



COMMONWEALTH of VIRGINIA

Virginia Information Technologies Agency

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November 19, 2007

Mr. Phillip Leone, Director
Joint Legislative Audit and Review Commission
Suite 1100
General Assembly Building
Richmond, Virginia 23219

Dear Phil:

Shortly after the Virginia Information Technologies Agency (VITA) was created four years ago, we brought requests to JLARC to establish charge-back rates to recover the costs of the new services which were to be provided for Executive Branch agencies. Since then VITA has employed several methodologies, including the plan the Commission approved last year which provided statewide rates for decentralized (agency based) services.

Attached are rate requests which continue to "fine-tune" the charge-back schedules approved last year, and which include proposals for additional options and services that have become available through the Commonwealth's Comprehensive Agreement with Northrop-Grumman Corporation.

Concurrent with this request, VITA is working with the Department of Planning and Budget to address the impact of these changes. I hope you and the members of the Commission will be pleased to learn that the proposed rates, for the most part, involve modest reductions in the current level of charges, or otherwise represent charges for certain new services that have not been available in the past.

We would be pleased to meet with you and your staff to review any of the materials contained in the attached. If you have any questions, please give me a call on (804) 416-6008.

Sincerely,

A handwritten signature in black ink, appearing to read "James T. Roberts".

James T. Roberts
Director of Finance and Administration

Attachment

cc: The Honorable Aneesh P. Chopra
Glen Tittermary
Lemuel C. Stewart, Jr.
Richard D. Brown

Rates Proposals Overview

This overview includes a comprehensive discussion of proposed new rates and rate changes, an update of actions on decentralized services rates, and a summary of decentralized services rates issues.

DISCUSSION OF NEW SERVICES AND RATE PROPOSALS

The rates proposal submitted herein for consideration by JLARC is divided into three sections: (1) new rates being sought for services VITA currently provides; (2) new rates for new services VITA proposes to provide; and (3) changes to existing rates based on new or modified service offerings, or resulting from recalculations. Attachments at the end of this package detail the methodology for calculating the proposed new or changed rates.

1.0 Rate proposals for services currently available from VITA

1.1 Citrix Application Publishing (CAP) at VITA

VITA has implemented a shared service platform to host and provide Citrix Services for VITA customers. The service will leverage VITA's HMC infrastructure which uses separate processors for Web hosting, application programs, and database access. CAP will complement existing shared services such as Web Hosting, SQL Server, and Shared Server Disk Storage.

In a Citrix environment, the user has a PC monitor, keyboard, and mouse in his or her work area and the PC processor and disk are in a controlled area. The application information normally is presented via a Web screen and information is updated by overtyping data fields. The people supporting the applications normally have tighter control than they would have with a standard PC.

1.2 Directory, File, and Print Services at VITA

VITA will provide a Windows platform for providing Active Directory based directory and authentication, file, and print services to be shared by smaller customers. This will let customers that establish VPN based links to the primary data center receive basic LAN services from VITA and eliminate legacy hardware. It will also provide the path for VITA to deliver a "managed" desktop to the customer.

1.3 Juniper Virtual Fire Walls at VITA

Today VITA and customers currently use many physical firewalls from Raptor and Cisco PIX to protect their mainframe and server applications. Some of these firewalls are nearing end of life. VITA has established a shared firewall environment (referred to as a virtual firewall) using the Juniper product to replace both the VITA and customer physical firewalls. The replacement of the physical firewalls will reduce support personnel and hardware costs.

1.4 Unix Virtual Servers at VITA

A Sun Solaris 10 based Unix system has been divided into several Solaris Containers or virtual Unix systems to allow customers to share Web services, Oracle databases and other application software products. Each customer will have its own secure Unix environment but be able to share applications,

software, support engineers, and database products. VITA has developed two offerings of Unix virtual servers. The standard version provides a clean Unix environment in which customers may run any application that requires the Unix operating system. The specialized version provides a Unix/Oracle database environment.

1.5 Web Hosting at VITA

VITA proposes a shared Windows based Web Hosting service that would include Active Server Pages (ASP), .NET and ColdFusion software, weekly application backups with Offsite Vaulting and up to 500 MB of Disk Storage. Database connections to SQL Server or Oracle databases would be in the package. The actual applications and databases would reside on separate servers at additional cost to the customer.

2.0 Rate proposals for new services

2.1 Managed Router Service

Northrop Grumman has proposed to provide a Managed Router service that utilizes the Multi-Protocol Label Switching (MPLS) network that is being deployed throughout the Commonwealth of Virginia. Northrop Grumman's partner, Verizon Business (VzB), has deployed the MPLS network in the Commonwealth and it is an integral part of VzB's global MPLS network. VzB's MPLS service is called Private Internet Protocol (PIP) and is a network-based Virtual Private Network (VPN) service enabling any-to-any communications over a secure network.

Technical Description

The Managed Router service will deliver secure and reliable IP transport utilizing the MPLS network for VPNs and Quality of Service (QoS). VzB's PIP service is based on MPLS technology defined in RFC 4364. The PIP service integrates the performance and traffic management capabilities of a Layer 2 network with the scalability and flexibility of Layer 3 routing. MPLS VPNs enable the separation of Northrop Grumman-managed service traffic that results in the security and QoS of Layer 2 switching with the scalability and any-to-any connectivity of IP. Northrop Grumman will configuration manage the connectivity of Virtual LANs (VLANs) to MPLS VPNs to ensure separation of traffic across the MPLS network. Northrop Grumman will assign one of the five QoS levels to support application requirements of loss, jitter, and latency across the MPLS network. Northrop Grumman will serve as the single point of contact from the demarcation point to the MPLS core and will work directly with VzB on the MPLS core and access circuits.

Features and Benefits

The Managed Router service includes a number of features and benefits. Below is a list of features that are included in the pricing:

- Northrop Grumman will conduct a site survey to capture network specific information on the site for use in the design and configuration of the solution.
- A Cisco router is included in the solution that provides two (2) Ethernet ports on the LAN side of the router. Router technology refresh is also included.
- Northrop Grumman will configure, install and maintain the Cisco router, which includes proactive IOS patching.

- It provides wide-area network (WAN) connectivity with burst capability up to the bandwidth increment ordered and sustained average usage up to 60% of the bandwidth increment purchased.
- Northrop Grumman will manage the VPNs to ensure security between communities of interest. This does not replace the security and protection associated with a firewall.
- Northrop Grumman will manage the router 24x7 from the VITA enterprise network operations center (NOC) including monitoring, problem resolution and change management.
- Northrop Grumman will provide basic performance and management reports.
- Competitive service level agreements (SLAs) are included in the service.

2.2 *Managed Firewall Service*

Northrop Grumman has proposed a Managed Firewall service to safeguard the IT infrastructure used by customers by preventing unauthorized access to their internal network, securing critical information, and addressing Government regulations or Third-Party compliance, as applicable.

Northrop Grumman handles the installation, maintenance, configuration and software upgrades utilizing industry-leading Cisco firewalls. They will also monitor the firewalls from the security operations center (SOC) located in CESC.

For the Managed Firewall service, Northrop Grumman's demarcation point is the backplane of the firewall. Anything beyond that point is the responsibility of the customer. Northrop Grumman will serve as the single point of contact inside the demarcation points. The Managed Firewall service must be purchased in conjunction with Northrop Grumman's Managed Router service.

Features and Benefits

- The industry-leading Cisco firewall is included in the solution and provides one (1) Ethernet port on the LAN side of the firewall. Firewall technology refresh is also included.
- Northrop Grumman will configure, install and maintain the Cisco firewall, which includes proactive IOS patching.
- Northrop Grumman will manage the firewall 24x7 from the SOC including monitoring, problem resolution and change management. Northrop Grumman will also handle policy updates as required and directed by the customer.
- Northrop Grumman will provide basic performance and management reports as required by the customer.

2.3 *Voice Over Internet Protocol (VOIP) service*

Northrop Grumman has proposed to consolidate service architecture for all services based on a single multi-service IP network. The proposed solution consists of a multi-service IP-based network using MPLS VPNs (RFC 2547) and QoS provisions to enable the integration of applications and services that have varying SLA requirements and to maintain a high quality service level for VoIP calls to communicate between VITA sites.

Northrop Grumman will re-address to unique IP addresses to enable the management of VoIP over its IP-based end-to-end solution between the phones. The deployment of CHVS is planned to ensure that the re-addressing of the network is successfully completed before beginning to integrate additional

network-based service enhancements such as VoIP. By consolidating voice services into a single multi-service network, the need for additional access is eliminated.

The carrier grade hosted VoIP services have a high degree of security integrated into the solution which reduces the additional security requirements that would exist with either the Distributed VoIP or the Contractor-Hosted VoIP approaches.

CHVS is based on open standards platforms (i.e., SIP, MGCP, CORBA, LDAP) that are redundant and resilient. This solution provides VITA and Commonwealth users with multiple CPE options, and a native SIP interface that supports third party application integration.

Features and Benefits

- Carrier-grade reliability using a hardened version of Sun Solaris designed for mission-critical applications support and implemented by Verizon
- Highly scalable solution based on a BroadWorks platform that can support 500,000+ subscribers per platform
- Next Generation, Multimedia, Hosted IP Communications Service
- Voice, Video, Unified Messaging and Presence
- Standards Based = CPE Manufacturer Agnostic
 - Call Control Based on IETF RFC 3261 SIP Standard
- Customer Defined Control and Administration
 - Streamlined and Enhanced Workflow Processes
 - Self-Management of Services
 - Real Time Change Control via Web based GUI and Voice Portal Interface
 - Admin Access Rights Customization

2.4 Premium desktops and laptops

As Northrop Grumman and VITA staff began to refresh approximately 60,000 PCs in the Commonwealth's Executive Branch agencies, they identified the need for both desktops and laptops that substantially exceeded the configuration of standard units. With VITA's concurrence, Northrop Grumman developed a premium desktop and laptop configuration.

Three rates were developed for each device type to coincide with the three service options currently available to customers. Available service options are the same as approved and implemented during fiscal year 2007 as described below:

Service option 1 – Full service

Service option 2 – Excludes the purchase price component of an asset

Service option 3 – Excludes the direct (labor) support associated with an asset

2.5 Laptop peripheral items (bundle)

Also discovered during the refresh effort was a greater use of peripheral items by laptop users than what was expected. The peripheral items typically used are the docking station, monitor, keyboard and mouse. VITA therefore developed a standard "bundle" of peripheral items and created a recurring price for use of the "peripheral bundle".

2.6 *PC encryption service*

Several customers have requested PC based hard drive encryption services. The service consists of software licensing, maintenance, technical support (deployment, testing and training) and ongoing technical support. VITA and Northrop Grumman worked together to develop the optimum solution and to create a recurring price for the service.

3.0 Proposed adjustments to service offerings and/or existing rates

3.1 *Standard desktops and laptops*

As VITA worked to develop rates for the new premium desktop and laptop configurations, it became necessary to revisit the calculation of the current standard desktop and laptop rates. The effort resulted in reductions to most of the standard rates as well as improved accuracy and equity across all desktop and laptop service categories. Accordingly, VITA is requesting changes to current standard desktop and laptop rates as depicted in the attached spreadsheet.

3.2 *Pass through surcharge for non-standard and incremental items*

In May of 2004, JLARC approved VITA's use of a 5.52% surcharge for use with the "direct bill" chargeback model implemented during the transition phase of VITA's evolution. At the onset of VITA's partnership with Northrop Grumman in July 2006, and with the implementation of the "decentralized rates" chargeback model in fiscal year 2007, the automated flow of data previously used for direct billing was no longer available. In moving toward a totally rate based chargeback model, the expectation was that there would be minimal need for a pass through or direct bill chargeback model. Rather than develop a new automated direct bill process with limited application, VITA reverted to using the previously approved 8.9% surcharge for pass through items.

In the grand scheme, pass through billing represents but a small percentage of total business or revenue to VITA; however, on a case by case basis the use of the 8.9% surcharge has caused undue consternation on the part of customers. In response, VITA has developed a new automated process to handle those items which are appropriate for pass through or direct billing to the customer. Such items are generally of an incremental or non-standard nature. As this process reduces the need for manual intervention in much the same way it did in FY 2005, VITA is requesting reinstatement of the 5.52% surcharge for pass through or direct bill items.

3.3 *Audio and data conferencing services*

Below is a description of VITA's current audio and data conferencing services followed by Northrop Grumman's proposed replacement service offering:

3.3.1 *Current audio conferencing services*

The legacy VITA Audio Conferencing service is provided using a premise-based audio conferencing bridge located in the Richmond Plaza Building (RPB). The service includes 320 voice-grade lines and is supported by a dedicated staff of four. The business hours are 8am to 5pm Monday through Friday

with support after-hours and on weekends provided as on-call. The conferences are scheduled through the four staff members as either “meet me” or operator-assisted conferences.

The current service provides a range of features, including:

- Meet-Me
- Operator-Dialed
- Conference Recording
- Toll-Free Conferencing
- Sub-Conferencing
- Polling
- Q&A
- Roll Call

The following data provide a detailed breakdown of the current audio conferencing usage. The data below are a mix of projected usage for the current fiscal year based on historical trends.

- Total projected conferencing: 7,000,000 minutes annually
 - Local access: 4,350,000 minutes annually
 - Toll-free access: 2,500,000 minutes annually
 - Long-distance access: 150,000 minutes annually
- Conferences are 93% meet me and 7% operator assisted

VITA currently bills the legacy audio conferencing users based on the following schedule:

- Audio Conferencing Fee @ \$0.06 per user per minute
 - This fee includes the base audio conferencing service.
 - Users dialing into this service incur local, long-distance or toll-free access costs depending on their access method.
- Long-Distance (LD) Access Fee @ \$0.14 per user per minute
 - LD fee is in addition to the \$0.06 audio conferencing fee.
 - Conference chairperson incurs the LD fee if they dial-out to users.
 - Users incur the LD fee if they dial into a conference via long-distance.
- Toll-Free Access Fee @ \$0.28 per user per minute
 - Toll-free access cost is \$16.78 per hour or \$0.28 per minute.
 - Toll-free fee is in addition to the \$0.06 audio conferencing fee.
 - Users incur the toll-free fee when they use a toll-free number to access the conference.

As depicted above, VITA’s current pricing structure is largely based on the components utilized for each conference allowing the total cost to a customer to vary significantly depending upon the components used (e.g. long distance, toll free). Northrop Grumman’s proposal eliminates the component pricing, therefore making a complete side-by-side rate comparison impossible. VITA is satisfied that Northrop Grumman’s proposal as described in the sections below will (1) provide all of the functionality that is provided by VITA’s current service offering; (2) offer additional features and services that are not available with VITA’s current service offering; and (3) will result in a lower cost to VITA and its customers that use the conferencing services.

3.3.2 *Current data conferencing services*

The legacy VITA data conferencing service is a web-based data solution that includes a web address for the moderator and participants. The moderator can upload a presentation up to 60 minutes prior to the start of the conferencing session. Data conferences allow chats between the moderator and/or participants, a shared whiteboard, and surveys that allow participants to answer questions presented by the moderator.

VITA data conferencing service provides a range of features, including:

- Slide Show Push
- Whiteboarding
- Chat
- Follow-me Browsing
- Q&A
- Polling

Currently, VITA does not directly own any WebEx licenses – individual agencies have procured WebEx licenses direct from WebEx.

3.3.3 *Proposed Northrop Grumman audio conferencing services*

Northrop Grumman proposes to replace the premise-based audio conferencing solution currently in use by VITA with a hosted solution delivered by Northrop Grumman/InterCall. A hosted solution delivers a number of benefits including:

- Reliability – It leverages InterCall’s robust infrastructure and redundancy, and eliminates the reliance on a single site/single premise-based solution.
- Functionality – It offers a wide range of standard and optional services that deliver high-tech conferencing to the Commonwealth of Virginia.
- Freedom – Reservationless audio conferencing allows Conference Leaders to initiate conference calls with up to 125 people with no notice.
- Cost – The more cost effective solution allows users to take advantage of toll-free access numbers to avoid long-distance and 800 number costs.

Northrop Grumman’s Audio Conferencing Service will assign all eligible users a dedicated, VITA-branded toll free customer access number. Each user will receive a permanent toll free dial in number as well as a permanent conference code to initiate conferences.

The audio solution comes in three levels of service: Reservationless, Operator-Assisted and Special Event.

3.3.4 *Proposed audio conferencing services – Reservationless*

Based on VITA’s prior usage and Northrop Grumman experience, the Reservationless audio conferencing service is expected to be the primary service in use throughout the Commonwealth. It provides the freedom to schedule audio conferences at anytime, 24x7x365, with no reservations needed and no operator necessary. There are also no time limits on the conferences so the Leader and users are free to utilize the conference as long as necessary to successfully complete Commonwealth business. Reservationless conferences can accommodate up to 125 attendees per conference.

Leaders can control their conferences either via phone in the conference or through the web in parallel to their audio conference. The integrated web moderator platform allows the leader to change

conference options such as edit the leader's profile, schedule and notify, execute telephone keypad commands, view an audio or a web participant list and many more. Expenses associated with all attendees participating in the conference are billed to the Conference Leader.

The Reservationless conferencing service provides a wide range of functionality. Examples of that functionality are listed below:

- Leader can dial out to the participants to connect them to the conference
- Option (separately priced) to record and playback the conference at a later time
- Entry and exit announcements as well as an attendee roll call
- Leader can mute all participants or individually mute participants
- Leader can lock the conference to prevent new participants from joining for security purposes
- Auto continuation allows the conference to continue if the leader must depart prior to the end of the conference
- Participants can break out into sub-conferences from the main conference

3.3.5 Proposed audio conferencing services – Operator-Assisted

Operator-Assisted audio conferences combine the feature-rich conferencing of the Reservationless with the professionalism offered by an InterCall operator. These types of conferences are perfect for larger or more formal conferences that require the support and touch of a professional moderator. Operator-Assisted conferences require a reservation which can be scheduled over the phone or via InterCall's real-time online reservation system with as little as 30 minutes of advance notice. Participants who call in to the conference utilize the leader's permanent number and are greeted by an InterCall operator who places them into the conference. Operator-Assisted conferencing can support up to 10,000 participants in a single conference. There are no cancellation fees for all conferences up to 500 participants.

Operator-Assisted services offer a wide range of features, from basic touch-tone phone commands available during the conference, to standard call entry and exit options to "Surround the Call" options that offer high-touch, high-value applications. At this time, Northrop Grumman has only proposed the basic audio conferencing functionality that meets or exceeds VITA's current audio conferencing capabilities in order to get the service operational. Many of the Surround the Call features would incur an additional fee if VITA were to decide that it wanted to utilize that particular feature.

3.3.6 Proposed audio conferencing services – Special Event

Special Event Audio Conferences are essentially the same as Operator-Assisted Conferencing with some unique capabilities layered on top. They are typically high visibility calls that require additional operator assistance and enhanced features. Examples could include employee training, product rollouts, press conferences, announcements, etc.

Special Event conferencing is used for conferences with more than 25 attendees and a need for one or more of the following enhanced services: Polling, Q&A, and/or Communication Lines. Pre-call services include call registration, walk through with an account specialist, and distribution of collateral information. During the call services include a private communication line, custom greeting and closing scripts, and call security/passwords. Post call services include participant lists, transcription/recording options, and replay information/call-in lists.

3.3.7 Proposed Conference Record option

The Conference Record option allows a Conference Leader to record the conference for later review. If a Conference Leader selects this option at the start of a conference, an additional “participant” will be added to the call. This additional participant is InterCall’s automated recording agent. The Conference Leader’s account will be charged for this participant in addition to the other participants at the tiered pricing level currently in use (e.g., \$0.037, \$0.034, \$0.031). For example, if there are nine participants including the Leader, the Leader will be charged for ten participants.

After the conference, participants accessing the recorded conference will incur the Conference Record fee of \$0.032 per minute per user. There are additional options to receive recorded conferences including digital delivery and CD. These incur an additional cost that Northrop Grumman can price at the time VITA determines there is a benefit to having these additional options.

3.3.8 Proposed no show fee

There are no cancellation fees for all conferences up to 500 participants. On calls greater than 500 participants a no-show fee of \$6.00 will be assessed for each unused port over the allowance buffer. The allowance buffer is set at 10%, which means if a conference reservation is made for 600 participants, as long as at least 540 participate the no show fee is not applicable. Changes to the attendance list can be made up to 24 hours prior to the call start time.

3.3.9 Proposed approved participant list option

For an additional measure of security on Operator-Assisted conference calls, the Conference Leader can provide Northrop Grumman/InterCall with a list of approved participants. The operator assisting on the call will check each participant against this list prior to adding him/her to the conference call. This additional level of security incurs a cost of \$3.00 per each participant on the approved list and must be sent to Northrop Grumman/InterCall at least 24 hours prior to the conference call.

3.3.10 Proposed Meeting Center Data Conferencing – charge per use

The Meeting Center Data Conferencing service allows users who do not frequently utilize data conferencing to leverage the collaboration and productivity power of WebEx Data Conferencing without purchasing a license. The Data Conferencing Leaders account will be charged for all users participating in the conference.

3.3.11 Proposed Meeting Center Data Conferencing – frequent users license

The Meeting Center Data Conferencing concurrent user approach is geared towards more frequent users who have a regular need for WebEx Data Conferencing capabilities. An unlimited number of Data Conferences of unlimited duration can be held on a monthly basis up to the number of concurrent licenses purchased.

3.4 Proposed wireless (cellular) service plans

VITA currently has wireless service contracts with Alltel, Sprint and AT&T. The service offerings include Blackberry (with or without phone service) and Wireless (air card) laptop services. All three contracts will be expiring over the coming months. To date, VITA does not have a contract with Verizon and periodically grants waivers to customers to allow use of Verizon wireless services in areas of the state in which the other providers do not have adequate coverage. Northrop Grumman is negotiating new wireless contracts with the same three vendors plus Verizon. Thus far, they have provided pricing to VITA for Verizon, Sprint and AT&T plans.

Northrop Grumman is still in negotiations with Alltel, so specific information required for developing a rates proposal is not available at the time of this submission. As VITA will ultimately employ, with

the Alltel charges, a methodology consistent with that used herein for Verizon, Sprint, and AT&T service plans charges, it would be very helpful to VITA and its customers if JLARC would consider a provisional approval for wireless service plans. This would ensure that current Alltel customers can be offered the new service plan being negotiated by Northrop Grumman.

DECENTRALIZED SERVICES RATES UPDATE

In 2006 VITA replaced its direct bill methodology (approved by JLARC on June 14, 2004, and effective July 1 of that year) with chargeback agreements in Memoranda of Understanding (MOU) between VITA and individual customer agencies. Concerns with MOUs as a chargeback mechanism were evinced by customers as well as the cognizant federal agency (the U.S. Department of Health and Human Services' (DHHS) Division of Cost Allocation (DCA)). Consequently, VITA proposed statewide decentralized services rates in submissions to JLARC and DCA in November, 2006.

At its December 11, 2006, meeting, JLARC endorsed the recommendation of its Internal Service Fund Committee by approving VITA's decentralized services rates proposal. The rates were made retroactive to July 1, 2006. Later in December, DCA informed VITA of their conditional approval of the agency's Cost Allocation Plan (CAP) and followed up with formal notification in January, 2007.

DECENTRALIZED SERVICES RATES ISSUES

The rate structure implemented at the beginning of FY 2007 has generally been favorably accepted by customers and is operating more smoothly than the interim MOU approach that hastened its implementation. However, several issues – not unanticipated, but nonetheless important – continue to cause concerns. These include:

- ***Customers' ability to pay:*** At the time decentralized rates were approved, projections of cost impact by agency indicated that some would incur reduced expenses for IT services (relative to the MOU and direct bill methodologies) while others would experience increased costs, some significant. The Department of Planning and Budget addressed this by including language in the 2007 Budget Bill setting aside funding to mitigate the impact of general fund increases, which they used to assist agencies during FY 2007 (the first year of implementation).

VITA Recommended Actions: VITA will continue to support DPB's efforts to identify and mitigate adverse financial impacts of rates by timely provision of updated projections of each executive agency's current costs for decentralized services. These amounts can and do change based on alterations in the levels of services desired by customers, increases or reductions in their IT asset inventories, etc. Any other support and information that may assist DPB in ameliorating unfunded IT cost increases, in the current year (FY 2008) and in the next biennium, will be provided.

- ***Required CAP submissions and reconciliations for the federal government:*** VITA has completed the first stage of reconciliations with DCA, i.e. submission of Statewide Indirect Cost Allocation Plan (SWICAP) information to the Department of Accounts (DOA). Should DCA have any concerns with actual cost allocations in FY 2007, it's expected that they will be addressed as part of the SWICAP process. Until the outcome of federal DCA review is known, however, there remains

a possibility that VITA will be found to have overrecovered indirect costs – requiring a funding adjustment with the federal government and potentially driving further rates revision proposals. December 31, or soon thereafter, is VITA’s target date to submit FY 2008 and 2009 CAP input to DCA.

- ***IT Partnership transition and transformation:*** In the current dynamic environment of the VITA/Northrop Grumman partnership, challenges inherent in sharing responsibilities are inevitable.
 - Asset inventory – Implementation of an automated asset inventory system, including setting an accurate baseline and providing reliable updates, has been rocky. Additionally, real and perceived problems with the inventory have been a contributor to strained relationships with some customers.
 - NG-driven rates development – Beginning in the third year of the partnership, Northrop Grumman will bill VITA based on charges set forth in the Comprehensive Infrastructure Agreement and under development. These charges, based on resource units, service offerings, and baselines, will in turn heavily impact VITA’s future rates development.

VITA Recommended Actions: VITA is committed to conforming its customer charges to Northrop Grumman’s charging methodology, but not at the expense of customer relationships and rate stability. For that reason VITA is building in time to analyze and assess the impact of Northrop Grumman’s chargebacks before using them as the basis for developing new VITA rates methodologies. Accordingly, the associated submissions to JLARC would not be wholly prospective and would reflect lessons learned during initial implementation.

- ***Expanding scope of VITA’s business and customers:*** One of the IT partnership’s key objectives is to “grow the business”. The efficiencies and economies of scale at the foundation of the partnership require an increased customer base to be fully realized. Today’s PC world is far different than the legacy services environment that spawned VITA’s traditional service offerings and rates; customers expect a service provider that is agile, flexible, and offers a multitude of options. There is no “one size fits all” approach. Standardization of services contributes to cost-effective IT service delivery in state government, but VITA needs virtually the opposite – a broader service menu with more choices – to be competitive in tapping other markets such as local government.

VITA Recommended Actions: VITA proposes JLARC grant the agency the discretion to modify, within a set threshold (e.g. +/-10%), approved, standard services plans used with state customers for customized services requested by non-Executive Branch entities. The intent is to be responsive in developing stripped-down service options expected to appeal to local government and other customers outside of executive agencies. Followup requirements and a method to formalize interim approval would need to be addressed also.

Proposed VITA rates for new service offerings by Northrop Grumman

Services by Category	Unit of Measure	NG resource unit charge	Proposed VITA rate	Current VITA rate where applicable	Old to new rate difference
Personal Computers					
Standard Desktop - 5 year refresh - service option 1	per desktop	\$32.71	\$86.17	\$86.90	-\$0.73
Standard Desktop - 5 year refresh - service option 2	per desktop	\$9.24	\$57.77	\$66.94	-\$9.17
Standard Desktop - 5 year refresh - service option 3	per desktop	\$23.47	\$48.80	\$42.35	\$6.45
Premium Desktop - 5 year refresh - service option 1	per desktop	\$40.46	\$106.58		
Premium Desktop - 5 year refresh - service option 2	per desktop	\$9.24	\$57.77		
Premium Desktop - 5 year refresh - service option 3	per desktop	\$31.22	\$68.46		
Standard Laptop - 5 year refresh - service option 1	per laptop	\$41.03	\$108.09	\$121.99	-\$13.90
Standard Laptop - 5 year refresh - service option 2	per laptop	\$9.73	\$70.22	\$85.33	-\$15.11
Standard Laptop - 5 year refresh - service option 3	per laptop	\$31.30	\$68.66	\$62.59	\$6.07
Premium Laptop - 5 year refresh - service option 1	per laptop	\$48.72	\$128.34		
Premium Laptop - 5 year refresh - service option 2	per laptop	\$9.73	\$70.22		
Premium Laptop - 5 year refresh - service option 3	per laptop	\$38.99	\$88.16		
Peripheral bundle for laptops	per bundle	\$9.97	\$12.55	laptop w/ periph	-\$1.36
PC Encryption	per PC	\$14.95	\$18.83		
Data Network					
Managed Router – 64Kbps	per router	\$188.58	\$248.70		
Managed Router – 128Kbps	per router	\$569.80	\$751.45		
Managed Router – 256Kbps	per router	\$600.74	\$792.25		
Managed Router – 512Kbps	per router	\$625.79	\$825.29		
Managed Router – 768Kbps	per router	\$813.57	\$1,072.93		
Managed Router – 1.536Mbps	per router	\$940.28	\$1,240.03		
Managed Router – 3.072Mbps	per router	\$1,945.34	\$2,565.50		
Managed Router – 6.144Mbps	per router	\$3,123.97	\$4,119.86		
Managed Router – 45Mbps	per router	\$5,370.73	\$7,082.87		
Voice - VOIP					
VoIP Service Initiation	per install	\$50.00	\$61.04		
VoIP Basic Phone Set	per phone	\$18.09	\$22.08		
VoIP Standard Phone Set	per phone	\$22.53	\$27.50		
VoIP Enhanced Phone Set	per phone	\$24.80	\$30.28		
VoIP Receptionist Phone Set	per phone	\$57.93	\$70.72		
VoIP Conference Phone Set	per phone	\$35.63	\$43.49		
VoIP IMAC	per occurrence	\$10.00	\$12.21		
Unified Messaging Feature	per occurrence	\$1.75	\$2.14		
Attendant Console Feature	per occurrence	\$30.00	\$36.62		
-					
Voice - Audio and data conferencing					
Reservationless Audio Conferencing - Tier I	per minute	\$0.037	\$0.047	* \$0.06	-\$0.013
Reservationless Audio Conferencing - Tier II	per minute	\$0.034	\$0.043	* \$0.06	-\$0.017
Reservationless Audio Conferencing - Tier III	per minute	\$0.031	\$0.039	* \$0.06	-\$0.021
Operator Assisted Audio Conferencing	per minute	\$0.149	\$0.187		
Special Event Audio Conferencing	per minute	\$0.221	\$0.278		
Conference Record Option	per minute	\$0.032	\$0.040		
Audio Conferencing - No Show Fee	per participant	\$6.000	\$7.545		
Audio Conferencing - Approved Participant List	per participant	\$3.000	\$3.772		

Meeting Center Data Conferencing	per minute	\$0.161	\$0.202		
Meeting Center Data Conferencing - Tier I	per user	\$152.00	\$191.13		
Meeting Center Data Conferencing - Tier II	per user	\$128.00	\$160.95		
Meeting Center Data Conferencing - Tier III	per user	\$117.00	\$147.12		
Meeting Center Data Conferencing - Tier IV	per user	\$99.00	\$124.48		
Meeting Center Data Conferencing - Tier V	per user	\$93.00	\$116.94		
Meeting Center Data Conferencing - Tier VI	per user	\$87.00	\$109.40		
* \$0.06 per minute is the minimum charge customers incur today for audio teleconferencing assuming no additional features such as toll free or long distance are utilized.					
Wireless services - Verizon					
200 Anytime	per unit	\$28.34	\$34.60		
450 Anytime	per unit	\$32.39	\$39.54		
900 Anytime	per unit	\$48.59	\$59.32		
2,000 Anytime	per unit	\$80.99	\$98.87		
BB Unlimited WEB + 200 Anytime	per unit	\$74.21	\$90.60		
BB Unlimited WEB + 450 Anytime	per unit	\$78.26	\$95.54		
BB Unlimited WEB + 900 Anytime	per unit	\$94.46	\$115.32		
BB Unlimited WEB + 2,000 Anytime	per unit	\$126.86	\$154.87		
Unlimited wireless laptop or PDA	per unit	\$58.12	\$70.95		
Unlimited wireless laptop or PDA - Public Safety	per unit	\$48.59	\$59.32		
411 Directory Fee	per call	\$1.93	\$2.36		
BB Teathering feature	per unit	\$17.44	\$21.29		
Wireless services - AT&T					
450 Anytime	per unit	\$26.28	\$32.08	\$39.99	-\$7.91
900 Anytime	per unit	\$39.43	\$48.14	\$59.99	-\$11.85
2,000 Anytime	per unit	\$65.72	\$80.23	\$99.99	-\$19.76
BB Unlimited WEB + 450 Anytime	per unit	\$69.45	\$84.78	\$84.98	-\$0.20
BB Unlimited WEB + 900 Anytime	per unit	\$82.60	\$100.84	\$104.98	-\$4.14
BB Unlimited WEB + 2,000 Anytime	per unit	\$108.89	\$132.93	\$144.98	-\$12.05
Unlimited wireless laptop or PDA	per unit	\$55.79	\$68.11	\$69.99	-\$1.88
411 Directory Fee	per call	\$1.93	\$2.36	\$1.75	\$0.61
BB Teathering feature	per unit	\$23.24	\$28.37		
Wireless services - Spint / Nextel					
200 Anytime	per unit	\$22.76	\$27.79	\$25.49	\$2.30
450 Anytime	per unit	\$30.35	\$37.05		
900 Anytime	per unit	\$45.53	\$55.58	\$50.99	\$4.59
2,000 Anytime	per unit	\$75.90	\$92.66	\$84.99	\$7.67
Unlimited Anytime	per unit	\$156.39	\$190.92	\$169.99	\$20.93
BB Unlimited WEB + 200 Anytime	per unit	\$64.85	\$79.17	\$67.98	\$11.19
BB Unlimited WEB + 450 Anytime	per unit	\$72.44	\$88.43		
BB Unlimited WEB + 900 Anytime	per unit	\$87.62	\$106.97	\$93.48	\$13.49
BB Unlimited WEB + 2,000 Anytime	per unit	\$117.99	\$144.04	\$127.48	\$16.56
BB Unlimited WEB + Unlimited Anytime	per unit	\$198.48	\$242.30	\$212.48	\$29.82
Unlimited wireless laptop or PDA	per unit	\$47.65	\$58.17	\$59.99	-\$1.82
411 Directory Fee	per call	\$1.93	\$2.36		
Wireless overage fee - all plans	per minute	\$0.15	\$0.18	\$0.35	-\$0.17
Security					
Managed firewall – £10 Users / £45Mbps	per firewall	\$66.31	\$87.45		
Managed firewall – Unlimited Users / £45Mbps	per firewall	\$88.52	\$117.85		

Proposed VITA rates for new service offerings by Northrop Grumman

Services by Category	Unit of Measure	NG resource unit charge	NG fixed direct fees	NG shared services fees	NG account management fees	VITA administrative expenses	Proposed VITA rate	Current VITA rate where applicable
Personal Computers								
Standard Desktop - 5 year refresh - service option 1	per desktop	\$32.71	\$2.66	\$35.85	\$6.41	\$8.54	\$86.17	\$86.90
Standard Desktop - 5 year refresh - service option 2	per desktop	\$9.24	\$2.66	\$35.85	\$4.30	\$5.73	\$57.77	\$66.94
Standard Desktop - 5 year refresh - service option 3	per desktop	\$23.47	\$0.00	\$16.87	\$3.63	\$4.84	\$48.80	\$42.35
Premium Desktop - 5 year refresh - service option 1	per desktop	\$40.46	\$3.29	\$44.34	\$7.93	\$10.56	\$106.58	
Premium Desktop - 5 year refresh - service option 2	per desktop	\$9.24	\$2.66	\$35.85	\$4.30	\$5.73	\$57.77	
Premium Desktop - 5 year refresh - service option 3	per desktop	\$31.22	\$0.00	\$25.36	\$5.09	\$6.78	\$68.46	
Standard Laptop - 5 year refresh - service option 1	per laptop	\$41.03	\$3.34	\$44.97	\$8.04	\$10.71	\$108.09	\$121.99
Standard Laptop - 5 year refresh - service option 2	per laptop	\$9.73	\$3.34	\$44.97	\$5.22	\$6.96	\$70.22	\$85.33
Standard Laptop - 5 year refresh - service option 3	per laptop	\$31.30	\$0.00	\$25.45	\$5.11	\$6.80	\$68.66	\$62.59
Premium Laptop - 5 year refresh - service option 1	per laptop	\$48.72	\$3.96	\$53.40	\$9.55	\$12.72	\$128.34	
Premium Laptop - 5 year refresh - service option 2	per laptop	\$9.73	\$3.34	\$44.97	\$5.22	\$6.96	\$70.22	
Premium Laptop - 5 year refresh - service option 3	per laptop	\$38.99	\$0.00	\$33.88	\$6.56	\$8.74	\$88.16	
Peripheral bundle for laptops	per bundle	\$9.97	\$0.40	\$0.00	\$0.93	\$1.24	\$12.55	
PC Encryption	per PC	\$14.95	\$0.61	\$0.00	\$1.40	\$1.87	\$18.83	
Data Network								
Managed Router – 64Kbps	per router	\$188.58	\$16.97	\$0.00	\$18.50	\$24.65	\$248.70	
Managed Router – 128Kbps	per router	\$569.80	\$51.28	\$0.00	\$55.90	\$74.47	\$751.45	
Managed Router – 256Kbps	per router	\$600.74	\$54.07	\$0.00	\$58.93	\$78.51	\$792.25	
Managed Router – 512Kbps	per router	\$625.79	\$56.32	\$0.00	\$61.39	\$81.79	\$825.29	
Managed Router – 768Kbps	per router	\$813.57	\$73.22	\$0.00	\$79.81	\$106.33	\$1,072.93	
Managed Router – 1.536Mbps	per router	\$940.28	\$84.63	\$0.00	\$92.24	\$122.89	\$1,240.03	
Managed Router – 3.072Mbps	per router	\$1,945.34	\$175.08	\$0.00	\$190.84	\$254.24	\$2,565.50	
Managed Router – 6.144Mbps	per router	\$3,123.97	\$281.16	\$0.00	\$306.46	\$408.27	\$4,119.86	
Managed Router – 45Mbps	per router	\$5,370.73	\$483.37	\$0.00	\$526.87	\$701.91	\$7,082.87	
Voice - VOIP								
VoIP Service Initiation	per install	\$50.00	\$0.00	\$0.00	\$4.50	\$6.54	\$61.04	
VoIP Basic Phone Set	per phone	\$18.09	\$0.00	\$0.00	\$1.63	\$2.37	\$22.08	
VoIP Standard Phone Set	per phone	\$22.53	\$0.00	\$0.00	\$2.03	\$2.95	\$27.50	
VoIP Enhanced Phone Set	per phone	\$24.80	\$0.00	\$0.00	\$2.23	\$3.24	\$30.28	
VoIP Receptionist Phone Set	per phone	\$57.93	\$0.00	\$0.00	\$5.21	\$7.58	\$70.72	

Proposed VITA rates for new service offerings by Northrop Grumman

Services by Category	Unit of Measure	NG resource unit charge	NG fixed direct fees	NG shared services fees	NG account management fees	VITA administrative expenses	Proposed VITA rate	Current VITA rate where applicable
VoIP Conference Phone Set	per phone	\$35.63	\$0.00	\$0.00	\$3.21	\$4.66	\$43.49	
VoIP IMAC	per occurrence	\$10.00	\$0.00	\$0.00	\$0.90	\$1.31	\$12.21	
Unified Messaging Feature	per occurrence	\$1.75	\$0.00	\$0.00	\$0.16	\$0.23	\$2.14	
Attendant Console Feature	per occurrence	\$30.00	\$0.00	\$0.00	\$2.70	\$3.92	\$36.62	
Voice - Audio and data conferencing								
Reservationless Audio Conferencing - Tier I	per minute	\$0.037	\$0.00	\$0.0011	\$0.0034	\$0.0050	\$0.047	* \$0.06
Reservationless Audio Conferencing - Tier II	per minute	\$0.034	\$0.00	\$0.0010	\$0.0032	\$0.0046	\$0.043	* \$0.06
Reservationless Audio Conferencing - Tier III	per minute	\$0.031	\$0.00	\$0.0009	\$0.0029	\$0.0042	\$0.039	* \$0.06
Operator Assisted Audio Conferencing	per minute	\$0.149	\$0.00	\$0.0045	\$0.0138	\$0.0201	\$0.187	
Special Event Audio Conferencing	per minute	\$0.221	\$0.00	\$0.0066	\$0.0205	\$0.0298	\$0.278	
Conference Record Option	per minute	\$0.032	\$0.00	\$0.0010	\$0.0030	\$0.0043	\$0.040	
Audio Conferencing - No Show Fee	per participant	\$6.000	\$0.00	\$0.1800	\$0.5562	\$0.8083	\$7.545	
Audio Conferencing - Approved Participant List	per participant	\$3.000	\$0.00	\$0.0900	\$0.2781	\$0.4042	\$3.772	
Meeting Center Data Conferencing	per minute	\$0.161	\$0.00	\$0.0048	\$0.0149	\$0.0217	\$0.202	
Meeting Center Data Conferencing - Tier I	per user	\$152.00	\$0.00	\$4.5600	\$14.0904	\$20.4780	\$191.13	
Meeting Center Data Conferencing - Tier II	per user	\$128.00	\$0.00	\$3.8400	\$11.8656	\$17.2447	\$160.95	
Meeting Center Data Conferencing - Tier III	per user	\$117.00	\$0.00	\$3.5100	\$10.8459	\$15.7627	\$147.12	
Meeting Center Data Conferencing - Tier IV	per user	\$99.00	\$0.00	\$2.9700	\$9.1773	\$13.3377	\$124.48	
Meeting Center Data Conferencing - Tier V	per user	\$93.00	\$0.00	\$2.7900	\$8.6211	\$12.5293	\$116.94	
Meeting Center Data Conferencing - Tier VI	per user	\$87.00	\$0.00	\$2.6100	\$8.0649	\$11.7210	\$109.40	
* \$0.06 per minute is the minimum charge customers incur today for audio teleconferencing assuming no additional features such as toll free or long distance are utilized.								
Wireless services - Verizon								
200 Anytime	per unit	\$28.34	\$0.00	\$0.00	\$2.55	\$3.71	\$34.60	
450 Anytime	per unit	\$32.39	\$0.00	\$0.00	\$2.92	\$4.24	\$39.54	
900 Anytime	per unit	\$48.59	\$0.00	\$0.00	\$4.37	\$6.36	\$59.32	
2,000 Anytime	per unit	\$80.99	\$0.00	\$0.00	\$7.29	\$10.59	\$98.87	
BB Unlimited WEB + 200 Anytime	per unit	\$74.21	\$0.00	\$0.00	\$6.68	\$9.71	\$90.60	
BB Unlimited WEB + 450 Anytime	per unit	\$78.26	\$0.00	\$0.00	\$7.04	\$10.24	\$95.54	
BB Unlimited WEB + 900 Anytime	per unit	\$94.46	\$0.00	\$0.00	\$8.50	\$12.36	\$115.32	
BB Unlimited WEB + 2,000 Anytime	per unit	\$126.86	\$0.00	\$0.00	\$11.42	\$16.59	\$154.87	
Unlimited wireless laptop or PDA	per unit	\$58.12	\$0.00	\$0.00	\$5.23	\$7.60	\$70.95	

Proposed VITA rates for new service offerings by Northrop Grumman

Services by Category	Unit of Measure	NG resource unit charge	NG fixed direct fees	NG shared services fees	NG account management fees	VITA administrative expenses	Proposed VITA rate	Current VITA rate where applicable
Unlimited wireless laptop or PDA - Public Safety	per unit	\$48.59	\$0.00	\$0.00	\$4.37	\$6.36	\$59.32	
411 Directory Fee	per call	\$1.93	\$0.00	\$0.00	\$0.17	\$0.25	\$2.36	
BB Teathering feature	per unit	\$17.44	\$0.00	\$0.00	\$1.57	\$2.28	\$21.29	
Wireless services - AT&T								
450 Anytime	per unit	\$26.28	\$0.00	\$0.00	\$2.37	\$3.44	\$32.08	\$39.99
900 Anytime	per unit	\$39.43	\$0.00	\$0.00	\$3.55	\$5.16	\$48.14	\$59.99
2,000 Anytime	per unit	\$65.72	\$0.00	\$0.00	\$5.91	\$8.60	\$80.23	\$99.99
BB Unlimited WEB + 450 Anytime	per unit	\$69.45	\$0.00	\$0.00	\$6.25	\$9.08	\$84.78	\$84.98
BB Unlimited WEB + 900 Anytime	per unit	\$82.60	\$0.00	\$0.00	\$7.43	\$10.80	\$100.84	\$104.98
BB Unlimited WEB + 2,000 Anytime	per unit	\$108.89	\$0.00	\$0.00	\$9.80	\$14.24	\$132.93	\$144.98
Unlimited wireless laptop or PDA	per unit	\$55.79	\$0.00	\$0.00	\$5.02	\$7.30	\$68.11	\$69.99
411 Directory Fee	per call	\$1.93	\$0.00	\$0.00	\$0.17	\$0.25	\$2.36	\$1.75
BB Teathering feature	per unit	\$23.24	\$0.00	\$0.00	\$2.09	\$3.04	\$28.37	
Wireless services - Spint / Nextel								
200 Anytime	per unit	\$22.76	\$0.00	\$0.00	\$2.05	\$2.98	\$27.79	\$25.49
450 Anytime	per unit	\$30.35	\$0.00	\$0.00	\$2.73	\$3.97	\$37.05	
900 Anytime	per unit	\$45.53	\$0.00	\$0.00	\$4.10	\$5.96	\$55.58	\$50.99
2,000 Anytime	per unit	\$75.90	\$0.00	\$0.00	\$6.83	\$9.93	\$92.66	\$84.99
Unlimited Anytime	per unit	\$156.39	\$0.00	\$0.00	\$14.08	\$20.46	\$190.92	\$169.99
BB Unlimited WEB + 200 Anytime	per unit	\$64.85	\$0.00	\$0.00	\$5.84	\$8.48	\$79.17	\$67.98
BB Unlimited WEB + 450 Anytime	per unit	\$72.44	\$0.00	\$0.00	\$6.52	\$9.48	\$88.43	
BB Unlimited WEB + 900 Anytime	per unit	\$87.62	\$0.00	\$0.00	\$7.89	\$11.46	\$106.97	\$93.48
BB Unlimited WEB + 2,000 Anytime	per unit	\$117.99	\$0.00	\$0.00	\$10.62	\$15.43	\$144.04	\$127.48
BB Unlimited WEB + Unlimited Anytime	per unit	\$198.48	\$0.00	\$0.00	\$17.86	\$25.96	\$242.30	\$212.48
Unlimited wireless laptop or PDA	per unit	\$47.65	\$0.00	\$0.00	\$4.29	\$6.23	\$58.17	\$59.99
411 Directory Fee	per call	\$1.93	\$0.00	\$0.00	\$0.17	\$0.25	\$2.36	
Wireless overage fee - all plans	per minute	\$0.15	\$0.00	\$0.0000	\$0.01	\$0.02	\$0.18	\$0.35
Security								
Managed firewall – ≤10 Users / ≤45Mbps	per firewall	\$66.31	\$5.97	\$0.00	\$6.51	\$8.67	\$87.45	
Managed firewall – Unlimited Users / ≤45Mbps	per firewall	\$88.52	\$7.97	\$1.00	\$8.68	\$11.68	\$117.85	

Summary of VITA miscellaneous rate proposals

Service	Unit of Measure	Proposed Rate
Citrix	per user	\$62.70
Juniper firewall	per firewall	\$314.00
File and print	per customer	\$330.00
Unix virtual server	per server	\$684.00
Unix / Oracle virtual server	per server	\$1,418.00
Web hosting	per website	\$45.40

Rate development worksheet for Citrix service

<u>Direct Expenses</u>	<u>1 Time</u>	<u>Annual</u>
Facilities (space)		\$ 9.27
Electrical		\$ 369.98
Cooling		\$ 89.62
Personnel	\$ -	\$ 2,905.35
Misc. Expenses	\$ 5,784.22	\$ 3,240.00
Hardware	\$ 7,250.00	\$ -
Software	\$ 28,496.64	\$ 8,442.80

Sub Total Direct Expenses \$ 41,530.86 \$ 15,057.01

Indirect Expenses

One time indirect expenses	\$ 3,696.25	
Recurring indirect expenses		\$ 6,584.00

Rated Services

(disk, backup, storage, vaulting, switch ports) \$ 14,457.60

Total Expense to Recover \$ 45,227 \$ 36,099

Total Recurring Monthly Expenses \$ 3,762

Requested rate based on 60 users **\$ 62.70**

***** End of Worksheet *****

Rate development worksheet for Juniper virtual firewall service

<u>Direct Expenses</u>	<u>1 Time</u>	<u>Annual</u>
Facilities (space)		\$ 17.72
Electrical		\$ 674.26
Cooling		\$ 163.32
Personnel	\$ -	\$12,724
Misc. Expenses	\$ 994.77	\$ 7,860.00
Hardware	\$ 113,093.27	\$ 24,600.00
Software	\$ 113,094.11	\$ 2,100.24

Sub Total Direct Expenses **\$ 227,182.15** **\$ 48,139.19**

Indirect Expenses

One time indirect expenses	\$ 20,219.21	
Recurring indirect expenses		\$ 21,050.00

Rated Services

Switchports		\$ 32,160.00
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Total expense to Recover **\$ 247,401** **\$ 101,349**

Total Recurring Monthly expenses to recover **\$ 12,569**

Requested rate based on 40 virtual firewalls **\$ 314**

******* End of Worksheet *******

Rate development worksheet for Unix Virtual Servers (containers)

<u>Direct Expenses</u>	<u>1 Time</u>	<u>Year 1</u>
Facilities (space)		\$195
Electrical		\$891
Cooling		\$216
Personnel	\$5,499	\$4,124
Hardware	\$49,251	\$9,850
Software	\$7,360	\$440
Misc.	\$0	\$0
Sub Total Direct Expense	<u>\$ 62,110</u>	<u>\$ 15,717</u>

Shared and Indirect Expenses (Based on Direct Expense ratio)

One time indirect expenses	\$5,528	
Recurring indirect expenses		\$7,321
Rated Services		
2 switch ports	\$ -	\$ 6,432.00
Total Cost to Recover	<u>\$ 67,638</u>	<u>\$ 29,470</u>

Recurring Monthly Expenses (for 4 containers)	<u>\$ 2,738</u>
Monthly Charge per container	<u>\$ 684</u>

***** End of Worksheet *****

Notes:

1 Domain consists of 4 processors. Each processor can accommodate 4 virtual containers.

One time expenses were developed relative to one domain. Recurring expenses were developed relative to one processor. Customer charges (rate) will be per one container.

Rate calculation based on expenses as follows:

One-time expenses spread over 5 year recovery period.

Annualized one-time (domain) expenses / 4 = per processor expenses / 4 = per container charge.

Rate development worksheet for Unix virtual servers - Oracle containers

<u>Direct Expenses</u>	<u>1 Time</u>	<u>Year 1</u>
Facilities (space)		\$195
Electrical		\$891
Cooling		\$216
Personnel	\$7,681	\$10,490
Hardware	\$49,251	\$5,256
Software	\$138,140	\$10,305
Misc. Expenses	\$0	\$0
<u>Sub Total Direct Expense</u>	<u>\$195,072</u>	<u>\$27,353</u>

Shared and Indirect Expenses (Based on Direct Expense ratio)

one time indirect expenses	\$17,361	
recurring indirect expenses		\$12,741
Rated Services		
2 switch ports	\$ -	\$ 6,432.00
<u>Total Cost to Recover</u>	<u>\$212,433</u>	<u>\$57,456</u>

Recurring Monthly Expenses (for 4 containers)	\$5,673
 Monthly Charge per container	\$1,418

***** End of Worksheet *****

Notes:

1 Domain consists of 4 processors. Each processor can accommodate 4 virtual containers.

One time expenses were developed relative to one domain. Recurring expenses were developed relative to one processor. Customer charges (rate) will be per one container.

Rate calculation based on expenses as follows:

One-time expenses spread over 5 year recovery period.

Annualized one-time (domain) expenses / 4 = per processor expenses / 4 = per container charge.

Rate development worksheet for Windows - Web - Hosting

<u>Direct Expenses</u>	<u>1 Time</u>	<u>Year 1</u>
Facilities (space)		\$ 9.27
Electrical		\$ 422.83
Cooling		\$ 102.42
Personnel	\$1,051	\$5,254
Misc. Expenses	\$ 884.22	\$ -
Hardware	\$ 9,790.00	\$ 979.00
Software	\$ 4,708.00	\$ 1,265.60
<u>Sub Total Direct Expense</u>	<u>\$ 16,432.97</u>	<u>\$ 8,032.87</u>

Indirect expenses

one-time indirect expenses	\$ 1,462.53	
annual recurring indirect expenses		\$ 3,741.82

Rated Services \$ 6,436.17

Total one time expenses \$ 17,895.50

Total Annual Recurring expenses \$ 18,210.86

Recurring Monthly Expenses \$ 1,815.83

Monthly charge based on 40 instances **\$ 45.40**

***** End of Worksheet *****

VITA Revenue Impact

Projected Impact on VITA Revenue

Desktops	-\$2,237,028
Laptops	-\$2,320,596
Audio conferencing	-\$700,000
Pass thru surcharge	-\$200,000
Peripheral bundles	\$1,656,600
PC Encryption	\$4,752
	<u>-\$3,796,272</u>

Customer Agency Impact

		Monthly										Annualized		
Agy Num	Agency Name	Desktops				Laptops ***				PC Encryption			Projected	Projected
		Service Option	Asset Count	Current Charges	Proposed Charges	Service Option	Asset Count	Current Charges	Proposed Charges	Quantity	Current Charges	Proposed Charges	Agency Impact	Agency Impact
0120	Governor's Office	01	187	\$16,250.30	\$16,113.79	01	24	\$2,927.76	\$2,594.16				-\$470.11	-\$5,641
0122	Department of Planning a	01	86	\$7,473.40	\$7,410.62	01	9	\$1,097.91	\$972.81				-\$187.88	-\$2,255
0123	Department of Military Aff	01	85	\$7,386.50	\$7,324.45	01	8	\$975.92	\$864.72				-\$173.25	-\$2,079
0127	Department of Emergenc	01	83	\$7,212.70	\$7,152.11	01	111	\$13,540.89	\$11,997.99				-\$1,603.49	-\$19,242
0129	Department of Human Re	01	185	\$16,076.50	\$15,941.45	01	48	\$5,855.52	\$5,188.32				-\$802.25	-\$9,627
0132	State Board of Elections	01	55	\$4,779.50	\$4,739.35	01	31	\$3,781.69	\$3,350.79	6	\$97.68	\$112.98	-\$455.75	-\$5,469
0140	Department of Criminal Ji	01	70	\$6,083.00	\$6,031.90	01	93	\$11,345.07	\$10,052.37				-\$1,343.80	-\$16,126
0146	The Science Museum of '	01	44	\$3,823.60	\$3,791.48	01	5	\$609.95	\$540.45				-\$101.62	-\$1,219
0148	Virginia Commission for tl	01	7	\$608.30	\$603.19	01	3	\$365.97	\$324.27				-\$46.81	-\$562
0151	Department of Accounts	01	141	\$12,252.90	\$12,149.97	01	28	\$3,415.72	\$3,026.52				-\$492.13	-\$5,906
0152	Department of the Treasu	01	107	\$9,298.30	\$9,220.19	01	65	\$7,929.35	\$7,025.85				-\$981.61	-\$11,779
0154	Department of Motor Veh	01	1953	\$169,715.70	\$168,290.01	01	360	\$43,916.40	\$38,912.40				-\$6,429.69	-\$77,156
0154	Department of Motor Veh	02	1419	\$94,987.86	\$81,975.63	02	69	\$5,887.77	\$4,845.18				-\$14,054.82	-\$168,658
0156	Department of State Polic	01	1167	\$101,412.30	\$100,560.39	01	645	\$78,683.55	\$69,718.05				-\$9,817.41	-\$117,809
0157	Compensation Board	01	39	\$3,389.10	\$3,360.63	01	12	\$1,463.88	\$1,297.08				-\$195.27	-\$2,343
0161	Department of Taxation	01	996	\$86,552.40	\$85,825.32	01	435	\$53,065.65	\$47,019.15				-\$6,773.58	-\$81,283
0163	Department for the Aging	01	13	\$1,129.70	\$1,120.21	01	7	\$853.93	\$756.63				-\$106.79	-\$1,281
0163	Department for the Aging	02	4	\$267.76	\$231.08	02	9	\$767.97	\$631.98				-\$172.67	-\$2,072
0165	Department of Housing a	01	68	\$5,909.20	\$5,859.56	01	107	\$13,052.93	\$11,565.63	1	\$16.28	\$18.83	-\$1,534.39	-\$18,413
0170	Human Rights Council	01	7	\$608.30	\$603.19								-\$5.11	-\$61
0173	Department of Charitable	01	23	\$1,998.70	\$1,981.91	01	18	\$2,195.82	\$1,945.62				-\$266.99	-\$3,204
0181	Department of Labor and	01	173	\$15,033.70	\$14,907.41	01	46	\$5,611.54	\$4,972.14				-\$765.69	-\$9,188
0182	Virginia Employment Con	01	1	\$86.90	\$86.17	01	1	\$121.99	\$108.09				-\$14.63	-\$176
0182	Virginia Employment Con	02	2159	\$144,523.46	\$124,725.43	02	204	\$17,407.32	\$14,324.88				-\$22,880.47	-\$274,566
0194	Department of General Si	01	583	\$50,662.70	\$50,237.11	01	172	\$20,982.28	\$18,591.48	1	\$16.28	\$18.83	-\$2,813.84	-\$33,766
0199	Department of Conservat	01	600	\$52,140.00	\$51,702.00	01	213	\$25,983.87	\$23,023.17				-\$3,398.70	-\$40,784
0201	Department of Education	01	441	\$38,322.90	\$38,000.97	01	67	\$8,173.33	\$7,242.03				-\$1,253.23	-\$15,039
0202	The Library of Virginia	01	252	\$21,898.80	\$21,714.84	01	14	\$1,707.86	\$1,513.26				-\$378.56	-\$4,543
0203	Woodrow Wilson Rehabil	01	10	\$869.00	\$861.70	01	9	\$1,097.91	\$972.81				-\$132.40	-\$1,589
0203	Woodrow Wilson Rehabil	02	260	\$17,404.40	\$15,020.20	02	41	\$3,498.53	\$2,879.02				-\$3,003.71	-\$36,045
0218	Virginia School for Deaf a	01	202	\$17,553.80	\$17,406.34	01	5	\$609.95	\$540.45				-\$216.96	-\$2,604
0219	Virginia School for Deaf, I	01	89	\$7,734.10	\$7,669.13	01	9	\$1,097.91	\$972.81				-\$190.07	-\$2,281
0222	Department of Profession	01	238	\$20,682.20	\$20,508.46	01	71	\$8,661.29	\$7,674.39				-\$1,160.64	-\$13,928
0223	Department of Health Prc	01	236	\$20,508.40	\$20,336.12	01	72	\$8,783.28	\$7,782.48				-\$1,173.08	-\$14,077
0223	Department of Health Prc	02	2	\$133.88	\$115.54	02	1	\$85.33	\$70.22				-\$33.45	-\$401
0226	Board of Accountancy	01	6	\$521.40	\$517.02	01	2	\$243.98	\$216.18				-\$32.18	-\$386
0232	Department of Minority Bi	01	16	\$1,390.40	\$1,378.72	01	5	\$609.95	\$540.45				-\$81.18	-\$974
0238	Virginia Museum of Fine ,	01	255	\$22,159.50	\$21,973.35	01	28	\$3,415.72	\$3,026.52				-\$575.35	-\$6,904
0239	Frontier Culture Museum	01	25	\$2,172.50	\$2,154.25	01	5	\$609.95	\$540.45				-\$87.75	-\$1,053
0245	State Council of Higher E	01	50	\$4,345.00	\$4,308.50	01	29	\$3,537.71	\$3,134.61				-\$439.60	-\$5,275
0262	Department of Rehabilita	02	325	\$21,755.50	\$18,775.25	02	336	\$28,670.88	\$23,593.92				-\$8,057.21	-\$96,687
0301	Department of Agriculture	01	365	\$31,718.50	\$31,452.05	01	209	\$25,495.91	\$22,590.81				-\$3,171.55	-\$38,059
0325	Department of Business /	01	28	\$2,433.20	\$2,412.76	01	35	\$4,269.65	\$3,783.15				-\$506.94	-\$6,083
0400	Jamestown 2007	02	10	\$669.40	\$577.70	02	10	\$853.30	\$702.20				-\$242.80	-\$2,914
0402	Marine Resources Comm	01	109	\$9,472.10	\$9,392.53	01	46	\$5,611.54	\$4,972.14				-\$718.97	-\$8,628
0403	Department of Game and	01	1	\$86.90	\$86.17								-\$0.73	-\$9
0403	Department of Game and	02	205	\$13,722.70	\$11,842.85	02	385	\$32,852.05	\$27,034.70				-\$7,697.20	-\$92,366
0405	Virginia Racing Commiss	01	18	\$1,564.20	\$1,551.06	01	3	\$365.97	\$324.27				-\$54.84	-\$658

Customer impact of proposed rates submitted to JLARC – November 2007

Comments concerning the financial impact on VITA customers relative to new and changed service rate requests is divided into three sections: (1) new rates being sought for services VITA currently provides; (2) new rates for new services VITA proposes to provide; and (3) changes to existing rates based on new or modified service offerings, or resulting from recalculations. In most cases, the new services offered are not mandatory. Customers will have the ability to choose these new services as they deem beneficial to their respective operations.

1.1 Citrix Application Publishing (CAP) at VITA

VITA is not currently charging any customers for this service. Customer use of this service is not mandated.

1.2 Directory, File, and Print Services at VITA

VITA is not currently charging any customers for this service. Customer use of this service is not mandated.

1.3 Juniper Virtual Fire Walls at VITA

VITA is not currently charging any customers for this service. Customer use of this service is not mandated.

1.4 Unix Virtual Servers at VITA

VITA is not currently charging any customers for this service. Customer use of this service is not mandated.

1.5 Web Hosting at VITA

VITA is not currently charging any customers for this service. Customer use of this service is not mandated.

2.0 Rate proposals for new services

2.1 Managed Router Service

VITA is not currently charging any customers for this service. Customer use of this service is not mandated.

2.2 Managed Firewall Service

VITA is not currently charging any customers for this service. Customer use of this service is not mandated.

2.3 Voice Over Internet Protocol (VOIP) service

VITA is not currently charging any customers for this service. Customer use of this service is not mandated.

2.4 Premium desktops and laptops

VITA is not currently charging any customers for this service. Customer use of this service is not mandated. VITA does not anticipate instituting premium desktop or laptop charges for any existing equipment. As a result of calculating these new premium rates, we also recalculated the existing rates for standard desktops and laptops across all 3 service options as defined below.

Service option 1 – Full service

Service option 2 – Excludes the purchase price component of an asset

Service option 3 – Excludes the direct (labor) support associated with an asset

2.5 Laptop peripheral items (bundle)

VITA is not currently charging any customers for this service. VITA will begin charging for these items in conjunction with reduced standard laptops rates proposed within this package. A detailed accounting for these devices is not currently available. Northrop Grumman is attempting to extract this information from the physical inventory data collected earlier this year. Once available, this information can be factored into the agency impact analysis spreadsheet.

2.6 PC encryption service

The encryption service has been provided to 16 customers to-date. VITA began charging these customers based on a Memorandum of Understanding with each customer. The amount charged was based on an estimate of the expected fully burdened cost of providing the service. Northrop Grumman has since provided VITA with a resource unit price for the service. There will be a minimal agency impact as depicted in the attached spreadsheet.

3.0 Proposed adjustments to service offerings and/or existing rates

3.1 Standard desktops and laptops

The projected agency impact of rate changes for standard desktops and laptops is depicted in the attached spreadsheet. The following notes should also be considered in the evaluation of agency impact.

While the rate for a standard laptop was significantly reduced, customer savings will be offset by introducing the new “peripheral bundle” rate for laptops that include a docking station, monitor, keyboard and mouse.

While the rate for service option 2 desktops and laptops is notably reduced, many of these assets will be converted to service option 1 upon refresh which is scheduled to occur over the next several months.

3.2 Pass through surcharge for non-standard and incremental items

Customer demand for products and services provided on a pass thru basis is not predictable, therefore no customer impact can be performed.

3.3 Audio and data conferencing services

Customer demand for audio and data conferencing services is not predictable, therefore no customer impact can be performed.

3.4 Proposed wireless (cellular) service plans

There is not a one to one alignment of new plans offered as compared with existing plans. Customers will be required to choose the plan that best meets their needs on a case by case basis, therefore no customer impact can be performed.



**Virginia Information Technologies Agency
Combining Balance Sheet
Internal Service Funds
June 30, 2007**

Program (Layout): RPT8001

	<u>Out-of-Scope Services</u>	<u>Computer Services</u>	<u>Telecommunications</u>	<u>Totals 2007</u>
Assets				
Current Assets:				
Cash with Treasurer of Virginia	\$ (1,214,856.72)	\$ 7,786,871.42	\$ 17,165,464.47	\$ 23,737,479.17
Petty Cash and Travel Advances	800.00	6,400.00	800.00	8,000.00
Accounts Receivable	86,327.41	16,895,553.75	10,722,633.73	27,704,514.89
Due From Other Funds	-	-	-	-
Due from Commonwealth of Virginia	-	-	-	-
Investments	-	-	-	-
Prepaid Expenses	-	356,442.43	11,493.01	367,935.44
Total Current Assets	<u>(1,127,729.31)</u>	<u>25,045,267.60</u>	<u>27,900,391.21</u>	<u>51,817,929.50</u>
Noncurrent Assets				
Depreciable Capital Assets, Net	120,232.88	25,007,732.24	527,592.85	25,655,557.97
Total Assets	<u>\$ (1,007,496.43)</u>	<u>\$ 50,052,999.84</u>	<u>\$ 28,427,984.06</u>	<u>\$ 77,473,487.47</u>
Liabilities				
Current Liabilities:				
Accounts payable	\$ 240,220.82	\$ 16,778,898.25	\$ 6,103,685.56	\$ 23,122,804.63
Interest Payable	-	77,639.12	-	77,639.12
Capital Lease Obligations	-	994,206.16	-	994,206.16
Due to Other Funds	-	-	-	-
Due to Other Agencies	-	-	-	-
Notes Payable	-	(0.00)	308,233.65	308,233.65
Advances from Treasurer of Virginia	-	-	-	-
Accrued Compensated Absences	65,958.00	1,362,859.21	307,291.00	1,736,108.21
Deferred Contract Revenue	-	-	-	-
Other Deferred Revenue	88,849.49	15,999,998.86	400,928.90	16,489,777.25
Due to Federal Government	-	145,925.00	36,481.00	182,406.00
Other Liabilities	-	-	-	-
Total Current Liabilities	<u>395,028.31</u>	<u>35,359,526.60</u>	<u>7,156,620.11</u>	<u>42,911,175.02</u>
Noncurrent Liabilities:				
Notes Payable	-	-	146,236.05	146,236.05
Accrued Compensated Absences	41,950.60	1,347,390.56	402,349.47	1,791,690.63
Capital Lease Obligations	-	4,915,960.95	-	4,915,960.95
Deferred Contract Revenue	-	-	-	-
Total Noncurrent Liabilities	<u>41,950.60</u>	<u>6,263,351.51</u>	<u>548,585.52</u>	<u>6,853,887.63</u>
Total Liabilities	<u>436,978.91</u>	<u>41,622,878.11</u>	<u>7,705,205.63</u>	<u>49,765,062.65</u>
Net Assets				
Investment in Capital Assets, Net of Related Debt	120,232.88	19,097,565.13	73,123.15	19,290,921.16
Unrestricted	(1,564,708.22)	(10,667,443.40)	20,649,655.28	8,417,503.66
Total Net Assets	<u>(1,444,475.34)</u>	<u>8,430,121.73</u>	<u>20,722,778.43</u>	<u>27,708,424.82</u>
Total Liabilities and Net Assets	<u>\$ (1,007,496.43)</u>	<u>\$ 50,052,999.84</u>	<u>\$ 28,427,984.06</u>	<u>\$ 77,473,487.47</u>

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Virginia Information Technologies Agency
Combining Statement of Revenues, Expenses,
and Changes in Net Assets
Internal Service Funds
For the Period Ended: June 30, 2007

Program (Layout): RPT8039

	<u>Enterprise Solutions</u>	<u>Computer Services</u>	<u>Telecommunications</u>	<u>Totals 2007</u>
Operating Revenues				
Charges for Services	\$ 536,181.58	\$ 195,194,391.72	\$ 69,229,715.24	\$ 264,960,288.54
Total Operating Revenues	<u>536,181.58</u>	<u>195,194,391.72</u>	<u>69,229,715.24</u>	<u>264,960,288.54</u>
Operating Expenses				
Personal Expenses	1,707,245.25	24,819,134.04	4,061,651.49	30,588,030.78
Contractual Services	517,334.46	147,996,787.78	59,049,824.57	207,563,946.81
Supplies and Materials	15,395.88	879,580.48	19,541.66	914,518.02
Educational Assistance and Transfer Payments	1,974.39	37,415.44	2,044.71	41,434.54
Rent, Insurance & Other Related Charges	102,174.28	6,467,296.60	542,174.88	7,111,645.76
Depreciation	22,007.43	11,704,914.16	1,877,667.93	13,604,589.52
Expendable Equipment/Improvements	4,540.92	6,664,321.76	5,639.24	6,674,501.92
Total Operating Expenses	<u>2,370,672.61</u>	<u>198,569,450.26</u>	<u>65,558,544.48</u>	<u>266,498,667.35</u>
Operating Income (Loss)	<u>(1,834,491.03)</u>	<u>(3,375,058.54)</u>	<u>3,671,170.76</u>	<u>(1,538,378.81)</u>
Nonoperating Revenues(Expenses)				
Interest	(7.52)	(32,707.75)	(25,739.31)	(58,454.58)
Depreciation	-	(3,567,634.67)	-	(3,567,634.67)
Reimbursement to Federal Government	-	80,128.00	15,355.00	95,483.00
Revenue from the Sale of Recyclable Materials	261.25	4,933.57	247.89	5,442.71
Realized Gain -- Assets	-	3,648,468.18	-	3,648,468.18
Proceed from Insurance Recoveries	-	-	-	-
Sale of Surplus Property	-	196.93	-	196.93
Loss on Fixed Asset Disposal	-	(105,794.85)	-	(105,794.85)
Total Nonoperating Expenses	<u>253.73</u>	<u>27,589.41</u>	<u>(10,136.42)</u>	<u>17,706.72</u>
Income (Loss) Before Transfers	<u>(1,834,237.30)</u>	<u>(3,347,469.13)</u>	<u>3,661,034.34</u>	<u>(1,520,672.09)</u>
Transfers				
Transfers from Other Funds	-	-	-	-
Transfers to the General Fund of the Commonwealth	(25,709.81)	(456,298.60)	(22,390.57)	(504,398.98)
Transfers from the General Fund of the Commonwealth	-	-	-	-
Total Transfers	<u>(25,709.81)</u>	<u>(456,298.60)</u>	<u>(22,390.57)</u>	<u>(504,398.98)</u>
Increase (Decrease) in Net Assets	<u>(1,859,947.11)</u>	<u>(3,803,767.73)</u>	<u>3,638,643.77</u>	<u>(2,025,071.07)</u>
Total Net Assets, July 1	<u>415,471.77</u>	<u>12,233,889.46</u>	<u>17,084,134.66</u>	<u>29,733,495.89</u>
Total Net Assets, June 30	<u>\$ (1,444,475.34)</u>	<u>\$ 8,430,121.73</u>	<u>\$ 20,722,778.43</u>	<u>\$ 27,708,424.82</u>

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