



# COMMONWEALTH *of* VIRGINIA

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711

May 24, 2005

Mr. Glen Tittermary  
Joint Legislative Audit and Review Commission  
Suite 1100  
General Assembly Building  
Richmond, Virginia 23219

Dear Mr. Tittermary:

VITA continues to plan, develop and implement new services and migrate beyond integration toward the transformed environment that is our legislated mandate. In keeping with that objective, VITA is currently pursuing several new projects. Accordingly, we provide this package to request JLARC approval of proposed rates for the new services VITA is preparing to offer. The attached narrative document discusses the new services.

Additionally, VITA is requesting one rate change (also discussed in the attached narrative) related to the GESI (Government to Government Enterprise Services Interface) service that was approved by JLARC in November 2004.

I welcome a meeting with you and your staff to review any of the documentation presented. If you have any questions, please give me a call on 343-9006.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Austin Matthews'.

C. Austin Matthews  
Chief Financial Officer

Attachments

C: Lemuel C. Stewart, Jr.  
CIO of the Commonwealth

**Revised Submission**

**New services and proposed rates:**

VMWare – Virtual Servers (Standard OS)	\$250.00
VMWare – Virtual Servers (Enterprise OS)	\$324.00
Shared SQL Server Database	\$170.00
Shared Email Service	\$ 8.61
Shared Blackberry Server Service	\$ 4.27
GESI - rate change – request reduction from \$34.00 to	\$ 24.00

**Virginia Information Technologies Agency**  
**Discussion of Proposed New Rates and Rate Changes**  
**May 2005**

**Proposed new rates for new services**

VMWare – Virtual Servers

In keeping with VITA's mission to provide shared cost effective technology solutions to COV agencies, VITA engineers are evaluating various opportunities. One such opportunity VITA has aggressively pursued involves creating **virtual servers** on the Windows server platform using the **VMWare** software product. To date, VITA has successfully migrated more than 30 internal use applications to this environment. Each application is operational within its own virtual server all on a single physical server. The current configuration and pricing is based on the ability to establish 16 applications operational on a single physical server. Two rates are proposed related to this service depending on an application's requirement for the standard or enterprise edition of the Windows operating system. The proposed rates will recover hardware, OS software, security, capacity planning, OS engineering and facilities expenses.

Shared SQL Server Database

Also on the Windows server platform, VITA has created a database cluster environment that allows for multiple applications to share the use of a **SQL server database** engine. When combined with use of virtual servers discussed above, VITA is able to offer a shared, low cost solution capable of hosting multiple tiers (Web, application and database) of agencies' systems. The proposed rate will be applied per "slice" required for each database. The proposed rate will recover hardware, OS and SQL software, security, capacity planning, OS engineering and facilities expenses.

Shared Email Service

VITA has developed a **shared email** solution to offer customer agencies an alternative to each agency incurring duplicate expenses related to hardware, software and support for email services. The proposed rate will be applied per email account. The proposed rate will recover hardware, OS and Microsoft exchange software, software licensing per user, security, capacity planning, OS engineering, storage, backup and facilities expenses.

Shared Blackberry Service

In conjunction with the shared email service, VITA has developed a centralized **Blackberry service** that allows for communication and synchronization between Blackberry devices and the Blackberry holder's email account. Use of the shared email service described above is prerequisite for this service. The proposed rate will be applied per Blackberry device. The proposed rate will recover hardware, OS and Blackberry authentication software, software licensing per user, security and capacity planning and OS engineering.

## Proposed Rate Changes

### GESI (Government to Government Enterprise Services Interface)

In November 2004, VITA requested and received JLARC approval for the following new service:

*Another new service VITA plans to implement is called **GESI**. GESI stands for “Government to Government (G2G) Enterprise Services Interface”. This proposed application hosting service involves the use of MITEM Human Services Interface software to facilitate access to and data retrieval from multiple systems as required by Social Service workers in local government offices. The proposed rate includes the server, consolidation of software licensing at VITA, engineering support, security, capacity planning and facilities.*

Through negotiations with MITEM, the vendor has agreed to lead the marketing effort of this service to local Government offices across the State. Accordingly, projected marketing costs have been removed from the pool of expenses to be recovered from the previously approved rate. The proposed reduced rate would be applied per user. No customers have been billed to-date.

## **Addendum to VITA miscellaneous rates package**

May 24, 2005

### **General statement regarding revenue projections**

The attached spreadsheet gives the appearance that VITA expects to under-recover in each of the new services offered in FY06. This is based upon over-recovering in the years beyond FY06. In projecting our customer base, while we fully expect it to grow beyond what is presented, we are unable to project who the customers might be beyond those we are aware of today.

### **Specific explanations of projected expense to revenue variances**

#### *Virtual servers and SQL server*

When virtual servers or SQL servers are deployed as a total solution to meet a customer need, expenses are recovered by charging the appropriate server rate to the customer. When virtual servers or SQL servers are used as a component of another service offering (such as GESI/MITEM), the server expenses are recovered from the revenues generated by that service offering. The revenue projected for these services only reflects the total solution use of servers to meet customer needs.

#### *Email*

The proposed email rate is based on the projection that our initial hardware configuration will support 1800 customer email accounts. Since much of the expense related to the email service is incremental per customer, a more accurate depiction of FY06 expenses was provided based on 400 customers. Applying a rate based on 1800 customers to a 400 customer base will result in under-recovery in year 1, but as the customer base grows beyond 400 in subsequent years, we will recover our total costs.

#### *Blackberry*

The Blackberry service was developed in conjunction with the email service to provide a more comprehensive service offering. Though the service was developed using a bare minimum configuration, we expect it will take at least 2 years for VITA to break even. With each customer that chooses our Blackberry service rather than building their own, the COV avoids the expense of duplicate hardware, software and personnel expenses.

#### *GESI*

The potential exists for many additional local offices to use this service. The revenue projection is based on the known customers that are waiting for the service to be delivered.

**Projected VITA expenses related to new services**

<b>Abbrev</b>	<b>Service Name</b>	<b>Monthly Rate</b>	<b>Unit</b>	<b>Projected Annual Expenses</b>	<b>Projected FY06 Revenues</b>
<b>Virtual St</b>	VMWare - Virtual Servers - (Standard OS)	\$250.00	per server	\$48,000	\$27,000
<b>Virtual Ent</b>	VMWare - Virtual Servers - (Enterprise OS)	\$324.00	per server	*	\$0
<b>SQL Server</b>	Shared SQL server database	\$170.00	per server	\$32,734	\$6,120
<b>Email</b>	Shared Email Service	\$8.61	per user	\$49,578	\$41,638
<b>Blackberry</b>	Shared Blackberry Service	\$4.27	per user	\$5,127	\$1,947
<b>GESI</b>	GESI (MITEM) - rate change from \$34 to \$24	\$24.00	per user	\$57,595	\$53,280
<b>Totals</b>				\$193,034	\$129,985

\* VMWare virtual servers (Standard or Enterprise OS) share a single pool of expenses.

**Projected revenue sources from new services**

<b>Customer</b>	<b>Virtual St</b>	<b>Qt</b>	<b>Virtual Ent</b>	<b>Qt</b>	<b>SQL Server</b>	<b>Qt</b>	<b>Email</b>	<b>Qt</b>	<b>Blackberry</b>	<b>Qt</b>	<b>GESI</b>	<b>Qt</b>
Dept. of Rail and Public Transportation	\$0.00				\$0.00		\$3,822.84	37	\$1,127.28	22	\$0.00	
Department of Forestry	\$6,000.00	2			\$0.00		\$30,996.00	300	\$256.20	5	\$0.00	
Department of Social Services	\$0.00				\$0.00		\$0.00		\$0.00		\$0.00	
Tobacco Indemnification Commission	\$0.00				\$0.00		\$1,239.84	12	\$256.20	5	\$0.00	
Virginia Resource Authority	\$3,000.00	1			\$2,040.00	1						
Virginia Racing Commission	\$3,000.00	1			\$2,040.00	1						
State Board of Elections (VERIS)	\$0.00				\$0.00		\$0.00		\$0.00		\$0.00	
Department of Social Services	\$9,000.00	3			\$0.00							
Council on Human Rights	\$0.00				\$0.00		\$413.28	4	\$102.48	2	\$0.00	
Virginia Tobacco Settlement Foundation	\$0.00				\$0.00		\$1,549.80	15	\$153.72	3	\$0.00	
Employee Dispute Resolution	\$0.00				\$0.00		\$1,549.80	15	\$0.00		\$0.00	
Virginia Outdoor Foundation	\$0.00				\$0.00		\$2,066.40	20	\$51.24	1	\$0.00	
Arlington County	\$0.00				\$0.00		\$0.00		\$0.00		\$28,224.00	98
James City County	\$0.00				\$0.00		\$0.00		\$0.00		\$5,184.00	18
Richmond City	\$0.00				\$0.00		\$0.00		\$0.00		\$9,216.00	32
Prince William County	\$0.00				\$0.00		\$0.00		\$0.00		\$10,656.00	37
GOSAP	\$3,000.00	1			\$2,040.00	1	\$0.00		\$0.00		\$0.00	
Brief Bank (CASC)	\$3,000.00	1			\$0.00		\$0.00		\$0.00		\$0.00	
<b>Virtual or SQL servers as a component of a shared service</b>												
GESI/MITEM		3										
WEB UTS		2										0
Online Licensing		5										
Dashboard		3				3						
<b>Total revenue projections</b>	<b>\$27,000.00</b>	<b>22</b>	<b>\$0.00</b>	<b>0</b>	<b>\$6,120.00</b>	<b>6</b>	<b>\$41,637.96</b>	<b>403</b>	<b>1947.12</b>	<b>38</b>	<b>\$53,280.00</b>	<b>185</b>

**Worksheet  
Virtual Server w/ Std Ed.**

<u>Direct Expenses</u>	<u>1 Time</u>	<u>Annual</u>
Facilities (space)		\$1
Electrical		\$13
Cooling		\$3
Personnel	\$149	\$800
Hardware	\$1,857	\$0
Software	\$1,360	\$525
Misc. Expenses	\$134	\$0
<u>Sub Total Direct Expense</u>	<u>\$3,366</u>	<u>\$1,342</u>

**Shared and Indirect Expense Allocations**

Rated Services	\$ -	\$ 206.80
Indirect on one-time costs	\$300	
Indirect from BE 30		\$252
Indirect from BE 90, 91		\$373

<b><u>Total Cost to Recover</u></b>	<b><u>\$3,665</u></b>	<b><u>\$2,267</u></b>
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<b><u>Recurring Monthly Charges</u></b>	<b><u>\$250</u></b>
Number of virtual servers per physical server	16
Annual expenses to support 1 physical server	\$47,999.83

*****	<b>End of Worksheet</b>	*****
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**Worksheet  
SQL Server rate calc**

<b><u>Direct Expenses</u></b>	<b><u>1 Time</u></b>	<b><u>Annual</u></b>
Facilities (space)		\$1
Electrical		\$15
Cooling		\$4
Personnel	\$16	\$377
Hardware	\$1,323	\$0
Software	\$1,370	\$433
Misc. Expenses	\$18	\$0
<b><u>Sub Total Direct Expense</u></b>	<b><u>\$2,709</u></b>	<b><u>\$829</u></b>

**Shared and Indirect Expense Allocations**

Rated Services	\$ -	\$ 268.00
Indirect on one-time costs	\$241	
Indirect from BE 30		\$156
Indirect from BE 90, 91		\$230

**Total Cost to Recover**                      **\$2,950**                      **\$1,456**

**Recurring Monthly Charges**                      **\$170**  
Number of SQL server units per physical server                      16  
Annual expense to support one physical server                      \$32,734.05

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

**Worksheet**  
**E-mail Consolidation based on 1800 users**

<u>Direct Expenses</u>	<u>1 Time</u>	<u>Annual</u>	<u>Annual Expenses with 400 Users</u>
Facilities (space)		\$ 11	\$ 11
Electrical		\$ 444	\$ 444
Cooling		\$ 108	\$ 108
Personnel	\$100,008	\$ 32,003	\$11,556
Misc. Expenses	\$ 341	\$ -	\$ 68
Hardware	\$9,458	\$ 378	\$2,270
Software	\$139,818	\$ 11,283	\$8,721
<u>Sub Total Direct Expense</u>	<u>\$249,625</u>	<u>\$44,225</u>	<u>\$ 23,178</u>

**Shared and Indirect Expense Allocations**

Rated Services - fixed		\$7,718	\$7,718
Rated Services - variable		\$59,141	\$13,142
Indirect on one-time costs	\$22,217		\$987
Indirect from BE 30		\$8,269	\$1,838
Indirect from BE 90, 91, 92		\$12,218	\$2,715

<b><u>Total Cost to Recover</u></b>	<u>\$271,842</u>	<u>\$131,571</u>	<u>\$ 49,578</u>
Allocate one-time costs (5 years)		\$54,368	
Annual cost to recover		\$185,939	

**Recurring Monthly Charges**

Per user rate for 1800 users

**\$15,495**

\$8.61

Annual expense with 400 users

**\$49,578**

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

**Worksheet  
Blackberry Service**

<b><u>Direct Expenses</u></b>	<b><u>1 Time</u></b>	<b><u>Annual</u></b>
Facilities (space)		0.59
Electrical		37.00
Cooling		8.96
Personnel	1,111.20	1,333.44
Misc. Expenses	28.42	-
Hardware	1,112.00	44.48
Software	<u>4,699.20</u>	<u>343.36</u>
<b>Sub Total Direct Expense</b>	<b><u>6,950.82</u></b>	<b><u>1,767.83</u></b>

**Shared and Indirect Expense Allocations**

Rated Services		643.20
Indirect on one-time costs	618.62	
Indirect from BE 30		332.38
Indirect from BE 90, 91, 92		491.10

<b><u>Total Cost to Recover</u></b>	<b><u>7,569.45</u></b>	<b><u>3,234.51</u></b>
Allocate one-time costs (4 years)		1,892.36
Annual cost to recover		<b>5,126.87</b>

<b><u>Recurring Monthly Charges</u></b>		<b>427.24</b>
Per user rate for 100 users		4.27

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

**Worksheet  
G2G - Mitem With New Firewall**

<b><u>Direct Expenses</u></b>	<b><u>1 Time</u></b>	<b><u>Annual</u></b>
Facilities (space)		\$18.97
Electrical		\$232.29
Cooling		\$69
Personnel	\$1,662	\$20,369
Misc. Expenses	\$ 1,451.92	\$ 5,627.17
Hardware	\$17,508	\$ 4,397.60
Software	\$2,578	\$ 850.00
<b><u>Sub Total Direct Expense</u></b>	<b><u>\$23,200</u></b>	<b><u>\$31,564</u></b>

**Shared and Indirect Expense Allocations**

Rated Services		\$0
Indirect on one-time expenses	\$2,064.79	
Billing Element 30 Shared		\$4,935
Billing Element 90,91,92 Indirect		\$12,674
<b><u>Total Shared and Indirect Expense</u></b>	<b><u>\$2,065</u></b>	<b><u>\$17,609</u></b>
<b><u>Total Infrastructure Costs</u></b>	<b><u>\$25,265</u></b>	<b><u>\$49,173</u></b>
<b><u>One Time Charges / 3 years</u></b>		<b><u>\$8,422</u></b>

<b><u>Recurring Monthly VITA expenses</u></b>	<b><u>\$4,800</u></b>
<b><u>VITA support fee per user per month - 200 users</u></b>	<b><u>\$24</u></b>

**Pass thru Vendor charges per user per month**

<b><u>License Charges</u></b>	<b><u>Vendor cost</u></b>	<b><u>Customer Charge</u></b>
Base fee	\$30.00	\$32.67
Per Application Fee	\$5.00	\$5.45

<b>Total estimated monthly fee based on an average of 5 applications</b>	<b><u>\$83.89</u></b>
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***** End of Worksheet *****
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**Virginia Information Technologies Agency**  
**Combining Balance Sheet**  
**Internal Service Funds**  
**April 30, 2005**

Program (Layout): VITA8001

	<u>Enterprise Solutions</u>	<u>Computer Services</u>	<u>Telecommunications</u>	<u>Totals 2005</u>
<b>Assets</b>				
<b>Current Assets:</b>				
Cash with Treasurer of Virginia	\$ 249,058.08	\$ (7,364,679.70)	\$ 6,709,265.53	\$ (406,356.09)
Petty Cash and Travel Advances	800.00	6,400.00	800.00	8,000.00
Accounts Receivable	76,277.07	18,865,013.94	12,142,549.85	31,083,840.86
Due From Other Funds	-	-	-	-
Due from Commonwealth of Virginia	-	-	-	-
Prepaid Expenses	22,791.56	2,563,811.13	40,258.83	2,626,861.52
<b>Total Current Assets</b>	<u>348,926.71</u>	<u>14,070,545.37</u>	<u>18,892,874.21</u>	<u>33,312,346.29</u>
<b>Noncurrent Assets</b>				
Depreciable Capital Assets, Net	120,861.70	12,231,096.18	4,150,077.40	16,502,035.28
<b>Total Assets</b>	<u>\$ 469,788.41</u>	<u>\$ 26,301,641.55</u>	<u>\$ 23,042,951.61</u>	<u>\$ 49,814,381.57</u>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 159,737.92	\$ 568,330.95	\$ 4,684,203.96	\$ 5,412,272.83
Interest Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Agencies	-	-	-	-
Notes Payable	2,058.98	2,952,031.29	3,471,799.45	6,425,889.72
Advances from Treasurer of Virginia	-	-	-	-
Accrued Compensated Absences	142,071.00	1,144,195.00	437,028.00	1,723,294.00
Deferred Contract Revenue	-	-	-	-
Other Deferred Revenue	5,536.00	129,649.93	7,115.17	142,301.10
Due to Federal Government	-	240,504.00	71,449.00	311,953.00
Other Liabilities	-	-	-	-
<b>Total Current Liabilities</b>	<u>309,403.90</u>	<u>5,034,711.17</u>	<u>8,671,595.58</u>	<u>14,015,710.65</u>
<b>Noncurrent Liabilities:</b>				
Notes Payable	3,371.96	2,728,106.68	2,014,891.19	4,746,369.83
Accrued Compensated Absences	130,474.51	1,050,809.79	401,359.49	1,582,643.79
Deferred Contract Revenue	-	-	-	-
<b>Total Noncurrent Liabilities</b>	<u>133,846.47</u>	<u>3,778,916.47</u>	<u>2,416,250.68</u>	<u>6,329,013.62</u>
<b>Total Liabilities</b>	<u>443,250.37</u>	<u>8,813,627.64</u>	<u>11,087,846.26</u>	<u>20,344,724.27</u>
<b>Net Assets</b>				
Investment in Capital Assets, Net of Related Debt	115,430.76	6,604,802.30	514,042.27	7,234,275.33
Unrestricted	(88,892.72)	10,883,211.61	11,441,063.08	22,235,381.97
<b>Total Net Assets</b>	<u>26,538.04</u>	<u>17,488,013.91</u>	<u>11,955,105.35</u>	<u>29,469,657.30</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 469,788.41</u>	<u>\$ 26,301,641.55</u>	<u>\$ 23,042,951.61</u>	<u>\$ 49,814,381.57</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: April 30, 2005**

Program (Layout): VITA8039

	<u>Enterprise Solutions</u>	<u>Computer Services</u>	<u>Telecommunications</u>	<u>Totals 2005</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 511,642.32	\$ 88,590,747.63	\$ 56,363,478.94	\$ 145,465,868.89
Total Operating Revenues	<u>511,642.32</u>	<u>88,590,747.63</u>	<u>56,363,478.94</u>	<u>145,465,868.89</u>
<b>Operating Expenses</b>				
Personal Expenses	341,601.52	43,880,144.10	8,466,757.26	52,688,502.88
Contractual Services	419,078.04	20,068,856.91	44,726,368.68	65,214,303.63
Supplies and Materials	135.77	494,398.12	85,717.60	580,251.49
Educational Assistance and Transfer Payments	-	1,516.75	-	1,516.75
Rent, Insurance & Other Related Charges	20,089.04	7,288,907.58	578,834.90	7,887,831.52
Depreciation	3,732.63	4,997,672.51	2,154,087.28	7,155,492.42
Expendable Equipment/Improvements	1,128.96	9,502,729.88	434,574.60	9,938,433.44
Total Operating Expenses	<u>785,765.96</u>	<u>86,234,225.85</u>	<u>56,446,340.32</u>	<u>143,466,332.13</u>
<b>Operating Income (Loss)</b>	<u>(274,123.64)</u>	<u>2,356,521.78</u>	<u>(82,861.38)</u>	<u>1,999,536.76</u>
<b>Nonoperating Revenues(Expenses)</b>				
Interest	(7.05)	(178,232.47)	(97,043.86)	(275,283.38)
Depreciation	-	(70,617.65)	-	(70,617.65)
Reimbursement to Federal Government	-	-	-	-
Revenue from the Sale of Recyclable Materials	5.94	341.94	643.27	991.15
Realized Gain -- Assets	-	70,617.90	-	70,617.90
Proceed from Insurance Recoveries	-	-	-	-
Sale of Surplus Property	-	-	-	-
Loss on Fixed Asset Disposal	-	-	-	-
Total Nonoperating Expenses	<u>(1.11)</u>	<u>(177,890.28)</u>	<u>(96,400.59)</u>	<u>(274,291.98)</u>
<b>Income (Loss) Before Transfers</b>	<u>(274,124.75)</u>	<u>2,178,631.50</u>	<u>(179,261.97)</u>	<u>1,725,244.78</u>
<b>Transfers</b>				
Transfers from Other Funds	-	-	-	-
Transfers to the General Fund of the Commonwealth	(261.52)	(15,037.52)	(28,287.97)	(43,587.01)
Transfers from the General Fund of the Commonwealth	-	-	-	-
Total Transfers	<u>(261.52)</u>	<u>(15,037.52)</u>	<u>(28,287.97)</u>	<u>(43,587.01)</u>
<b>Increase (Decrease) in Net Assets</b>	<u>(274,386.27)</u>	<u>2,163,593.98</u>	<u>(207,549.94)</u>	<u>1,681,657.77</u>
<b>Total Net Assets, July 1</b>	<u>300,924.31</u>	<u>15,324,419.93</u>	<u>12,162,655.29</u>	<u>27,787,999.53</u>
<b>Total Net Assets, April 30</b>	<u>\$ 26,538.04</u>	<u>\$ 17,488,013.91</u>	<u>\$ 11,955,105.35</u>	<u>\$ 29,469,657.30</u>

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