

Staff Notes on the VITA Rate Request

Adequacy of Rates

The rates proposed by VITA appear to adequately cover the projected expenses associated with each service, except for the three billing elements shown below:

<u>Billing Element</u>	<u>Proportion of Costs Covered</u>	<u>Amount of Shortfall</u>
EBARS Tape Backup	60%	(\$268,740)
EBARS Tape Storage	37%	(\$281,432)
Server Disk Storage	32%	(\$13,893)
Total		(\$564,065)

The total shortfall for these three items is a very small percentage of VITA billings, and should have no significant impact on VITA's ability to provide the services.

VITA Financial Soundness

The net impact on VITA's overall financial situation is minimal, because the rates do a good job of matching revenue to the projected costs of the services to be provided. While there is some shortfall in revenue compared to costs, the rates should have a positive impact long term since the new items implement charges for costs not previously recovered.

Agency Impact

Agencies use services in varying amounts, so the impact of the rates on the agencies varies also. Across all agencies, 15 will experience a net reduction in costs for the services covered by the requested rates, and 27 will see no change. Only the Department of Motor Vehicles will see a significant reduction in costs, at -\$146,000. Eleven agencies will have increased costs of \$20,000 or more. For five agencies (Department of Taxation, Virginia Employment Commission, Department of Transportation, Department of Juvenile Justice, and the Supreme Court) the costs are increased by more than \$100,000. The largest increase is for the Virginia Department of Transportation, at +\$352,000.

Special Note on Oracle Financials

Earlier information provided by VITA indicated about \$912,000 in expenses and \$928,000 in revenues for the Oracle Financials billing element, listed as pending in the October 27 rate request. The item would impact four agencies. Because of the pending status for expenses and revenues, no action should be taken on this item.