member's publicly visible Internet presence.
Shared Network	Links schools, public libraries, academic institutions and state agencies to the network giving them access to a secure broadband Internet connection, staff training, technical support and electronic resources.
Tail Circuit	A circuit from a member site to the Local Exchange Carrier (LEC) or telecommunication provider.
Technology Network Program (TNP)	MOREnet program extending connectivity to elementary and secondary school districts.

\* These services are currently For-Fee Services (FFS).

# DRAFT MOREnet Council Meeting Minutes

TIME: 10:00 a.m.  
Thursday, July 30, 2009

PLACE: 316 GOB

**Members present:**

Margaret Conroy, Chair  
Gary Allen  
Russell Brock  
Tim Gallimore  
Rita Gulstad  
Glenda Hunt  
Craig Klimczak  
Bill Mitchell  
Bert Schulte  
Deborah Sutton for Debbie Hughes

**Alternates present:**

Mark Mabe  
Waller McGuire  
Barbara Reading

**MOREnet Staff present:**

Natasha Angell  
Sherry Loyd  
Debbie Rodman  
Greg Silvey

Chair Margaret Conroy called the MOREnet Council meeting to order. Those who were in attendance are listed above.

## ACTION ITEMS

### Minutes of the June 8, 2009 MOREnet Council Meeting – Approval

Chair Conroy asked for amendments to the meeting minutes. Bert Schulte moved to approve the June 8, 2009 minutes as distributed. Rita Gulstad seconded the motion and it passed unanimously.

### Plant Fund Policy Update – Endorsement

Debbie Rodman gave an overview of the Plant Fund (PF) Policy and explained the recommendation to have a target amount set for the fund. Current practice is that all contributions into the PF are made from the Shared Network and Affiliate/For-Fee Service (FFS) areas, with contributions reviewed by the Council on an annual basis. Unfortunately these transfers are not sufficient to cover the PF any longer. Staff believes the target amount should be \$1.1M per year based on the original asset value of \$10.3M. For FY10 fees are sufficient and staff is hopeful that capacity growth in future years will generate enough revenue so member fees will not need to increase. Staff is also recommending that a total project asset purchase amount of \$100,000 or more be added to the significant capital expenditure requirement in the existing asset policy.

Gulstad questioned whether a decision to the Program Participation Connection Policy later on the agenda would change this policy decision. Rodman stated that it could, however, a large number of organizations or very large organizations would have to drop their connection for it to have an effect on this policy.

Schulte moved to approve that expenses supported by the PF be limited to those with total project asset purchase of \$100,000 or more and that the PF amounts should be primarily targeted to the replacement/upgrade and purchase of assets supporting core services. Craig Klimczak seconded the motion and it passed unanimously.

Rodman further explained that the Shared Network shortfall assessment is the program contribution to the Shared Network activity. Staff is proposing that any overage collected for that purpose be deposited into the PF. In the past, the Shared Network shortfall assessment was only used to collect enough funds for current

operating needs and staff believes there is now sufficient need to set aside funds for Shared Network capital equipment replacements.

Klimczak made a motion to table the remaining recommendations until after the Program Participation Connection Policy discussion. Tim Gallimore seconded the motion and it passed unanimously.

Following the Program Participation Connection Policy discussion later in the meeting, Gulstad moved to remove from the table the remaining PF recommended actions. Russell Brock seconded and it passed unanimously.

Klimczak moved to approve the establishment of a target for annual contributions to the PF to be based on the original value of non-program or FFS assets, divided by the useful life of each category of asset. It is understood that annual contributions may vary from this target from year to year. Gulstad seconded the motion and it passed unanimously.

Klimczak moved to approve the recommendation that transfers from Affiliate and FFS activities, and a portion of the proceeds from Shared Network shortfall assessments, be used for annual transfers to the PF, and that final transfers be reported to the Council as part of the final year-end financial review. Gulstad seconded the motion and it passed unanimously.

Tim Gallimore moved that the word shortfall be removed from the policy. Klimczak moved to accept the amendment. Gulstad seconded the motion and it passed unanimously.

### **Original FY10 Budget – Endorsement**

Rodman reported that the net result of the FY10 budget is a decrease in revenues of (\$1,232,000), and a decrease in expenses of (\$228,000) when compared to the preliminary budget for a net decrease of revenues over expenses of (\$1,004,000). An additional transfer of \$656,000 to the PF for capital equipment replacement, FY10 ending fund balances are expected to decrease by (\$1,660,000).

The budget assumes vacant positions are filled so that line item is actually a savings. Gary Allen stated that the University is under a hiring freeze and there will be no salary increases this year.

There was discussion about the appropriation allocations and how they might be perceived. This discussion was brought about by a percentage being stated for one member group and not the others. The Council would like staff to determine another way of articulating the portions programs pay or to explain them further. In addition, they would like to see the PF accounting and accounts receivable aging for E-rate added into the budget presentations in the future.

Schulte moved to endorse the FY10 budget as presented. Klimczak seconded the motion and it passed unanimously.

### **DISCUSSION/INFORMATION ITEMS**

#### **FY10 HB3 Appropriation & FY11 Appropriation Requests Update – Information**

Greg Silvey gave a quick review of MOREnet's FY10 HB3 appropriations and explained what changes the Governor's veto made in the FY11 appropriations requests. The most significant change to the requests was a one-time equipment request for a core refresh and video equipment.

Gulstad asked if the Council could see the annual or semi-annual report of the depreciation on the capital equipment over a determined percentage so they could better understand the capital expenditure requests.

## **FY10 Member Fee Update – Information**

Silvey reported that TNP and REAL member fees will stay the same in FY10. MERC and Affiliates will change slightly as both program groups are using a new network connectivity fee schedule. They will also be charged for circuit upgrades as they occur rather than using a calendar year end snapshot. The MERC Board also passed a 12% fee increase for their program members. Staff plans to review fee structures late August/early September for FY11.

## **Executive Director Search Update – Information**

Gary Allen reported that good progress has occurred since May on the search process. David Russell, UM System Chief of Staff, is chairing the search committee. Other members are Beth Chancellor, Rita Gulstad, Margaret Cline, Karen Hicklin, Margaret Conroy, Rachel Mutrux and Jeannie Gordon. Over 100 applications were received. Phone interviews and follow-up interviews have occurred. Staff is currently checking references which will be followed by additional interviews over the next few weeks. Hoping for a decision by the end of August.

## **Stimulus Project Update – Information**

The U.S. Department of Agriculture and Department of Commerce released their Notification of Funds Availability (NOFAs) the first week of July. The first round of applications are due August 14. MOREnet and the State have been working on a large scale proposal to build a ‘middle mile’ fiber network that would cover most of the state; however, continuing with the proposal was unrealistic given the short time frame. Alternately, MOREnet and the State decided to proceed with an informal request for private partners to submit an application with the State for either the ‘middle mile’ or ‘last mile’ network projects. Two teams have been created to review the proposals submitted. The State and MOREnet have obtained a law firm and financial consultant, both experienced in this area, to assist in moving the State forward. If a private partner is selected, the State will move forward with Round 1, if not, they will hold off until Round 2. The Governor will have final approval.

For Round 2, Mitchell believes the Department of Commerce Broadband Technologies Program’s (BTOP) Public Computing Centers, or Sustainable Broadband Adoption programs would hold particular interest to the MOREnet communities and should be considered.

## **Program Participation Connection Policy – Discussion**

Natasha Angell reviewed the policy and reported that staff recommends that a MOREnet managed connection be required for program participation. The Council then discussed the recommendation.

Schulte moved to approve the recommendation that a MOREnet managed connection is a requirement for program participation. Brock seconded and it passed unanimously.

## **Meeting Schedule**

- October 21, 2009
- December 15, 2009

Adjourned 1:00 p.m.

Respectfully Submitted by Sherry Loyd

**AGENDA ITEM SUMMARY**  
**FY09 YEAR-END COMPARED TO FY09 ORIGINAL BUDGET**

**AGENDA ITEM**

FY09 Year-End Compared to FY09 Original Budget

**DESCRIPTION**

There have been changes in FY09 actual revenues and expenditures from the FY09 original budget approved by the MOREnet Council at the July 2008 meeting. Final FY09 revenues are more than original budget by \$391,000, while expenses are lower than original budget by (\$2,593,000), for a net increase in revenues over expenditures of \$2,984,000. Changes include:

**REVENUES**

1. House Bill 3 State Appropriations – (\$619,000) decrease

In early April 2009 UM received notification from DHE that there would be additional withholdings (above the 3%) on the Other Curator Programs in June in the amount of 4.85% (total 7.85%). For MOREnet the additional 4.85% amounted to \$619,000.

The reduction in the June HB appropriation allocation was taken from only the Shared Network portion, and not from the portions supporting public school and public higher education connections. An increase to the Shared Network support line was made for non-Shared Network areas based on proportional vacancy savings and operating expense reductions.

2. E-rate Receipts – \$961,000 increase

In FY08 the methodology used for accruing for E-rate revenues was changed to match revenue reimbursement to the year of the eligible expense. The impact of this policy change in FY09 was to increase E-rate revenue estimates for the growth in E-rate eligible expenses projected for FY09. In addition to the one-time accrual adjustment of \$1,166,000 related to this accrual methodology change, there was a decrease of (\$205,000) for changes in actual E-rate eligible expenses.

The net impact by program is as follows:

- \$155,000 increase for Shared Network;
- \$701,000 increase for TNP; and
- \$105,000 increase for REAL.

3. Membership Fees – \$55,000 increase

Final data for membership fees were available after the original budget was approved. The change by program is as follows:

- \$66,000 increase for TNP;
- \$10,000 increase for REAL;
- (\$33,000) decrease for MERC; and
- \$12,000 increase for Affiliates.

4. Other Fees and Miscellaneous Revenues – (\$6,000) decrease

A (\$6,000) decrease in other fees and miscellaneous revenue is related to the following:

- \$58,000 increase in connection-related fees due to additional Internet only bandwidth fees and addition of new connections and;
- (\$42,000) decrease in conference sponsor support, partly offset by decrease in conference sponsor expense;
- (\$32,000) decrease in reimbursable revenues for circuits, equipment and maintenance, offset by expense decrease; and
- \$10,000 net increase for miscellaneous other fee-for service activities.

**EXPENSES**

1. Telecommunications – (\$1,115,000) decrease

The change by program is as follows:

- (\$454,000) decrease for Shared Network, mostly related to delay in cost increases for Internet and access circuits, removal of contingency for potential local aggregation equipment purchases in FY09, and savings for other budgeted equipment purchases;
- (\$436,000) decrease for TNP-supported connections;
- (\$149,000) decrease for TNP-supported equipment and maintenance;
- (\$4,000) decrease for REAL-supported connections, equipment and maintenance;
- (\$13,000) decrease for HB 3-supported Higher Education connections, equipment and maintenance; and
- (\$59,000) decrease for reimbursable expenses for circuits, equipment and maintenance, offset by revenue decrease.

2. Salaries and Benefits – (\$997,000) decrease

During FY09 MOREnet realized much higher than normal vacancy and new hire savings. The implementation of a University hiring freeze in the Fall has produced significant savings in this area.

3. Operating Expenses – (\$231,000) decrease

A (\$231,000) decrease in operating expense is related to:

- (\$73,000) decrease for building-related expenses including utilities and cleaning services;
- (\$65,000) decrease for reductions in business travel and meeting expense;
- (\$45,000) decrease for savings on member outreach expense;
- (\$30,000) decrease for savings on contracted staff survey; and
- (\$18,000) decrease for equipment and other operating expense.

4. Other Expenses – (\$250,000) decrease

A (\$250,000) decrease in other member-related expense is related to:

- (\$141,000) decrease for MOREnet conferences and member meetings, partly related to in-kind conference sponsorships;
- (\$73,000) decrease in for-fee services related expense, mostly related to hardware not needed for filtering service vendor change;
- (\$21,000) decrease for program supported and reimbursable training;
- (\$11,000) decrease for member services related expense; and
- (\$4,000) decrease in indirect expense due to higher cost of HB12 supported circuits resulting in more expense being ineligible for indirect.

## **OPERATING FUND BALANCES, ENDING BALANCE TRANSFERS AND RESERVES**

### **1. Revenue Over Expenses –\$2,984,000 increase**

Of the \$2,984,000 in higher than originally projected revenue over expense, the source of change is as follows:

- \$1,166,000 increase related to the E-rate accrual methodology change;
- \$1,115,000 increase in revenues over expenses for telecommunications savings;
- \$997,000 increase in revenues over expenses for salaries and benefits savings;
- \$231,000 increase in revenues over expenses for operating expenses savings;
- \$250,000 increase in revenues over expenses for other expenses savings;
- (\$619,000) decrease for additional HB3 state appropriations withholding; and
- (\$156,000) net decrease in other revenues, mostly related to E-rate eligible expense.

### **2. Ending Balance Transfers**

At the end of FY09 non-program ending balances were transferred to the Plant Fund (PF). Ending balance transfers were \$973,000, an increase of \$205,000 over original budget estimates. About 30% of the increase in balance transfers was due to additional revenue growth. The remainder was due to expense savings with about half of expense savings related to decrease in for-fee services related expense, primarily hardware not needed for filtering service vendor change.

### **3. Fund Balance, Fiscal Year End – After Fiscal Exigency Reserve (FER)**

The FY09 FER target was \$3,000,000. Ending balances in excess of the FY09 FER totaled \$14,138,000, distributed as follows:

- \$7,009,000 in TNP program funds;
- \$3,619,000 in REAL program funds;
- \$3,130,000 in Shared Network funds;
- \$314,000 in MERC program funds; and
- \$66,000 in gift and other funds.

As of the end of FY09 E-rate revenue accruals totaled \$19,076,000, of which \$10,656,000 was associated with TNP, \$2,810,716 was associated with REAL, and the remaining \$5,609,656 was associated with Shared Network and other.

## **PLANT FUND SUMMARY**

In addition to operating funds, MOREnet maintains a separate PF account for the replacement of major capital equipment. Of the \$7,258,000 deposited in the PF since the inception of the PF in FY06, Shared Network E-rate reserve balance transfers account for two-thirds, with the remaining revenues from annual non-program ending balance transfers. Cumulative spending from the PF totals \$4,010,000 for fiber optics needed for the Next Generation Network backbone project. Ending FY09 PF balances total \$3,248,000.

## **RECOMMENDATION ACTION**

None

## **ATTACHMENT(S)**

- FY09 Year-End Actuals Compared to FY09 Original Budget matrix
- FY09 Year-End Actuals matrix

Created by Debbie Rodman  
August 28, 2009

**FY09 Year-End Actuals Compared to FY09 Original Budget (\$ millions)**

	<b>FY09 Year-End Actuals</b>	<b>FY09 Original Budget</b>	<b>Change</b>
HB3 (Net Withholding)	\$ 11.753	\$ 12.372	\$ (0.619)
HB12	3.109	3.109	-
Other State	0.050	0.050	-
E-rate	7.374	6.413	0.961
Membership Fees	4.994	4.939	0.055
Shared Network Support	-	-	-
Other Fees & Misc	3.316	3.322	(0.006)
Transfers	-	-	-
<b>Total Revenue</b>	<b>30.597</b>	<b>30.205</b>	<b>0.391</b>
Telecommunications	18.095	19.210	(1.115)
Salaries & Benefits	7.123	8.120	(0.997)
Operating Expenses	0.994	1.225	(0.231)
Online Resources	1.650	1.650	-
Other Expenses	0.593	0.843	(0.250)
<b>Total Expenditures</b>	<b>28.455</b>	<b>31.048</b>	<b>(2.593)</b>
Revenue over Expenses	2.142	(0.843)	2.984
Fund Balance Start FY	15.969	15.969	-
Ending Balance Transfers	(0.973)	(0.768)	(0.205)
Fiscal Exigency Reserve	(3.000)	(3.000)	-
<b>Fund Balance End FY</b>	<b>\$ 14.138</b>	<b>\$ 11.358</b>	<b>\$ 2.779</b>

Color Codes: Pink = State Funds, Green = E-rate, Yellow = Customer Fees for Services

**FY09 Year-End Actuals (\$ millions)**

	Shared Network	Shared Online Resources	TNP	Public Library Related	Higher Education	Affiliates	Other Fees and Restricted	Pass-Thru	Total
HB3 (Net Withholding) <sup>1</sup>	\$ 5.691		\$ 4.949		\$ 1.113				\$ 11.753
HB12		1.394		1.715					3.109
Other State			0.050						0.050
E-rate <sup>2</sup>	1.957	0.256	4.307	0.798				0.056	7.374
Membership Fees			2.829	0.439	1.166	0.560	-	-	4.994
Shared Network Support <sup>3</sup>	4.895		(2.778)	(0.580)	(1.177)	(0.359)	-	-	0.001
Other Fees & Misc	0.152		0.033	0.004	0.043	0.226	1.275	1.583	3.316
Transfers <sup>4</sup>	0.027		-	(0.014)	(0.006)	-	0.020	(0.027)	-
<b>Total Revenue</b>	<b>12.722</b>	<b>1.650</b>	<b>9.390</b>	<b>2.362</b>	<b>1.139</b>	<b>0.427</b>	<b>1.295</b>	<b>1.612</b>	<b>30.597</b>
Telecommunications	7.258		6.641	1.786	0.798	-	-	1.612	18.095
Salaries & Benefits	4.575		1.390	0.551	0.290	0.134	0.183	-	7.123
Operating Expenses	0.610		0.209	0.083	0.044	0.018	0.030	-	0.994
Online Resources	-	1.650	-	-	-	-	-	-	1.650
Other Expenses	0.003		0.119	0.067	0.015	-	0.389	-	0.593
<b>Total Expenditures</b>	<b>12.446</b>	<b>1.650</b>	<b>8.359</b>	<b>2.487</b>	<b>1.147</b>	<b>0.152</b>	<b>0.602</b>	<b>1.612</b>	<b>28.455</b>
Revenue over Expenses	0.276	-	1.031	(0.125)	(0.008)	0.275	0.693	-	2.142
Fund Balance Start FY	4.304		6.838	4.344	0.412	-	0.071	-	15.969
Ending Balance Transfers	-		-	-	-	(0.275)	(0.698)	-	(0.973)
Fiscal Exigency Reserve	(1.450)		(0.860)	(0.600)	(0.090)	-	-	-	(3.000)
<b>Fund Balance End FY</b>	<b>\$ 3.130</b>	<b>\$ -</b>	<b>\$ 7.009</b>	<b>\$ 3.619</b>	<b>\$ 0.314</b>	<b>\$ -</b>	<b>\$ 0.066</b>	<b>\$ -</b>	<b>\$ 14.138</b>

Color Codes: Pink = State Funds, Green = E-rate, Yellow = Customer Fees for Services

<sup>1</sup> The HB3 appropriation is subject to the Governor's standard 3 percent withholding. Originally expected HB3 funds were allocated according to the percentage split agreed to by the Council in February 2008 -- 51 percent Shared Network, 40 percent TNP, and 9 percent MERC. Additional withholding of 4.85% was allocated solely to the Shared Network portion of HB3.

<sup>2</sup> E-rate benefits are allocated according to community. K-12 and Public Library are based on their tail (local loop) circuit benefits while Shared Network benefits are from Network Backbone and Internet access circuit benefits.

<sup>3</sup> The Shared Network Support attributable to each member group is based on the cost allocation estimates reviewed at the February 2008 MOREnet Council meeting, 12/31/07 census data, preliminary FY09 revenue and expense estimates, and a partial recovery of additional HB3 withholding based on proportional vacancy savings and operating expense reductions.

<sup>4</sup> FY09 transfers are as follows: circuit pricing to recover shared network costs; REAL support of customized web hosting (\$8,022); REAL support for Spring Conference registrations (\$4,995); REAL support of remote vulnerability assessments (\$500); REAL support of contracted training classes (\$563); and MERC subsidy of HELIX conference (\$6,290).

# Projected Network Growth Trends

October 21, 2009

## Fiscal Year Bandwidth Summary – TOTAL

	FY09	FY08
Total Bandwidth (Gbps)	9.2	6.8
YTD Bandwidth Growth (Gbps)	2.4	2.1
YTD Percentage Growth	35%	44%

## Fiscal Year Summary – DESE

	FY09	FY08
Total Bandwidth (Gbps)	4.6	3.3
YTD Bandwidth Growth (Gbps)	1.3	1.0
YTD Percentage Growth	41%	42%

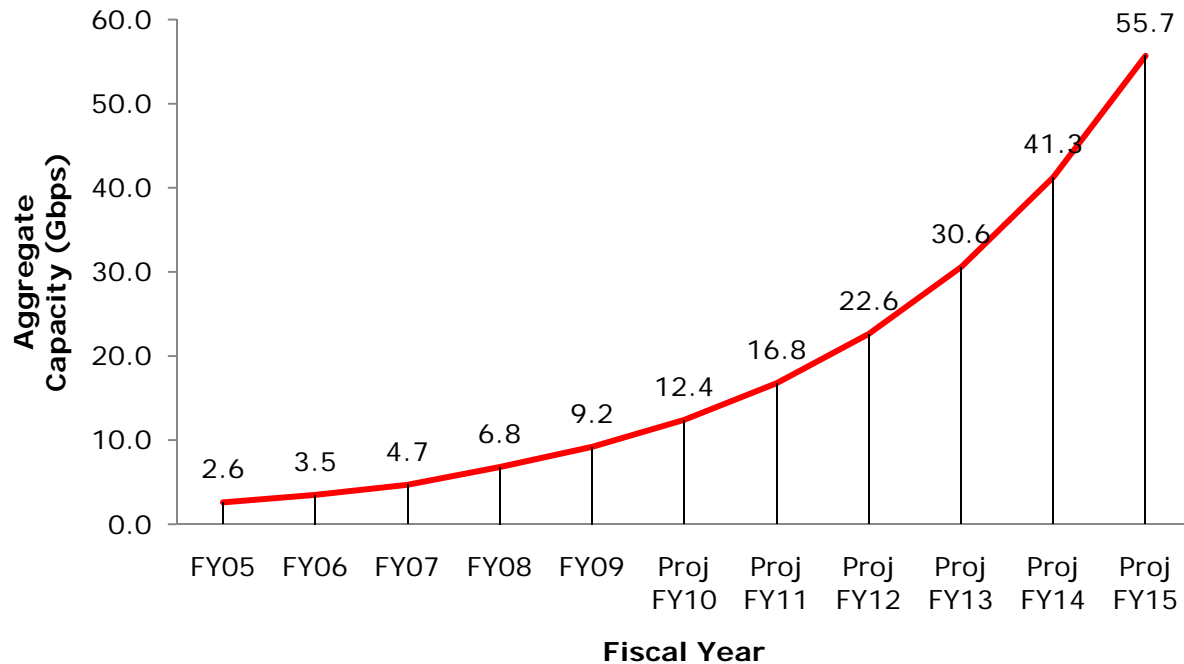
## Fiscal Year Summary – REAL

	FY09	FY08
Total Bandwidth (Gbps)	.8	.7
YTD Bandwidth Growth (Gbps)	.1	.2
YTD Percentage Growth	16%	38%

## Fiscal Year Summary – MERC

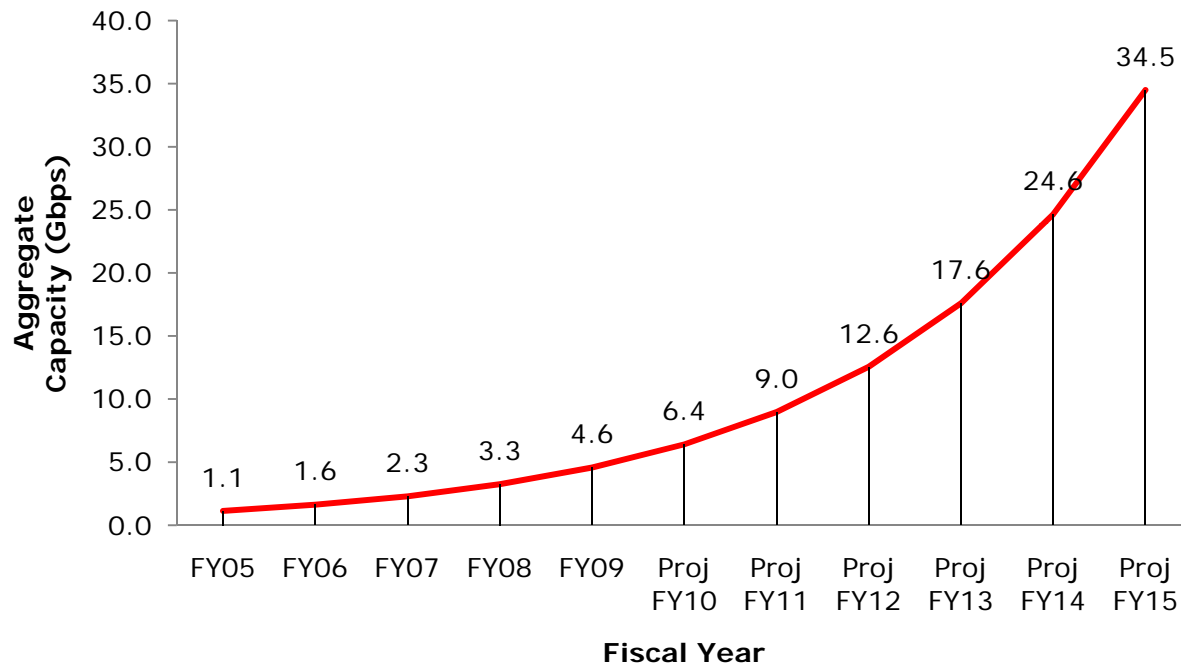
	FY09	FY08
Total Bandwidth (Gbps)	3.2	2.4
YTD Bandwidth Growth (Gbps)	.8	.8
YTD Percentage Growth	35%	51%

# Network Growth Trend



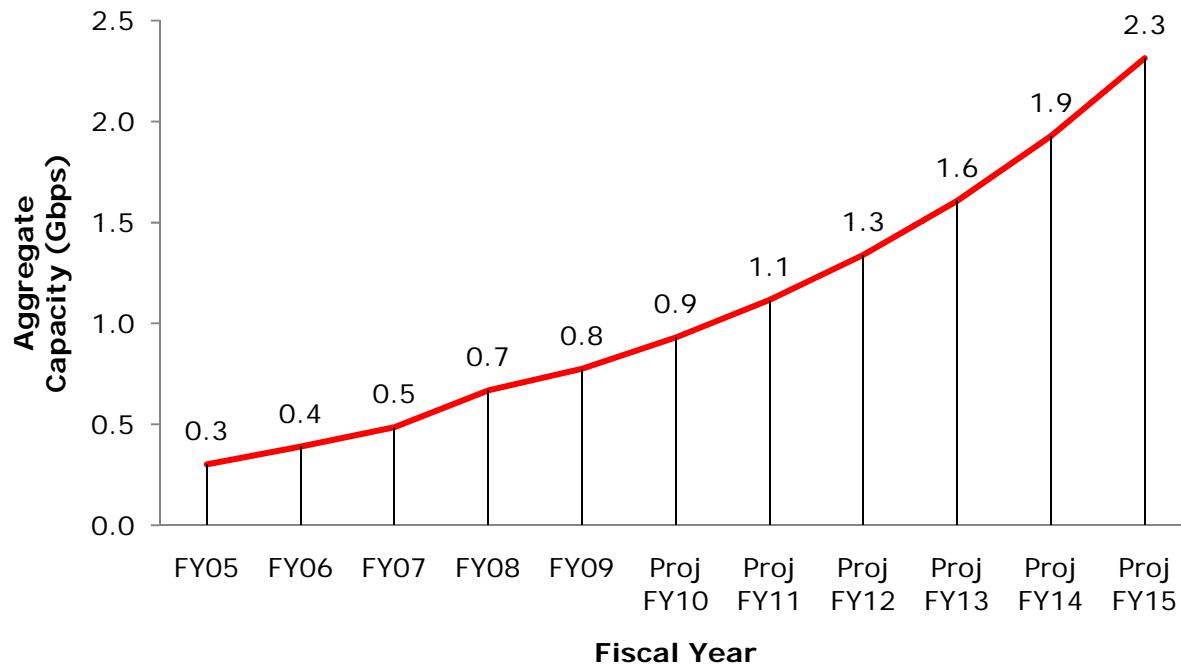
*Trend is based on a rolling 3 year average equating to a 35% annual growth rate*

# DESE Growth Trend



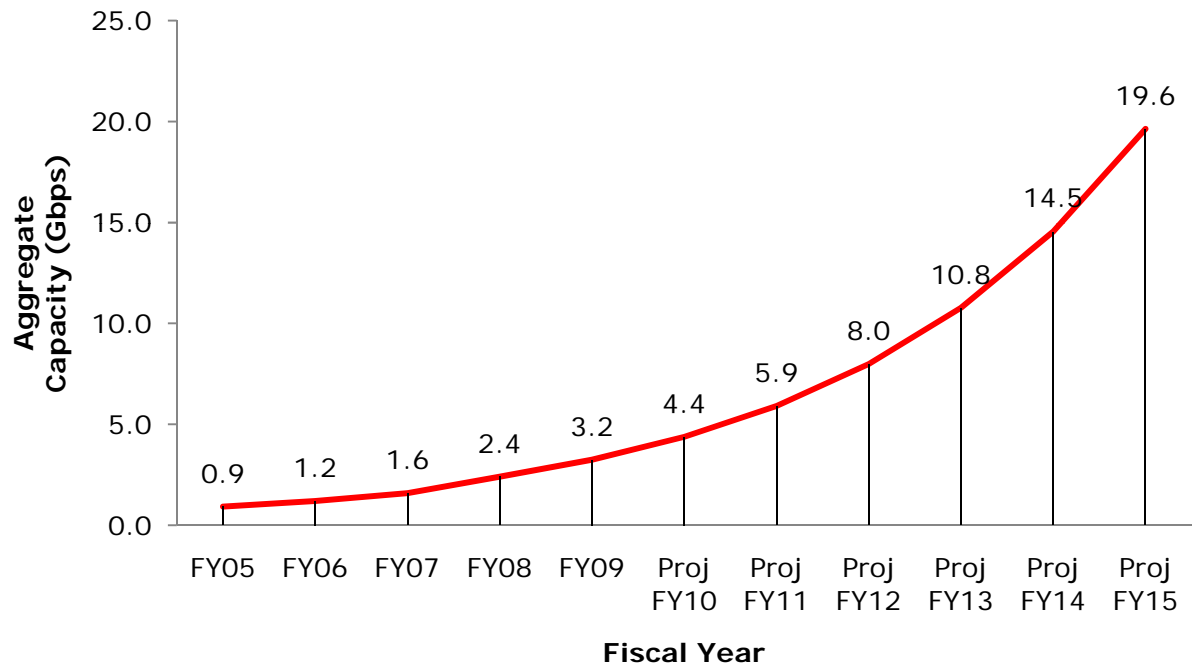
*Trend is based on a rolling 3 year average equating to a 40% annual growth rate*

# REAL Growth Trend



*Trend is based on a rolling 3 year average equating to a 20% annual growth rate*

# MERC Growth Trend



*Trend is based on a rolling 3 year average equating to a 35% annual growth rate*