



COMMONWEALTH of VIRGINIA

*Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building, Capitol Square
Richmond, Virginia 23219*

*Philip A. Leone
Director*

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MINUTES

June 13, 2005

Attending

JLARC Members: Delegate Lacey E. Putney, Chairman; Senator Thomas K. Norment, Vice-Chairman; Delegate Vincent Callahan; Senator John H. Chichester; Senator Charles J. Colgan; Delegate Kirkland Cox; Delegate Morgan Griffith; Delegate Frank Hargrove; Delegate Johnny Joannou; Delegate Dwight Jones; Delegate Harry J. Parrish; Senator Walter Stosch; and Mr. Walter J. Kucharski, Ex Officio.

JLARC Staff: Phil Leone, Director; Glen Tittermary, Deputy Director; Janice Baab, Trish Bishop, Hal Greer, Joan Irby, Jennifer Jenkins, John Long, Greg Rest, Bob Rotz, Walt Smiley, and Jennifer Breidenbaugh.

Others: Austin Matthews, Chief Financial Officer for VITA; Hiram Johnson, Information Technology Investment Board member; Bryan Wagner, DGS; and Paul Van Lenten, House Appropriations Committee staff.

The meeting was called to order at 10:05 a.m. by Delegate Putney, Chairman. Delegate Putney recognized Mr. Phil Leone, staff Director, who provided an overview of the meeting agenda (Enclosure 1). Mr. Leone introduced a new member of the JLARC staff, Ms. Jenny Breidenbaugh, to the Commission. Delegate Putney welcomed Ms. Breidenbaugh to the staff.

For the first agenda item, Mr. Leone informed the Commission that due to a family emergency, Mr. Lem Stewart would not be available to give the planned presentation on the Virginia Information Technologies Agency (VITA). The presentation will be postponed until the July JLARC meeting.

For the second agenda item, Mr. Leone explained that Delegate Wardrup, Chairman of the Internal Service Funds Subcommittee, was unable to attend the meeting, but that Delegate Wardrup asked Mr. Glen Tittermary to review the Subcommittee's report and its recommendations with the Commission. Mr. Leone

then introduced Mr. Tittermary who provided an overview of the findings in the Internal Service Funds Subcommittee Report (Enclosure 2). Before Mr. Tittermary began his presentation, Delegate Putney noted that the members of the Commission had already read and reviewed the Internal Service Funds Subcommittee Report.

Mr. Tittermary noted that the Internal Service Fund Subcommittee of the Commission met on May 26, 2005, to consider rate requests from VITA and the Department of General Services (DGS). He then outlined the discussion and recommendations of the Subcommittee. A motion was made by Senator Stosch and seconded by Delegate Joannou to approve VITA rate request as outlined in the Subcommittee's report. The Commission approved the motion. In addition, Senator Stosch made a motion, which was seconded by Delegate Joannou, to approve the DGS rate request as outlined in the Subcommittee report. The motion to approve the DGS rates was adopted by the Commission.

Mr. Tittermary then explained that Delegate Wardrup had also asked JLARC staff to work with the Auditor of Public Accounts (APA) and VITA staffs to develop a system which would give VITA the flexibility to develop rates, on an as needed basis, for the new services that it will begin offering in the near future. In accordance with his discussion with Delegate Wardrup, Mr. Tittermary reviewed with the Commission the rationale for an interim rate approval process for VITA. Mr. Tittermary explained that as VITA initiates new services, it will need to develop a number of new rates for those services. As these services are new, the rates associated with the services will be estimates of the actual cost of the services. Over time, VITA will review and adjust the rates for these new services to more accurately reflect actual experience. Essentially, VITA will be developing interim rates for its new services.

In terms of how the approval process for the new interim rates might work, Mr. Tittermary explained that VITA would need to submit the interim rates to the JLARC Internal Service Funds Subcommittee and JLARC staff for review. If the Subcommittee reviews and does not object to the VITA rates for the new services, then the full Commission would not need to take action to approve the interim rates. If the rates are reviewed by staff and the Subcommittee and an objection is raised, then VITA would have to seek approval for the interim rates from the full Commission. In addition, JLARC would continue to review and approve all VITA rates, including interim rates, on an annual basis. Further, the approval process would remain the same for existing VITA rate requests.

In order to further clarify the approval process, Senator Stosch expressed his concern that none of the rates, interim or otherwise, be implemented without the prior review and approval of the Internal Service Funds Subcommittee. In addition, the full Commission would review and have to approve all VITA rates once each year.

Senator Stosch then made a motion to delegate authority to the Internal Service Funds Subcommittee to review and approve new VITA interim rates, noting that VITA rates could not be implemented without Subcommittee approval. In addition, VITA will need to continue to annually seek Commission approval for all of its rates. Delegate Joannou seconded the motion. The Commission approved the motion. Mr. Tittermary then noted that the JLARC staff would prepare a written process for the Commission's review.

Mr. Tittermary turned the podium back over to Mr. Leone, who noted that the July meeting would focus on the Virginia Retirement System (VRS). Mr. Leone added that the Chairman of the VRS Board, the VRS Director, and the Acting Chief Investment Officer would be making presentations at the July meeting.

There being no further business, the Commission rose at 10:25 a.m.

Approved by:


Philip A. Leone, Director

Date:

June 15, 2005

Prepared by:


Patricia S. Bishop, Legislative Analyst