

ANNUAL REPORT

July 2009

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Our Mission

The Metropolitan Educational Council (MEC) is a consortium of school districts and related agencies in the greater central Ohio area. The primary mission of the Council shall be to contribute to the educational services made available to youth and adults by the cooperative action of the membership. MEC shall identify, plan and provide to its members services that can be more effectively achieved by cooperative endeavors.

ANNUAL REPORT

July 28, 2009

We are pleased to present to you this Annual Report that summarizes the overall state of the Metropolitan Educational Council, highlighting activities of the past year for both the purchasing and ITC divisions of the organization.

This report will provide an overview of the current level of MEC services available to member school districts and related organizations. It is by no means all-inclusive, but gives a snapshot of the aggressive approach the Council is taking to better serve the membership. The staff is always open to new ideas and approaches in becoming a more effective organization, and member comments are always welcome.

STAFF

The administrative and purchasing side of the Metropolitan Educational Council continues to operate with three full-time employees and one part-time clerical assistant.

The ITC currently employs 17 full-time employees offering services and support to user districts. In January of 2009, Bret Longberry assumed the ITC Director's position replacing the retiring Greg Spencer. Cheryl Cahlander was hired as the Coordinator of Administrative Services, effective June 18, 2009, to replace the retiring Pat Ely. Plans are to reinstate the Coordinator of Purchasing position at the MEC this Fiscal year.

SERVICES

Cooperative Purchasing

Currently, the MEC offers cooperative purchasing opportunities to the **183** districts and related organizations in **37** different commodity areas with some **161** companies under contract with the MEC. These offerings include the **13** commodity areas offered through the multi-state AEPA program. All of these contracts offer deep discounts based on volume purchasing, quality products and reliable service.

Some major purchasing program highlights of MEC include the natural gas program with **106** districts participating with a 2008-09 annual budget of \$22.6 million. Over the past five years' heating seasons this program has generated savings of over \$2.5 million among the participating districts. Total savings July 2007 through June 2008 generated MEC participants a yearly savings of \$3,616,784. The total savings for MEC schools during the last six years, including the savings for 2007-08, with Energy USA as our supplier, has been \$12,730,492. These savings are determined when comparing buying the same amount of gas from Columbia Gas under tariff prices. Savings reports for the 2008-09 heating season are not currently available.

The cooperative food program for 2009-10 school year will generate over **\$20,000,000** in discounted sales by participating MEC member schools. Last school year **87** districts participated in the cooperative dairy program and purchased their dairy products through the MEC contract. Last year's cooperative bus program had **33** districts and the Franklin County MRDD bid through the MEC for buses. The Southeastern Ohio Voluntary Education Co-op and the Stark County School Council of Governments continue to contract with the MEC for specific purchasing services, which enhances the volumes of commodities being bid. The MEC has completed the third year in the USDA Food Commodity Diversion Program with **49** districts using this service.

OCEPC / AEPA Affiliations

The Metropolitan Educational Council, through our eight year affiliation with the Ohio Council of Educational Purchasing Consortia (OCEPC) and the Association of Educational Purchasing Agencies (AEPA), is able to bring National Purchasing power to the MEC membership. The AEPA is a 22-state organization that bids high-volume school commodities for its members. MEC pays no membership fees to be involved with these organizations and the benefits are great for our members. MEC's direct role with these organizations is to assist with work responsibilities such as writing specifications and bidding on behalf of these organizations. An informational brochure on each of these programs was sent to our member schools in May of 2009. Thirteen commodity areas are offered through these affiliations, with nine additional areas to be considered for 2009. Many of our member schools are taking advantage of the discounts offered through these organizations. MEC benefits through this affiliation not only through discounts for our members, but also through revenue proceeds that we receive.

Natural Gas Program

The Metropolitan Educational Council, on behalf of 106 school districts and related participants, completed a very successful year with the natural gas procurement program. Effective November 2008, the MEC's contract with EnergyUSA-TPC for natural gas service was extended for a period of five years. This contract will be in effect until June 2012. The longer term contract has enabled the Consortium to purchase natural gas on the futures market and hedge a lower price than the current run up market that is currently being experienced. Also, this longer term enables the Consortium to purchase storage gas if storage becomes available. Energy USA has been able to purchase limited storage gas, but currently this storage will not offer better pricing. However, with some storage gas now available the Consortium, along with Energy USA, will continue to monitor any additional storage purchases in the coming months.

Due to the volatile market for natural gas and all other types of energy, it is extremely difficult to project the natural gas expenditures for next heating season. However, unlike previous years with all the hurricanes, etc., the Consortium has positioned our districts for the upcoming heating season by already hedging (purchasing) 50 percent of our natural gas volume for October 2008 through May 2009. A bull call spread has been created to protect the group from a runaway market in the 2008-09 heating season. The Consortium has hedged 20 percent of 2009-10's volume; 50 percent for each year of the 2010-2014 projected volume. The prices obtained are somewhat above what we paid for those same months last year. As in the past, the MEC's program will continue to monitor the market and hedge pricing that will generate a maximum savings as compared to tariff gas. The seven month budget payments will continue again in October. Monthly budgets will be based on previous usage volumes and projected prices.

The legal counsel that represents the MEC and member schools offers valuable guidance in all aspects of the program. Preparing bid specifications, meeting with vendors, assisting with the hedging process and representing the Consortium during disputed issues are added features of the program. Also, the MEC processes and monitors the consolidated billing which brings an ongoing "oversight" component to the program.

The natural gas procurement program is a perfect example of the benefits received by being a member of a purchasing cooperative such as the Metropolitan Educational Council.

Insurance

MEC members continue to see rising costs of employee benefits taking up more and more of their annual budgets. At the Metropolitan Educational Council this situation is taken seriously. Our member-only insurance committee has continually evaluated plan designs intended to unite more members into the common goal of reducing costs through the *MetroPlans* offerings.

Attached as *Exhibit 1* is a summary of MEC insurance program options currently offered to MEC members.

INFORMATION TECHNOLOGY CENTER

EMIS Services

MEC continues to provide excellent service to its EMIS customers. MEC now serves 35 public and state schools and 88 charter/community schools in this service area. With the release of the EMIS-R rewrite program, EMIS services will be more tightly linked to our student information system (DASL), however the need to analyze reports and errors will continue. We anticipate a bumpy ride this during the first reporting period this fall as adjustments to the software continue. Customers who are not using DASL will be able to submit flat file extracts to be uploaded to ODE through 2015. Our staff will continue to play a major role in assisting entities with flat file submittals.

Fiscal Services

The MEC Fiscal Services Staff continues to work diligently, having recently completed the conversion of another large district on to the State software. Westerville City Schools came on-line for USAS accounting software as of July 1, 2008. They converted to the USPS payroll software on January 1, 2009 and are currently working on converting the fixed assets inventory.

In addition to Westerville, the Fiscal Staff has converted data files from the Delaware-Union ESC as a result of the merger of that organization with the ESC of Franklin County. Fiscal Services staff members are also assisting in an EMIS data audit to help better align reporting within the merged entity.

INFOhio

MEC INFOhio Library Services currently serves 23 districts with 270 buildings on the SIRSI/Dynix library automation system. This service is woefully underfunded by ODE even though it is the one service area that directly affects students' education. MEC serves 126,547 students directly with this service. A fee increase was passed along to our customers and some services that used to be provided at no charge are now fee-based.

Student Services

MEC currently has 22 public school districts and 15 non-public schools (60,085 students) live on DASL. The Student Services Staff has put forth an outstanding effort during the past year, converting the last of our districts and several new non-public schools that joined this year as a result of the EMIS-R project and the loss of web screens for their submittal. We anticipate adding more non-public schools in the next two years as the phase out of flat file submission continues.

Technical Services

Disaster recovery (DR) is the process of regaining access to the data, hardware and software necessary to resume critical business operations after a natural or human-induced disaster. Disasters may include but are not limited to:

- Natural disasters
- Fire
- Power failure
- Terrorist attacks
- Organized or deliberate disruptions
- Theft
- System and/or equipment failures
- Human error

The MEC Technical Staff has taken significant steps this year to provide the increased probability of recovery of customer data and network services. This project can be summarized into the following areas:

1. Obtained a commercial grade, remote DR facility in the event that the MEC facility is uninhabitable.
2. Establishing a secondary path to the Internet in case of an ETech outage.
3. Continuing to upgrading current MEC systems to meet our Recovery Time Objective (RTO). These upgrades include server virtualization (15 servers currently) and SAN (Storage Area Network) storage.

4. Installation of required systems at the remote DR facility to enable us to meet our Recovery Time Objective (RTO).
5. Provide for redundant network paths for the Optiman/Gigaman (fiber) customers in case of disaster.
6. Finalizing a complete written DR plan with comprehensive documentation.

FACILITIES

MEC is approaching the conclusion of the seventh year at the 2100 CityGate facility. As the number of member districts and services to those districts continues to expand, our current facility is at or near capacity. The training and conference rooms are being used for training and meetings on a continual basis. MEC is experiencing more on-site activity from member schools than ever before. Preliminary discussions and planning have begun with an architectural firm and our next door neighbor, Renier Construction (the company that built our facility) to audit our site and review what can be done with the current space to make it more functional or to build an additional building behind our current location. We plan to convene the Facilities sub-committee this fall to review the data provided by the audit and make formal recommendations to the Executive Committee and Governing Board.

FINANCES

The fiscal health of the Council continues in a positive state and, as always, is being monitored very closely. The General Fund ending balance for June 30, 2009 was \$1,189,864. This compares to an ending balance of \$1,047,399 in 2008. The General Fund continues to recover from the purchase of the CityGate facility. However the continued growth in membership continues to increase our need for staff, which in turn increases the need to create room to accommodate new staff. Staff growth and increased interest in the use of our facility will continue to be challenges for MEC in the future.

The Technology Fund continues to maintain an appropriate balance, while the reduction in state funding continues to erode the ITC cash balance. Minimal fee increases have been approved by the ITC Committee to offset the losses in state funding. The ITC is continuing to meet the needs of participating districts over a twenty county area. The Fund ending balance for June 30, 2009 was \$3,512,455.00. This compares to an ending balance of \$3,282,010.00 in 2008. Both funds continue on schedule to replenish the funds expended as a result of the facility purchase and are reflected in the FY 2009 budget. All other funds remain constant.

MEMBERSHIP

The Metropolitan Educational Council's purchasing membership to date is 183 school districts and related organizations in 39 Ohio counties.

1. Six new districts/organizations have joined the MEC during the past school year.
2. One district Southeast Local, Portage County chose not to renew their membership.
3. Current membership provides services for students. The MEC staff continues to share membership information with potential member districts.

The ITC serves 123 educational entities in Franklin, Union, Madison, Pickaway, Fairfield and fifteen other counties. The 123 entities include 35 public school districts and 88 community schools. MEC provides services to more than 161,000 students in the five counties. The students served for each service area are as follows:

EMIS - 159,342	Fiscal - 160,974
INFOhio - 126,547	Student - 60,085

The ITC has several other services including MECNET/Fiber Telecommunications, Progress Book, Grade Book and Special Education Module, and OnBase Electronic Document Imaging.

MEC Spring Vendor Fair

This year's MEC Vendor Fair was held on April 15, 2009 at the Aladdin Shrine Temple and generated \$9,183 in revenue to the MEC General Fund. Although the overall economic climate was difficult for many vendors, members visiting the fair were greeted by 76 vendors, some of whom were new. This year's participation was very comparable to the participation of the previous year. While we continue to receive very favorable comments about the Fair from our participants and vendors, we still hope to see increases in the variety and number of vendors in the future. Fair attendance by our member districts continues to be a concern. We would like to see a more diverse attendance by our member districts. MEC will continue to solicit suggestions for improving participation in the Fair. **The 2010 Vendor Fair is scheduled for April 14, 2010.**

COMMITTEES

Volunteers from the membership are the primary support structure of the Metropolitan Educational Council. Thanks to the many volunteers who make up the MEC committees, the Council continues to be very successful. The organization is fortunate to have so many dedicated individuals with diverse and valued expertise serving on committees from the Governing Board to various sub-committees. Currently, there are 11 active committees with some 130 individuals serving. Three of the four Governing Board meetings are morning meetings and all meetings of the Governing Board are held at the CityGate facility. A two-day meeting of the MEC Executive Committee and other Committee representatives is held each summer for the purpose of sharing information, evaluating programs and future planning. We would like to thank all those that serve on the various committees and offer their support and input to MEC throughout the year. This support is valued and without this duty to service there could be no MEC organization.

MEC Insurance Programs

MEC Members United for the Common Goal of Reducing Costs.

Over 100 Participating Member Groups in over 30 Ohio Counties

The MEC is represented by our Member-Only Insurance Committee with the help of our Consultant Grady Enterprises. With a turbulent economy, legislative mandates and community pressure, MEC Members are more focused on cost control and regulatory compliance than ever before. The MEC Insurance Programs strive to be a resource for members looking for solutions to the challenges of today's benefit plans and insurance costs.

The MEC offers various programs under both Consortium Platforms and Stand-Alone Discounting for Member Choice.

MEC HEALTH PROGRAMS

- Stand-Alone or Consortium Rated
- Match Existing Benefits
- Fully-Insured and Self-Funded
- Full Pass Through of Claim Discounts
- Stop-Loss Coverage
- Health Savings Accounts
- Health Reimbursement Accounts
- Implementation Strategies
- Adherence to Legislative Mandates
- Reporting and Utilization Certification
- Benchmarking and Reporting
- Superior Access to Health Care Providers

MEC WELLNESS and DISEASE MANAGEMENT PROGRAMS

- Wellness and Biometric Screenings Services
- Health Risk Assessments with Analysis and Reporting
- Disease Management Programs to Replace or Compliment Existing Programs
- Health Fairs and Vendor Procurement

MEC LIFE PROGRAM

- Guaranteed Rates
- Supplemental and Dependent Life
- Guarantee Issue
- Living Death Benefit

MEC DENTAL PROGRAM

- Trust Partnerships
- Network Discount Strategies
- Matching Benefits
- Voluntary Options

MEC VISION PROGRAM

Guaranteed Rates
VSP Network Access Plans
Exam Carve-Out Options (non-duplication of medical plan)
Voluntary Options

MEC DEPENDENT ELIGIBILITY AUDIT PROGRAM

Comprehensive Audit and Data Collection Services
Verification and Affidavit Models Services
Reporting and Savings Analysis
Dependent Eligibility Verification Tools

ADDITIONAL SERVICES

Benefit Web Portals
Education, Enrollment and Eligibility Software
Employee Assistance Programs (EAP)
COBRA Services
Claims Audits

WORKSITE SERVICES

Disability Educator Series
Critical Illness
Accident
Cancer
Flexible Spending Accounts
Additional Ancillary

SPECIALTY RISK

Student Accident
Sports and Intramurals
Catastrophic-Loss
Field Trips
Liability

PROSPECTIVE SERVICES

MEC Health and Wellness Alliance (approval pending)
403b Risk and Compliance Solutions

The MEC offers options in every category of insurance needs. The same advantages of all the MEC programs are inherent in the insurance programs and we encourage you to explore the options available. There is no obligation, as all of our programs are completely voluntary for participation. Join at any time.

The MEC... It's Your Plan!

For information on any of these plans, or to see how the MEC programs match against your current pricing, please contact the MEC Office at (614) 473-8300 or contact the MEC Insurance Consultant, Joe Grady, at (614) 224-4432 or (888) 814-7239 toll-free and email: joe@gradyenterprises.com.