



Virginia Information Technologies Agency

Internal Service Fund Rate Proposals

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Joint Legislative Audit and Review Commission
Internal Service Fund Subcommittee
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expect the best



Rate Proposals

Two proposals offered for JLARC consideration:

- **Statewide rates for decentralized services**
 - Implements original VITA rates objectives
 - Includes desktop, server, and network services
 - Completes moving IT infrastructure services to ISF
- **Rates for enterprise GIS services**
 - Conforms to Chapter 3 direction to adopt ISF
 - Eliminates future need for GF support of base map



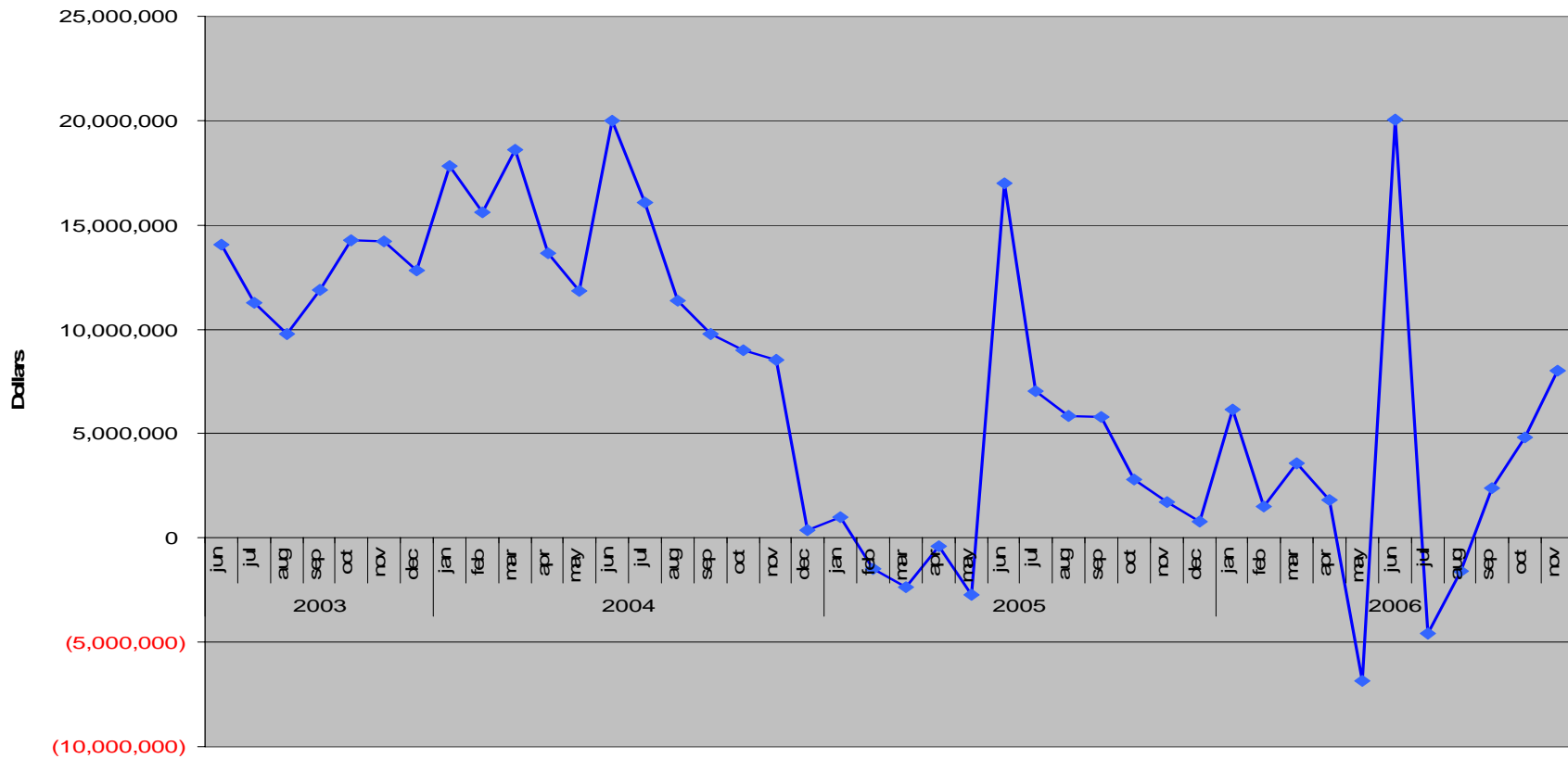
Statewide Rates Address Problems

- **Customers questioned MOUs**
 - Some did not sign agreements
 - Customer payments since 7/1 below projections
- **Federal HHS Division of Cost Allocation (DCA) rejected MOU approach**
 - DCA indicates statewide rates are acceptable methodology
 - Customers with federal funds withholding payments awaiting resolution
- **VITA's ability to support IT partnership**
 - Consistent and adequate revenue needed to meet obligations to Northrop Grumman
 - MOU issues exacerbating VITA's negative cash flow



Cash Flow Fluctuations

VITA - ISF Cash On-Hand (end of month)





Statewide Rate-Related Solutions

- **Submit new Cost Allocation Plan (CAP)**
 - VITA working with customer agencies, DCA
 - New CAP under review by DCA; response imminent
- **Develop rates for decentralized services**
 - Rates proposal submitted to JLARC for approval
- **Mitigate cost impact on customers**
 - Working with DPB
 - Rates to be phased in based on equipment refresh
- **Assure adequate funding of IT partnership**
 - Proposed budget amendment to provide Line of Credit
 - VITA is significantly reducing internal overhead expenses



Rates Proposal Components

- **Rates recover decentralized services costs**
 - HW/SW purchase, HW maintenance, SW licensing, associated staff support, enterprise security, allowable indirects
- **Rate tiers for desktop, servers, networks**
 - Service options – full service; service excluding purchase; service excluding direct labor
 - Options provide flexibility, address federal concerns
- **Charge basis is asset inventory**
 - Customer's # of devices X service level rate = charge/service
 - Customers will have opportunity to review/correct inventory
 - NG is conducting a new, thorough asset inventory



Rates Proposal Components

- **Billing**
 - Customers will be billed monthly based on rates approved
 - Detailed statements provided, will satisfy federal requirements
 - Effective date of July 1, 2006 is requested (retroactive)
- **Annual reconciliation of charges vs. actual costs**
 - Required to “true-up” and avoid overcharges to customers
 - Will satisfy federal requirements
 - Provides information for future rates adjustments, as needed



Enterprise GIS Rate Addresses Issues

- **Base Map requires regular updates**
 - Data is only current at a point in time
 - Physical assets (e.g. roads) change constantly through development, weather events, etc.
- **VITA lacks funding for update costs**
 - Initial Base Map funded from Wireless E-911 Fund
 - Current update costs the GF \$4.1M, plus \$1.9M from E-911
- **Other funding sources maximized**
 - Special Fund revenue for map products is small, not sufficient
 - Significant increase in E-911 fund support would adversely impact other public safety communications programs



Geospatial Information Services

- **Enterprise GIS components**
 - Virginia Base Mapping Program
 - Geospatial Enterprise Platform and coordination
- **GIS customers**
 - State agencies and private sector
 - Private sector pays but state subsidizes agencies through GF
- **2006 GA directed move to ISF**
 - Chapter 3 study language direction: use ISF in place of GF for future VBMP funding
 - VITA's rate proposal is consistent with this intent
 - Proposed effective date is July 1, 2007; phased in in first year



Geospatial Information Services Rate

- **Rates recover program costs**
 - Virginia Base Mapping Program – digital orthophotography, road centerline files
 - Geospatial Enterprise Platform and coordination
- **Charge basis is units of service used**
 - Calculated using historical data for 12 customer agencies
 - Per-agency projections developed; charges can be adjusted based on actual usage
- **Billing**
 - Customers billed monthly for usage
 - To phase in, rates for digital orthophotography only charged in FY 2008
 - Full implementation planned in FY 2009



Action Item

- Subcommittee Recommendation?
 - Decentralized Service Rates
 - VGIN Rates



IT Investment Management (ITIM) Rate Issues (Project Management Division Service Fees)

- **Background**

- VITA sought a rate to address APA audit on PMD service levels
- VITA proposed flat rate per agency
- In December 2005, JLARC approves combination rate:
 - Flat for governance (IT strategic plans, PSGs, PM development, et. al.)
 - Annual recovery target of \$1,085,689
 - Hourly for consulting and oversight of major IT projects
 - Annual recovery target of \$888,291
 - Total annual recovery target of \$1,973,980
 - 55% from governance rate and 45% from hourly rate

- **Experience to-date**

- Hourly rate is having opposite of intended effect



Impacts of Hourly Rate

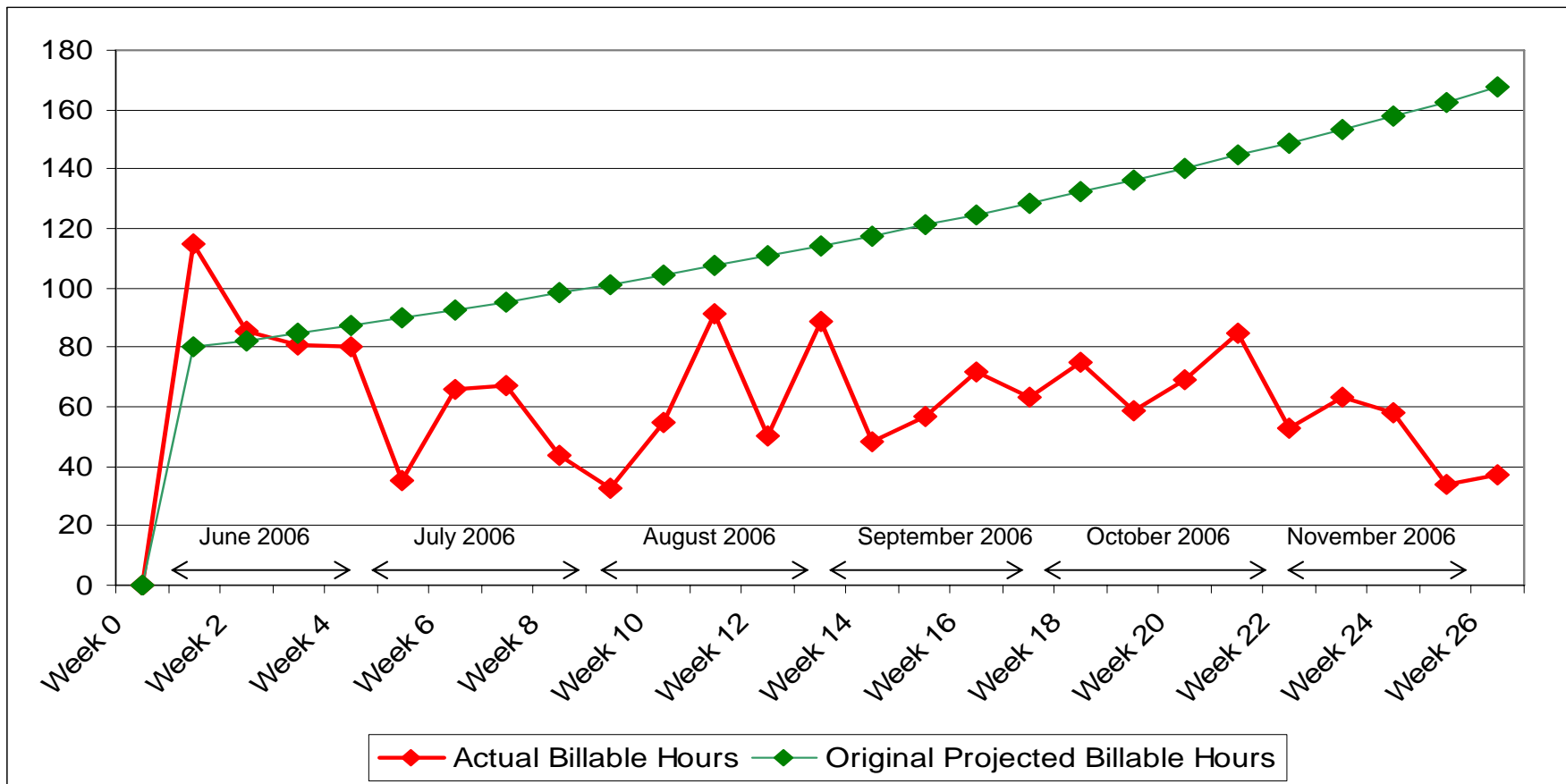
- **Adverse Agency Reactions**
 - Agencies see rewards (reduced costs) in minimizing/not using services
 - Agency IT plans dramatically changed—projects reduced or converted to procurements
- **Adverse Impact on Services Provided**
 - PMD never fully staffed (“chicken & egg”)
 - Staff not available for other governance functions (RTIP Report, PSGs, Project Manager Development Program)
 - Consulting, acknowledged by agencies as valuable, also has declined



IT Investment Management (ITIM) Service Fee

Projected vs. Actual Billable Hours – Revenue Shortfall in Red

June - November 2006





Agency Technology Strategic Plan Analysis

(Before & After ITIM Service Fee Implementation)

Change in Agency Plans from 2004-2006 to 2006-2008 Biennium

Category	Type	Change in No.	Change in Cost (millions)	% Change in No.	% Change in Cost
Projects	Major	-49	\$ -310.6	-45.4%	-27.5%
	Non-major	-210	\$ -68.7	-72.2%	-70.0%
Procurements	Major	18	\$ 54.4	28.6%	20.6%
	Non-major	111	\$ 30.5	15.1%	18.0%
Total		-130	\$ -294.4	-10.8%	-17.7%

Rate calculation based on 2004-2006 Biennium CATSPA entries



IT Investment Management (ITIM) Service Fee

Services Impacted Due to PMD Understaffing

Governance Fee

Commonwealth Governance

IT strategic planning support & CIO approval of plans

ITIM consulting, assessment & IT portfolio management

Policies, standards, & guidelines development

IT Investment Board support (includes Recommended Technology Investment Projects [RTIP] Report)

Project Manager Development Program management & administration

PMD process and tools development, implementation, & support

Project Manager Development Program training

Quality assurance, performance monitoring, & audit compliance

New program development & internal projects

Direct (Hourly) Billing

Agency Oversight

Agency Procurement Requests (APR)

Major project consulting

Major project planning funding requests

Major project development approval

Major project RFP approval

Major project contract approval

Major project Oversight including:

- Dashboard reporting support
- Internal Oversight Committee support
- Secretariat Oversight Committee support
- Independent Verification & Validation (IV&V) reviews

Non-major IT project development approval

Budget Request Reviews



Anticipated Major IT Project New Starts (Next 6 Months)

1. DEQ Document Management
2. **DGS Real Estate Portfolio Management Information System (PLATS Replacement)**
3. **DRS Integrated Financial Management System**
4. Virginia Enterprise Applications Program– Phase 1 (Budget Planning/FMS)
5. **VDOT Equipment Management Information System**
6. VDOT Pavement Management System
7. VEC Unemployment Insurance
8. VITA Web and Software Accessibility Compliance
9. VSP Virginia Records Management
10. VSP Statewide Mugshot and Other Images
11. TAX Virginia Tax Online Upgrade

Red – Recently Approved by ITIB

Current – 24 Active, 1 Suspended; Projected – 33 Active