

MORENET ANNUAL REPORT

FY11

From the Director

The change to MOREnet's operating strategy that began in FY10 continued throughout FY11, as we upgraded from an operation funded significantly through state appropriations to one supported directly by members. Although MOREnet has nominal state funding, MOREnet's HB3 appropriation of \$50,000 was withheld.

In response to reduced resources, MOREnet implemented a number of measures to control operating expenses, including staff reductions and a move to a new building. The staffing changes included the layoff of seven full-time employees, three part-time employees and the elimination of three vacant positions. The move to a new location The Shoppes at Stadium was completed early in June 2011 and reduced the amount of space occupied by approximately half along with proportional reductions in expenses.



MOREnet celebrated its 20th anniversary, with activities and celebrations planned throughout 2011. Included was a temporary change to our logo, celebrations at our spring conferences and an open house at the Stadium building.

Following the devastating tornado in Joplin in June, MOREnet created a policy to offer assistance, free of charge, to disaster-stricken areas. The first test of this policy was the Missouri River flooding in June. As the flood waters from the Missouri River approached, MOREnet offered assistance to all members potentially affected by flooding. Services were available to help keep data and communications available. The services and support were offered at no cost to the members.

On March 16, MOREnet and the Missouri State Library announced the online resources that would be available beginning July 1. These resources include new EBSCO databases, resources from Gale Cengage Learning and the online practice testing and career resources from LearningExpress Library.

At the end of FY11, MOREnet's repositioning to a member-supported organization has born fruit, with more than 98 percent of our members continuing to maintain some relationship with MOREnet.

Although MOREnet has experienced very challenging circumstances over the last 24 months, our members' loyalty has seen us through. We have come out of this process much stronger and are prepared to meet the needs of our members for the future.

John Gillispie, MOREnet Executive Director

A handwritten signature in black ink that reads "John P. Gillispie". The signature is written in a cursive, flowing style.

Funding

With the entirety of MOREnet's FY10 appropriation withheld, we prepared to operate without state support. An effort in the General Assembly resulted in a \$50,000 appropriation passing and going to the governor for his signature. The governor did not exercise his line item veto, but did opt to withhold the entire amount. While MOREnet is unlikely to see this appropriation released in FY12, its existence means that MOREnet's line in House Bill 3 still exists, opening the possibility that MOREnet will receive state funding in the future. MOREnet has requested an appropriation for FY13.

During FY11, MOREnet continued to work to reduce expenses. Total expenses are down from FY10 (see figure 1) by approximately \$2.8 million. Several measures were undertaken to effect these reductions. Staffing was reduced, and network costs were reduced by more than \$550,000.

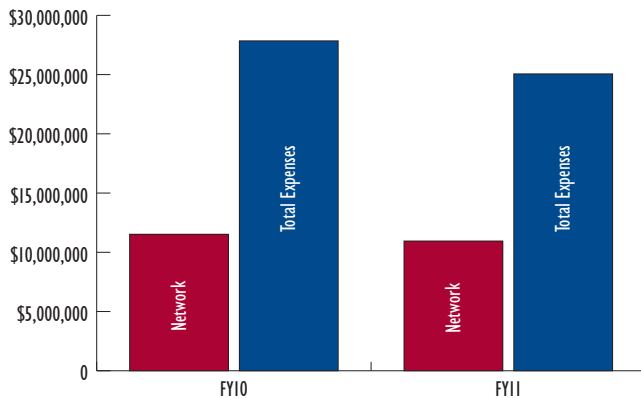


Figure 1: Network and Total Expenses

Membership

2010 was a challenging year for the entire consortium. Since the complete withholding of MOREnet's House Bill 3 appropriation in June, which caused significant FY11 price increases for many members, only 13 members have made the decision to cancel their membership for this current fiscal year (FY11). These cancellations represent 1.6 percent of our total members and less than 1 percent of our total revenue. In addition, new K-12 members Barat Academy and Whitfield School joined.

Network

Network uptime for the backbone was 99.99 percent for the fiscal year. Uptime for the edge network was 99.63 percent. Network growth for FY11 was 32 percent, up eight percent from the previous fiscal year (see figure 2), exceeding our projections.



Figure 2: Network Growth

Member Satisfaction

Member satisfaction continued to be high during the 2011 fiscal year, with overall satisfaction rates at 95 percent. Of the survey respondents, 89 percent were also satisfied or very satisfied with MOREnet's value. The graph below indicates what percentage of respondents rated their satisfaction either satisfied or very satisfied.

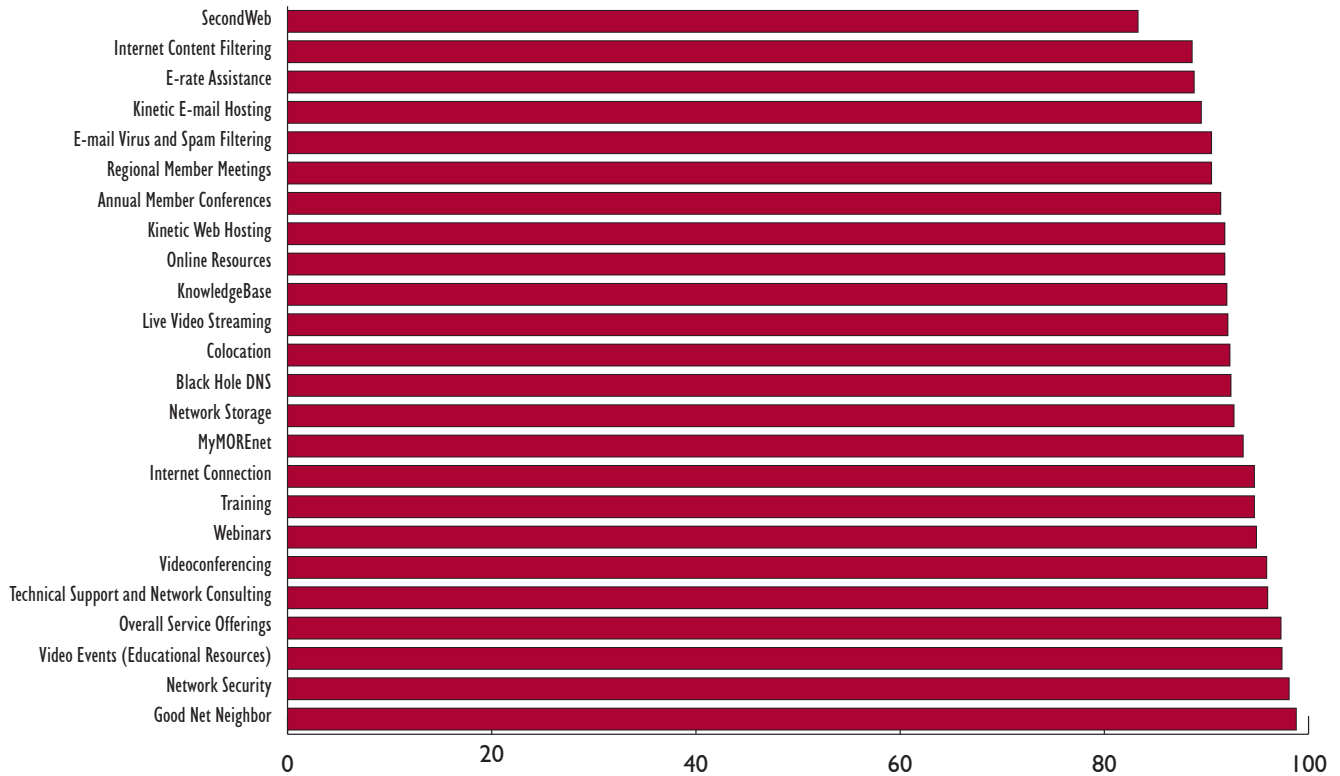


Figure 3: Member Satisfaction

New Services

FY11 was the beginning of a new era of innovation for MOREnet. In early FY11, MOREnet made the commitment to creating, expanding and improving our service offerings to support the value of our member's investment and to find suitable technology solutions to help meet our member's needs at reduced costs. With that commitment in mind, MOREnet launched several new services in FY11 and began the development and deployment of additional new services to be launched in FY12.

Colocation and Network Storage

On July 22, 2011, MOREnet launched two new services to assist members with business continuity and disaster recovery: Colocation and Network Storage.

MOREnet's Colocation service allows members to house their equipment in the University of Missouri/MOREnet data center in Columbia. Members colocating equipment have access to secure data facilities with rack space, power, remote access and connectivity. This facility has direct access into the MOREnet core network with gigabit Ethernet connectivity to servers. Members can effectively manage their own equipment in a secure, off-site facility.

Using MOREnet's Network Storage service, members can store their data in a secure, off-site data facility that connects into the MOREnet core network. This data appears as directly connected network storage, allowing members to increase storage capacity quickly, at a minimal expense.

Google Apps for Missouri

In April 2011, MOREnet entered into an agreement with Google to provide access, training and support for Google Apps for Education to all K-12 members. MOREnet was the first and only entity in the state of Missouri to have such an agreement with Google. Google Apps for Education allows schools to give Google's communication and collaboration applications to their entire education community for free. All services are hosted by Google and are available to users via any Internet-connected computer or mobile device. MOREnet will assist K-12 member schools in the adoption and configuration of Google Apps by providing training to administrators, faculty and staff.

SSL Certificates

On May 3, 2011, MOREnet began offering SSL (Secure Sockets Layer) certificates to members for encrypted websites, encrypted e-mail service, encrypted file transfer, Adobe document signing and more. Through an agreement with Entrust, an industry leader certificate authority, MOREnet is able to offer universally accepted, top-tier, validating certificates at rates significantly lower per year than published rates.

The response to this service has exceeded expectations, selling out the first group of certificates purchased within the first few weeks of the product launch.

Network Backup

On June 3, 2011, MOREnet announced another service to help members with their business continuity and disaster recovery plans: Network Backup. The Network Backup service will allow members to back up mission-critical data to off-site locations in secure data facilities that connect directly into the core MOREnet network.

Managed E-mail and Managed Web Hosting

In response to members' requests and in order to remain competitive in the market, MOREnet announced on May 2011 that starting July 1, 2011, *kinetic* would be split into two different services: Managed E-mail Hosting and Managed Web Hosting. This change allows subscribers to manage cost by using one service or both. In addition, enhancements to both services were made to offer subscribers more tools and functionality.

MOREnet Council Memorandum of Understanding Update

Based on the shift from a state-funded organization to a member-funded organization, MOREnet worked with the existing Council members to modify the Memorandum of Understanding that governs the MOREnet Council. With the revised MOU, which commenced on March 1, 2011, and became effective July 1, 2011, the functions of the MOREnet Council now include providing planning and guidance to ensure the MOREnet infrastructure and services align with and support the future growth and success of programs and initiatives undertaken by the entities represented by the MOREnet members. The Council will also review and provide oversight regarding policy and service offerings, including endorsement of MOREnet budgets and service fees. In addition, the revised

MOU provides for broader member representative participation on the Council, through appointments by established advisory groups that represent K-12, public libraries and higher education members. For more information, see <http://www.more.net/pdfs/mou.pdf>.

MOREnet Membership Options for FY12

Probably the most significant change to MOREnet's product service line was the announcement of membership options beginning in FY12. On Nov. 9, 2010, earlier than ever before, MOREnet announced the options available to MOREnet member's for FY12. This was done to provide members with sufficient time for planning and budgeting. After careful review and planning, MOREnet deployed new membership options to allow members to configure the perfect combination of MOREnet services to meet their needs and budgets.

FY12 Membership Option Highlights:

- Choose from two membership service packages, depending on the volume and services the member requires.
- Choose a one- or three-year membership term, lowering and locking-in annual fees for budgeting purposes for longer commitments.
- Choose from membership services and connectivity, services-only or connectivity-only membership options.
- Reduced Network Connectivity Fees, lowering overall per Mb cost.
- Option to lock-in and align MOREnet Network Connectivity Fee with circuit term, eliminating any financial surprises.

FY11 Budget (Actuals)

Revenues

| | |
|----------------------------------|---------------------|
| State contracts - HB12 and other | \$3,159,250 |
| Membership/participation fees | \$4,426,985 |
| Network connectivity fees | \$3,901,720 |
| Internet access fees | \$68,199 |
| Connection-related fees | \$390,134 |
| Customer reimbursable fees | \$3,750,349 |
| E-rate reimbursements | \$8,528,282 |
| Investment income | \$201 |
| Other fees and miscellaneous | \$1,150,558 |
| Sponsorship revenue | \$36,000 |
| Return of indirect | \$8,706 |
| Revenue transfers | (\$89) |
| Total revenue | \$25,420,295 |

Expenses

| | |
|---------------------------------------|--------------------|
| Internet access | \$371,434 |
| Fiber, backbone, aggregation and hubs | \$2,936,737 |
| 12 lines, membership and dues | \$81,725 |
| Ongoing maintenance | \$453,611 |
| Equipment, etc. | \$10,357 |
| Total network-related expenses | \$3,853,864 |

| | |
|----------------------------------|---------------------|
| Connection circuits | \$11,614,006 |
| Connection equipment | \$63,150 |
| Connection equipment maintenance | \$75,365 |
| Total connection expenses | \$11,752,521 |

Salaries and benefits

\$6,598,401

| | |
|---|-----------|
| Staff development, travel and meeting expense | \$27,612 |
| Member outreach | \$2,904 |
| Telephone | \$80,569 |
| Office supplies and expense | \$47,487 |
| Equipment, software and accessories | \$239,947 |
| Maintenance for equipment and software | \$46,181 |
| Professional services | \$5,088 |
| Rent, utilities, janitorial and security | \$539,357 |

| | |
|---|---------------------|
| Total operating expenses | \$989,145 |
| Member training | \$114,003 |
| Conferences/member meetings | \$178,866 |
| Online resources | \$1,194,900 |
| Evaluation/professional services | \$0 |
| Membership-related services | \$194,748 |
| Fee-for-service related | \$157,346 |
| Total other expenses | \$1,839,863 |
| Total expenses before indirect and | \$25,033,794 |
| Indirect expense | \$25,243 |
| Total expenses | \$25,059,037 |
| Revenue over expenses | \$361,258 |

| Type of statistics | Measurement | MERC | K-12 | REAL | Affiliate | State Agency | Other | Total |
|---|---|-----------|-----------|---------|-----------|--------------|--------|------------|
| Members ¹ | Participants as of June 30, 2011 | 65 | 506 | 134 | 13 | 1 | 17 | 736 |
| Member connections ² | Total connections as of June 30, 2011 | 84 | 492 | 256 | 233 | 0 | 4 | 1,069 |
| Remedy Help Desk Tickets | Application Service Provider | 51 | 434 | 158 | 16 | 176 | 17 | 852 |
| (Number of tickets created during this period and closed, by Service Family.) | Connectivity | 379 | 1,469 | 319 | 145 | 19 | 100 | 2,431 |
| | Online Learning and Meetings | 405 | 185 | 38 | 245 | 54 | 149 | 1,076 |
| | Online Resources | 40 | 137 | 34 | 6 | 2 | 1 | 220 |
| | Security | 359 | 790 | 182 | 27 | 31 | 96 | 1,485 |
| | Training and Support | 111 | 1,170 | 327 | 28 | 7 | 14 | 1,657 |
| | Total tickets | 1,345 | 4,185 | 1,058 | 467 | 289 | 377 | 7,721 |
| Training | Total attendees ³ | 1,029 | 6,718 | 328 | 66 | 95 | 227 | 8,463 |
| | Total contacts hours ⁴ | 3,475 | 18,558 | 739.60 | 296 | 485 | 923 | 24,475.60 |
| Videoconferencing | Total events ⁵ as of June 30, 2011 | 8,883 | 12,253 | 28 | 46 | 76 | 351 | 21,636 |
| MOREnet-hosted conferences | Total attendees, MITC 2010 | | | | | | | 296 |
| | Total attendees, Advanced Technical Security Symposium 2011 | | | | | | | 147 |
| | Total attendees, HELIX 2011 | | | | | | | 104 |
| | Total attendees, Connections 2011 | | | | | | | 262 |
| Online resources | Total Gale Discovering Collection searches | 2,356,977 | 8,028,210 | 726,298 | 169,160 | 36,935 | 60,172 | 11,377,752 |
| | Total NewsBank services | 131,568 | 202,860 | 168,287 | 1,631 | 2658 | 856 | 507,860 |
| | Total LearningExpress Library practice tests or courses | 8,428 | 41,378 | 19,400 | 156 | 300 | 2,472 | 72,134 |

1. Organizations that have been approved to receive services through a MOREnet program structure and that have an active participation agreement in place. These organizations may have multiple sites. The programs are defined based on sponsoring state agencies or non-profit business affiliation.
2. The number of entry points into the MOREnet network for members. MOREnet defines a connection as the type and measurement of maximum bandwidth through each available tail circuit to a given site. The connection contains three components: the physical circuits, logical circuits (which are delivered through the physical circuits), and equipment needed to provide a unique logical path for delivery of data or video services. A "site" is a physical location where MOREnet delivers physical circuits, equipment or services. Tail circuits are the physical circuits between the telecommunications company and the participating organizations' various sites that contribute to their connection to MOREnet.
- * MOREnet supports 100 connections delivered via DSL.
3. Individuals attending multiple training sessions within the fiscal year are counted in the "Total number of attendees" each time they attended a session.
4. A contact hour is computed as the total delivery time for each course, multiplied by the number of participants in each course. (For example, a five (5) hour course with 14 attendees totals 70 contact hours.). Total contact hours for all completed training classes are shown.
5. Total videoconferencing events include video events where an organization joined as a host or as a site participant.