



# COMMONWEALTH of VIRGINIA

*Joint Legislative Audit and Review Commission*

*Suite 1100, General Assembly Building, Capitol Square  
Richmond, Virginia 23219*

*Philip A. Leone  
Director*

*(804) 786-1258*

## MINUTES

December 8, 2003

### Attending

JLARC MEMBERS: Senator Kevin G. Miller (Chairman), Delegate Lacey E. Putney (Vice Chairman), Senator Charles J. Colgan, Delegate M. Kirkland Cox, Senator John H. Chichester, Senator Charles J. Colgan, M. Kirkland Cox, Delegate Frank D. Hargrove, Sr., Delegate Johnny S. Joannou, Delegate Dwight C. Jones, Senator Thomas K. Norment, Jr., Delegate Harry J. Parrish, Senator Walter A. Stosch, Delegate Leo C. Wardrup, Jr., Walter Kucharski (ex-officio).

JLARC Staff: Philip Leone, Kirk Jonas, Glen Tittermary, Bob Rotz, Greg Rest, Patricia Bishop, Walt Smiley, Paula Lambert, Hal Greer, Aris Bearse, Gerald Craver, Michelle Hebert-Giffen, Eileen Fleck, Nathalie Molliet-Ribet, John Long, Joan Irby, Jason Powell, Ashley Colvin, Ellen Jackson, Linda Ford, Tracey Smith.

Others: Nancy Everett (VRS Chief Investment Officer), Wallace (Bo) Harris (VRS Deputy Director), Jeff Shapiro, Mark Christie, Craig Burns, Jim Roberts, Lynn Greer, Jim Regimbald, Rob Jones (VEA), Fred Norman (IT Consultant), Paul Nardo, Amigo Wade, Sara Finley, George Newstrom (Secretary of Technology), Karen Helderan (APA), Bruce Gordon, Marvin Simms, Judy Napier, Cheryl Clark, Roy Witherspoon, Jim Hazel, Christina Nuckols, Bill Leighty (Chief of Staff), Anne Oman, Eugene Huang, Linda McMinimy, Chris Spanos, Mitch Goldstein, Jeanne Chenault, Patty Atkins-Smith, Al Samper (VRS Board Chair), Jason Wermers (Richmond Times Dispatch), Mary Jo Fields, Anne Wescott, Bob Lewis (AP), Paul Van Lenten, Margaret Edds, Mark Cole, Delegate James H. Dillard, II, Brenda Edwards.

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The Chairman called the meeting to order at 10:00 a.m. and recognized Mr. Leone. Mr. Leone presented Senator Miller with a framed commending resolution signed by the members of JLARC and a framed editorial cartoon from the *Staunton News Leader*. Senator Miller expressed his appreciation. "Upon election in 1980, I was asked what committee I would like to serve on. I said JLARC, and a mere 16 or 18 years later my request was honored. Serving on JLARC has been my greatest honor. Thank you." Senator Miller then asked Mr. Leone to continue with the agenda (Enclosure 1).

Mr. Leone recognized Walt Smiley who presented a briefing of the 2003 "State Spending Update" (Enclosure 2). It was moved (Putney) and seconded (Parrish) that the report (Enclosure 3) be received and distributed. The motion passed unanimously.

The Chairman then recognized Trish Bishop, JLARC's retirement system analyst, who presented a briefing of the "VRS Semi-Annual Investment Report" (Enclosure 4). The Chairman also recognized Nancy Everett who answered several questions from Delegate Wardrup regarding the management of equities. Delegate Wardrup asked that future semi-annual reports focus more on how VRS performs relative to its benchmarks. Mrs. Bishop noted that the next semi-annual investment report would be in July 2004. It was moved and seconded that December 2003 VRS Semi-Annual Investment Report (Enclosure 5) be received and authorized for printing. The motion carried unanimously.

The Chairman noted that Mr. Leone's term was expiring and it was the responsibility of JLARC to appoint a Director, subject to General Assembly confirmation. Delegate Putney moved and several members (Parrish, Colgan, Stosch, others) seconded a motion that JLARC vote to reappoint Mr. Philip Leone as Director for a term of six years. Delegate Wardrup asked Mr. Leone what would happen if he were not reappointed. Mr. Leone said that "I probably wouldn't be here." Wardrup said that he had checked the Code and that there is no Code requirement that Mr. Leone be reappointed. He said that Mr. Leone could continue to serve as a public official without reappointment if the General Assembly failed to act. Delegate Wardrup said that he had checked this interpretation of the Code with the Attorney General. "While Mr. Leone has served us very well," he said, "I thought the Commission should have this information." The Chairman called for a vote and the motion to reappoint Mr. Leone was approved unanimously (Enclosure 6).

The Chairman then recognized Hal Greer, who briefed the JLARC "Review of Factors and Practices Associated with School Performance in Virginia" (Enclosure 7). Commission members asked

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numerous questions of Mr. Greer. Delegate Jones questioned the use of race as an independent variable. Delegate Putney asked staff to do some additional review of the dropout issue; Senator Colgan concurred. Delegate Cox said that the success of dropout programs were more personality-driven and some dropout programs can be a waste of time and money. Delegate Jones noted that the new Richmond School board initiated a performance-based contract with its superintendent and the arrangement has been very successful.

It was moved and seconded that the school performance report (Enclosure 8) be received and authorized for printing. The motion was approved unanimously.

The Chairman then recognized Mr. Aris Bearse, who presented a briefing of the "Review of the State's Passenger Vehicle Fleet" (Enclosure 9). Delegate Wardrup asked how the accident rate in State vehicles compared to overall accident rates. He also asked for information regarding implementation of VDOT's managed competition program. It was moved and seconded that the vehicle fleet management study (Enclosure 10) be received and authorized for printing. The motion was approved unanimously.

The Chairman recognized Mr. Glen S. Tittermary, who presented the staff's "Implementation Review: Virginia Information Technologies Agency" (Enclosure 11). A copy of the implementation review report is at Enclosure 12. Mr. Tittermary answered a number of questions from members regarding VITA's financial plan and other implementation activities.

Delegate Parrish asked why it would be necessary to approve a rate request for VITA to begin operations. Mr. Tittermary said that without a rate increase, the VITA would have to fund new services out of its reserves, which would be inadequate to cover costs. Delegate Wardrup asked about the appropriateness of the \$27.5 million budget request. Mr. Tittermary said that the majority of the request should be covered not by general fund appropriations, but by internal service funds. Delegate Wardrup asked if the approximately \$21 million overhead costs would need to be put into agency budget requests. Mr. Tittermary said yes, but some funds should be demanded from realized savings of VITA implementation. Delegate Parrish moved and Senator Colgan seconded the receipt of the VITA implementation report. The motion was approved unanimously (Cox, Joannou, Wardrup, Hargrove, Parrish, Miller, Colgan, Stosch).

Mr. Tittermary then made a presentation of the VITA internal service fund rate requests (Enclosure 13). The staff analysis of the rate request is included in the December 3, 2003 memorandum titled "VITA Internal Service Fund Rate Approval" (Enclosure 14). Mr. Tittermary answered numerous questions related to the components of the internal service fund request. Delegate Wardrup asked what would happen if the rates were not approved at all. Mr. Kucharski replied that without a uniform rate structure, the State could not charge the federal government for reimbursements. After lengthy discussion, Senator Stosch moved that the staff recommendations (as shown on slides 15 and 16 of Enclosure 13) be approved. Senator Norment moved an amendment, which was approved. Senator Stosch's motion, as amended, reads:

Motion for Approval of VITA Rates

I move that the Commission approve the rates for new services requested by VITA, with the following conditions: The rates shall be effective from November 1, 2003 to September 30, 2004. VITA shall develop a policy for implementation of equipment credits and budget savings assessed in the adopted budget by January 15, 2004. VITA shall not negotiate reduced rates, discounts, or variations from the approved rates with individual agencies. VITA shall not accelerate from the statutory schedule the consolidation of any agency prior to the deployment of a billing system that has been certified by the APA. VITA shall provide to JLARC and the Auditor of Public Accounts a monthly report on profit and loss showing actual retained earnings. Failure of VITA to comply with any of the conditions set out in this approval of rates will be cause for an immediate review and reconsideration of the rates by the Commission.

Delegate Parrish said that he would prefer that VITA get its House in order prior to the approval of the rates. Delegate Cox asked what would be a timetable for "immediate review." Mr. Tittermary said that September 30 would be the date. Delegate Wardrup stated that he wanted agencies to get the services promised for the money removed from their budgets. He expressed concern about "serviced agencies getting the services they needed." Mr. Kucharski said that he was aware of the problems associated with approval but a uniform rate structure was needed. Mr. Tittermary said that JLARC could meet on this matter again as early as May 2005.

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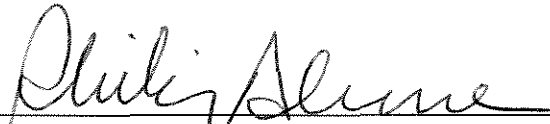
The Chair recognized Mr. Bill Leighty, the Governor's Chief of Staff, who said that problems associated with the financial rates were "troubling" but they would be monitored carefully by the administration. He pledged the administration would keep JLARC fully informed through next September.

Senator Stosch re-read his motion as amended. The motion was approved unanimously.

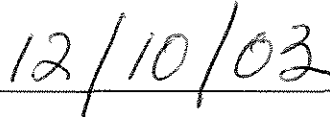
Delegate Putney again thanked Senator Miller for his long and distinguished service to JLARC. His remarks were met with applause.

There being no further business, the Commission rose at 2:10 p.m.

Approved by:

  
Philip A. Leone, Director

Date:

  
12/10/03

Prepared by:

  
R. Kirk Jonas, Deputy Director