



COMMONWEALTH of VIRGINIA

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September 12, 2012

Mr. Hal Greer, Deputy Director
Joint Legislative Audit and Review Commission
Suite 1100
General Assembly Building
Richmond, VA 23219

Dear Mr. Greer:

In late August, VITA and Northrop Grumman refreshed the IBM mainframe. This newer-technology mainframe has a faster CPU processing speed. Since VITA recovers its fixed mainframe expenses through usage charges, VITA must adjust the mainframe processing usage rate to compensate for the faster processing speed. Accordingly, new IBM mainframe processing usage rates have been implemented effective September 1, 2012 and will be reflected in September usage which is billed in early October.

The old rates were \$.521 per unit for prime usage and \$.391 for off-prime usage. The new rates are \$.669 per unit for prime usage and \$.502 for off-prime usage. These rate changes are being made to keep this technical refresh revenue neutral for VITA and expense neutral for the agencies. These changes are being made to the rates themselves in lieu of using "factors" that were employed in the past, which artificially increased usage to account for similar technical improvements. These changes to the IBM CPU processing rate do not affect the other IBM Mainframe rates or the Unisys Mainframe rates.

We welcome the opportunity to discuss this information with you and your staff. If you have any questions, please give me a call at (804) 416-6009.

Sincerely,

A handwritten signature in black ink that reads "Dana Smith".

Dana Smith
Director, Finance and Administration

cc: Jim Duffey, Secretary of Technology
Sam Nixon, CIO of the Commonwealth
Dan Timberlake, Director, Department of Planning and Budget