

Virginia Information Technologies Agency



# VITA Quarterly Report

April 1, 2004



expect the best

*December 2003 – March 2004*

In keeping with our commitment to cost savings, this report was produced in limited quantities, in-house, utilizing an existing color printer and binding equipment.

Prepared and Published by:  
**Virginia Information Technologies Agency**

Comments and recommendations on the Quarterly Report from all interested parties are welcomed and encouraged. Suggestions may be conveyed electronically to [ContactUs@vita.virginia.gov](mailto:ContactUs@vita.virginia.gov).

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### About the Cover:

VITA equals people first, customer-driven and customer-focused, and is committed to growing its people through ongoing training/re-training throughout their professional careers. In our logo, we highlight individuals of our agency that make VITA a success seven days a week, 365 days a year. We are currently featuring the following outstanding VITA employees in our logo (from left to right): Arthur Isley, VITA Small Agency Transition Project Manager (on loan from Department of Transportation); Pamela Yvette Bradby, Customer Support Services; Dana Smith, Finance and Accounting Division; and Robert H. Davidson, Director of Telecommunications and Network Services. Their service years combined total more than 78 years of contributions to the Commonwealth.



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## Quarterly Highlights

Governor Mark R. Warner's Executive Order 50 (03) directs the Secretary of Technology or the Chief Information Officer (CIO) to prepare Quarterly Reports providing the status of IT reform implementation. This document represents the quarterly submission due April 1, 2004, covering the period December 16, 2003, to March 15, 2004 (except where noted).

### Chief Information Officer of the Commonwealth

Following an extensive, nationwide search, the Information Technology (IT) Investment Board announced January 21, 2004, hiring Lemuel C. Stewart, Jr. as Chief Information Officer (CIO) of the Commonwealth, effective February 1, 2004. Mr. Stewart brings more than 30 years of experience in the information technology field, having served as president of the EDI Healthcare Services Division for Quadramed Corp. in San Francisco and president of the Health Communication Services, Inc. for Trigon Blue Cross/Blue Shield of Virginia (now Anthem). He was most recently president of Executive Partners in Glen Allen, Va., an independent consulting firm providing business planning, project management, operational analysis, IT strategy evaluation, and business development services to government and private companies. Biographical information about Mr. Stewart is available at <http://www.vita.virginia.gov/about/bios/CIO.cfm>.



Lemuel C. Stewart, Jr.

### VITA's Three-Staged Approach

VITA has adopted a three-staged approach to the consolidation process that the Commonwealth's new Chief Information Officer, Lemuel C. Stewart, Jr., envisions as critical to VITA's overall success:

- The first stage is *Formation*, which VITA completed successfully on July 1, 2003. During this start-up phase, the foundational organizational structure, functions, and processes were planned and implemented.
- The second stage is *Integration*. Through January 2005, the objective is Integration—doing what it takes to assume the management of staff and IT assets of small, medium, and large agencies with minimal disruption of services. During Integration, the stage in which VITA is currently operating, VITA will work with agencies to ensure legal compliance with software licensing, minimal security standards are in place, implementation of a disciplined process for managing IT investments, and, where practical, reduction of costs.
- The third stage is *Transformation*. Transformation is the consolidation of facilities, hardware, and software; the realignment and possible relocation of IT staff; the

deployment of innovative technology solutions; and the implementation of significant cost-savings initiatives. Transformation involves extensive planning—which starts now, in the Integration stage—and requires substantial investments of time and resources. Transformation will be driven by the vision and guidance of the IT Investment Board, and will demand significant up-front investment that may be obtained through innovative partnering arrangements, such as through the Public - Private Educational Infrastructure and Facilities Act (PPEA).

## VITA Business Plan

VITA created the Draft VITA Business Plan on March 18 and submitted to the IT Investment Board Finance Committee for review and comment. The Finance Committee recommended presentation to the full IT Investment Board for its review and approval at its April 7 meeting. The Draft VITA Business Plan incorporates the following:

1. VITA's mission statement, vision, and five-year objectives;
2. A market analysis, including a customer analysis that identifies VITA's customer needs;
3. A development strategy that describes what work remains to complete and implement VITA's new services, and a pricing strategy that includes a description of VITA's new rate methodology;
4. A description of the organization and operations that outlines the scope of VITA's operations and how it will deliver its services; and
5. A financial section that includes new services and consists of well-constructed financial information including financial statements and a discussion of financial assumptions used.

The Draft Business Plan is at

[http://www.vita.virginia.gov/ITIB/docs/040407/Draft\\_Business\\_Plan\\_04-04-01.pdf](http://www.vita.virginia.gov/ITIB/docs/040407/Draft_Business_Plan_04-04-01.pdf).

The Final VITA Business Plan will supersede the VITA Operating Plan (August 2003) as VITA's primary business planning document. Future VITA Quarterly Reports will provide updates on activities outlined in the VITA Business Plan.

## Actions of the IT Investment Board

During the reporting period for this Quarterly Report (December 16, 2003 – March 15, 2004), the Information Technology Investment Board (ITIB) held three meetings. A summary of actions taken at each meeting is provided below.

### January 7, 2004

- Received and discussed a presentation on the Public -Private Educational Infrastructure and Facilities Act (PPEA) by Deputy Counselor to the Governor David

Hallock, Jr. The presentation is available at [http://www.vita.virginia.gov/ITIB/docs/010703/PPEA\\_Presentation.ppt](http://www.vita.virginia.gov/ITIB/docs/010703/PPEA_Presentation.ppt).

- Approved and adopted the final Information Technology Investment Board By-Laws, available at [http://www.vita.virginia.gov/ITIB/docs/010703/Finalized\\_Bylaws\\_010704.pdf](http://www.vita.virginia.gov/ITIB/docs/010703/Finalized_Bylaws_010704.pdf).
- Approved the Department of Education Information Management System Project, with contingencies, and approved the Department of General Services Laboratory Information Management System Project. Information about these projects is available at <http://www.vita.virginia.gov/ITIB/docs.cfm> under "January 7."
- Requested that the Board of Accountancy—a small agency—submit a transition plan with major milestones to bring them into compliance with the legislation requiring the transition of small agencies by January 1, 2004.
- Approved the VITA Quarterly Report dated January 1, 2004, and recommended submission to the General Assembly. The Quarterly Report is available at <http://www.vita.virginia.gov/docs/pubs/quarterlyReport/0401/OR-Jan04.cfm>.

## February 4, 2004

- Introduced and approved the employment contract for Lemuel C. Stewart, Jr., CIO of the Commonwealth, effective February 1, 2004, through January 31, 2009. The announcement of Mr. Stewart's appointment was made January 21, 2004, and is available at <http://www.vita.virginia.gov/news/details/012104.cfm>
- Received a report from the Legislative Review/Liaison Committee, available at <http://www.vita.virginia.gov/ITIB/docs/LegislativeCommitteeReport.pdf>, and passed motions:
  - Opposing all agency exemption requests appearing in the Budget Bill language.
  - Supporting language in the Budget Bill for pursuing implementation of proposals submitted under PPEA.
  - Supporting language in the Budget Bill authorizing the IT Investment Board to decelerate, as well as accelerate, the transition of agencies to VITA support and services.
- Approved the transition plan submitted by the Board of Accountancy. The plan called for transitioning the Board of Accountancy to VITA effective March 1, 2004.
- Approved the VITANet Secure Network Project with contingencies and approved the Virginia State University Reengineer Core Business Process Project. Information about these projects is available at <http://www.vita.virginia.gov/ITIB/docs.cfm> under "February 4."
- The CIO Search Committee was reorganized to form the CIO Evaluation Committee, responsible for setting performance evaluation criteria for the CIO of the Commonwealth. Information about this committee and other committees of the Board is available at <http://www.vita.virginia.gov/ITIB/committees/committees.cfm>.

## March 3, 2004

- Reviewed and approved the Proposed Interim Rate Methodology. The proposed methodology calls for a direct bill approach over the Integration stage, where agencies are billed for costs and a minimal overhead fee to ensure VITA costs are equitable and reasonable, and is available at [http://www.vita.virginia.gov/ITIB/docs/030304/Rate\\_Structure\\_Methodology.pdf](http://www.vita.virginia.gov/ITIB/docs/030304/Rate_Structure_Methodology.pdf).
- Reviewed and approved the VITA Auditor of Public Accounts (APA) Summary Action Plan developed in response to the APA report issued in January on financial controls, governance, and strategic planning. Progress against the action plan will be reported to the ITIB on a monthly basis. The plan is available at [http://www.vita.virginia.gov/ITIB/docs/030304/APA\\_Action\\_Plan\\_Summary\\_Update.pdf](http://www.vita.virginia.gov/ITIB/docs/030304/APA_Action_Plan_Summary_Update.pdf).
- Received and approved a report from CIO of the Commonwealth Lemuel C. Stewart, Jr., on the status of VITA key initiatives, challenges, and finances. His presentation is available at [http://www.vita.virginia.gov/ITIB/docs/030304/CIO\\_Report.ppt](http://www.vita.virginia.gov/ITIB/docs/030304/CIO_Report.ppt).
- Considered and approved for publication and promulgation the Commonwealth Technology Management Policy to establish a comprehensive and uniform policy for the management of technology investments in the Commonwealth of Virginia. The policy is available at [http://www.vita.virginia.gov/ITIB/docs/030304/Policydraft022604\\_Final\\_Draft-Marked-up.pdf](http://www.vita.virginia.gov/ITIB/docs/030304/Policydraft022604_Final_Draft-Marked-up.pdf).
- Approved the Platform Architecture Report to address platform architecture recommendations for Virginia's agencies. The report was written to assist business and technical leaders in state agencies and in central services in making sound decisions related to platform design and acquisition. The report is available at [http://www.vita.virginia.gov/ITIB/committees/ITProjRev/docs/PlatformArchitectureDmainReport12-20-03-v2.pdf](http://www.vita.virginia.gov/ITIB/committees/ITProjRev/docs/PlatformArchitectureDomainReport12-20-03-v2.pdf).
- Convened in closed session to discuss performance measures and evaluation of the CIO of the Commonwealth.

## Future Meetings

The next meeting of the IT Investment Board is scheduled for April 7, 2004, at 1:00 p.m. in the fourth floor auditorium at the VITA Operations Center. Other meetings for the upcoming quarter include:

May 5, 2004

June 2, 2004

A day-long Board retreat dedicated to long-range planning activities has been tentatively scheduled for June 1 in Northern Virginia. Information on Board meetings, including Committees, is available at <http://www.vita.virginia.gov/ITIB/meetings.cfm>



## Phased Agency Transitions

With the small agency transition phase successfully completed, VITA is focusing on medium agency transition. The structure and organization for the medium agency effort is being planned with consideration of both successes and lessons learned from the small agency phase. It is recognized that the medium agencies are subject to the same legislative requirements for transition as the small agencies. Given the significant distinctions in size, geographic dispersion, technical environments, and other factors, however, some variances in the implementation strategy are in process.

Technical activities for small agency transition were performed by a multidisciplinary team of VITA staff members, augmented by VDOT and Department of Rehabilitative Services resources. Final agency transition was contingent upon acceptance and signature of two documents, the Service Transition Plan (STP) and the Executive Summary. The STP contained Standardization and Optimization (S&O) activities that VITA would perform for the agency; the Executive Summary defined personnel, equipment, and contract assets that would transfer. Significant time was spent with each small agency to verify completion of S&O activities and work through Executive Summary issues and concerns.

Recognizing the lack of available dedicated VITA resources for technical support of transition activities, medium agency IT resources will provide much of the technical support for S&O before their date of effective transition. Ten medium agencies have limited or no IT personnel transitioning to VITA; these agencies may require VITA assistance. To aid medium agency resources with transition activities, VITA has established a Medium Agency Transition Team (MATT) that meets bi-weekly to discuss issues and provide guidance.

Transition activities were kicked off in January with a series of workshops designed to:

- Educate agency staff on the particulars of the transition process and address the major transitional areas of concern;
- Provide agency staff with a vehicle to communicate directly with the VITA management team and the transition management team;
- Provide agency staff with information to assess the impact and organizational change issues for each agency; and,
- Provide agency staff with the necessary tools to identify agency specific needs for both transition and ongoing support.

The workshops were attended by 216 agency personnel from 37 agencies and state organizations. Exhibit A lists the 22 medium agencies scheduled to transition, per legislation, by July 1, 2004.

**Exhibit A**  
**Medium Agencies Transitioning to VITA on July 1, 2004**

Agency #	Agency Name
<b>Administration</b>	
129	Department of Human Resource Management
131	Department of Veterans Services
<b>Commerce &amp; Trade</b>	
411	Department of Forestry
165	Department of Housing and Community Development
181	Department of Labor & Industry
409	Department of Mines, Minerals, & Energy
222	Department of Professional & Occupational Regulation
<b>Education</b>	
218	Virginia School for the Deaf and the Blind at Staunton
219	Virginia School for the Deaf, Blind & Multi-Disabled at Hampton
201	Department of Education
425	Jamestown-Yorktown Foundation
202	The Library of Virginia
238	Virginia Museum of Fine Arts
146	The Science Museum of Virginia
<b>Finance</b>	
151	Department of Accounts
152	Department of the Treasury
<b>Health &amp; Human Resources</b>	
223	Department of Health Professions
602	Department of Medical Assistance Services
<b>Natural Resources</b>	
402	Marine Resources Commission
<b>Public Safety</b>	
140	Department of Criminal Justice Services
123	Department of Military Affairs
<b>Transportation</b>	
407	Virginia Port Authority

## Redefining Transition to Align with Integration

Consistent with the staged approach outlined earlier, VITA transition activities are also being clearly delineated so as to focus on Integration activities, as separate and distinct from later Transformation initiatives. Similar to previous transition plans, the Integration stage includes managing the transition of people and assets without disruption to service. The review of personnel mapping that was originally planned during transition has been revised to ensure the agency and VITA concur on senior management positions transferring to VITA, particularly agency IT directors.

It is incumbent upon all agencies to adhere to software licensing agreements and the statewide security policy, SEC2001. Accordingly, VITA Standardization and Optimization activities that are directed toward legal compliance will continue as planned. However, activities that enhance or change agency services will not be pursued without (a) written agency consent and (b) acknowledgement of the agency's ability to pay for the service. This includes services such as helpdesk integration, performance monitoring, and remote administration.

## **VITA Customer Care Center**

A central customer service center for all agency IT related incidents, service orders, and information is essential to ultimately fulfilling VITA's mission. As a result of VITA's separation of Integration and Transformation activities, the scope of the VITA Customer Care Center will not expand to incorporate agency IT helpdesk operations. As originally planned, the VCCC and VITA Helpdesk will merge, but will not expand its customer base to include other agencies, which will continue with their existing support services.

A cross-agency user's group has been established to identify opportunities to leverage practices, licensing, and personnel. As opportunities are uncovered, VITA, in partnership with a sponsoring agency, will develop a business case to offer the Commonwealth new services. The new service, where applicable, will be aligned with IT Infrastructure Library (ITIL) best practices.

## **VITA Information Center (VIC) Centralized System Monitoring Project**

VITA will be establishing standard processes and implementing standard tools for managing the infrastructure and monitoring systems centrally. These tools are the foundation to monitor and report on service levels at the device level. Phase One, funded at \$2,602,640 in FY 2004, delivers all of the major functional requirements of the core system and sufficient software licenses to cover the VITA data center and all of the small agencies. The project was initiated on September 29, 2003. Over the next several months, existing VITA staff will implement network monitoring of the small agency networks. Once completed, annual operational costs for the VIC will be \$561,000.

## **VITA Secure Network Project (VITANet)**

Network security is the foundation for VITA to provide reliable and secure environments for all agencies in the Commonwealth. Currently, networks are not standardized and vary in their vulnerability to threats of all sorts. During the Integration stage, using a sampling method on a subset of in-scope agencies, VITA will perform a risk analysis of their current network infrastructure in order to make prudent decisions on application of network security best practices in medium and large agencies. VITA plans to perform a gap analysis of the sampling of agencies to determine the overall cost impact to agencies of moving toward a more secure infrastructure. VITA will acquire additional consulting services to perform this analysis during FY 2005. Finalization of the schedule for this project is dependent upon funding approvals that are still pending. Estimated cost for the project scope for the Integration stage is \$1,069,000.



# Organization

## VITA Integration Staffing Plan

The VITA Integration Staffing Plan was designed to meet the following objectives:

- Support the legislatively-mandated, 18-month phased implementation of in-scope agencies to VITA:
- Meet the Governor's commitment of no layoffs due to the formation of VITA.
- Support VITA's commitment to its customer agencies of "Do No Harm" as a result of their transition to VITA services.
- Consistent with VITA's "People First" approach to human resources management, provide future VITA employees with as much information as possible, as early as possible, regarding their VITA future positions.
- Clearly reflect the distinction, defined in "Quarterly Highlights," herein, between the Integration and Transformation stages of VITA's transition planning and execution.

In support of the objectives outlined above, the Integration Staffing Plan emphasizes maintaining stability in operations and assignments, allowing both VITA's new customers and its new employees to become comfortable with their respective new roles with minimal changes in their day-to-day environment. To express this approach in direct, easy-to-understand terms, VITA coined and extensively utilized the phrase, "*same faces, same places*"—the essence, in fact, of this Integration Staffing Plan.

## Staffing Activities

**Confirmation (September – December 2003 for small agencies, February – April 2004 for medium agencies, and September – November 2004 for large agencies).**

VITA has developed an eight-step confirmation procedure that will be conducted jointly by VITA and the customer agency's management to confirm staff mapping decisions immediately prior to transition. The review is not intended to reevaluate every position—it will focus on identifying changes that have taken place since April 2003, verifying that support personnel have been appropriately designated, and mapping individuals previously classified as "unassigned" to a VITA directorate.

These procedures are consistent with commitments VITA has made to the JLARC staff to ensure that mapping end results neither harm agencies' ongoing applications support responsibilities nor burden VITA with staff not appropriate to its mission. The VITA Organization continues to grow and evolve throughout the transition effort, and will eventually include approximately 886 employees transitioning to VITA from small, medium, and large agencies. As can be seen in Exhibit B below, the vast majority of employees comes in the final phase, scheduled for July 1, 2004 to January 1, 2005.

**Exhibit B**  
**Employee Transitions to VITA by Phase (Agency Size)**

Agency Size	Personnel Scheduled to Transition	Number of Supported Locations
Small (fewer than 100 employees)	5	82
Medium (100-400 employees)	61	149
Large (more than 400 employees)	820	1,266

## Agency Customer Contact

VITA must establish and maintain close bonds with agencies to fulfill IT requirements and move the Commonwealth forward. VITA will assign Enterprise Service Directors (ESDs) to each Secretariat to build these strong partnerships as part of the Integration stage. These ESDs will act as consultants to their assigned Secretariat and identify synergies and opportunities across the Commonwealth. In addition, agencies will be assigned Service Level Directors (SLDs) who will work daily to ensure VITA is meeting the needs of agencies.

The first wave of ESDs—representing the Health and Human Resources, Education, and Administration/Finance Secretariats—has been recruited effective April 10, 2004. A recruitment for the next wave of ESDs is anticipated by early April 2004.



# Infrastructure Initiatives

## Current Infrastructure

The primary impetus for the formation of VITA, as well as the most substantial opportunities for cost savings and service improvements, lies in the IT infrastructure of executive branch agencies. The Due Diligence exercise completed by the in-scope agencies in the fall of 2003 (which has been subsequently updated) provides the most comprehensive picture of the current infrastructure, as seen in Exhibit C.

**Exhibit C**  
**In-Scope Agencies Infrastructure Statistics**

Secretariat	PCs	Servers	Computer Rooms	Business Applications
Administration	1,098	106	2	65
Commerce & Trade	4,408	215	9	229
Education	2,335	119	7	68
Finance	1,858	145	4	127
Health & Human Resources	21,100	618	23	708
Natural Resources	2826	144	7	67
Public Safety	13,758	571	23	131
Technology	845	163	3	24
Transportation	10,415	905	28	226
<b>TOTALS</b>	<b>58,643</b>	<b>2,997</b>	<b>110</b>	<b>1,666</b>

## VITA Base Services

VITA's 162,000 square foot data center and associated offices in the VITA Operations Center offer a wide range of well-supported platform and hosting options. As can be seen in Exhibit D below, VITA has met or exceeded all of its performance availability targets. In this Dashboard, availability measures the percentage of time the production servers supporting the environment are available. Scheduled maintenance and downtime is not included in the availability measurement. The measurements reflect only the status of servers and systems at the VITA central data center or controlled by the VITA network staff—it does not include servers and networks at agency locations. These will be measured after the VIC and VITANet are installed and operational.

**Exhibit D**  
**Infrastructure Services Dashboard**

Description	Target	-----Actual Period-----			Status
		December 2003	January 2004	February 2004	
Production Mainframes (MVS) Availability	99%	100.00%	100.00%	100.00%	Green
Production Mainframes (Unisys)	99%	100.00%	100.00%	99.99%	Green
Production VITA Central Data Center Unix Server Availability	99%	99.95%	100.00%	100.00%	Green
Production VITA Central Data Center Windows Server Availability	99%	99.98%	99.99%	99.99%	Green
Availability of VITA-installed COVANET Circuits	99%	99.40%	99.40%	99.40%	Green

VITA's wide range of telecommunications services also attracts customers both within and outside of the executive branch. Exhibit E illustrates the telecommunications offerings available from VITA.

**Exhibit E**  
**VITA Telecommunications Services**

Major Contracts	Volume of Services in Use
Verizon	77,000 Centrex lines
MCI "COVANET"	2500 data circuits and
MCI Long Distance Voice Traffic	20 million minutes a month
AllTel	10,328 cellular phones
Nextel	2,500 phones
Metro Call	13,598 pagers

## Base Service Improvements

VITA will continue to provide additional services and service improvements even during the transition process. Activities relating to existing services that improve efficiencies of existing services or reduce costs now and in the future are identified and acted upon in a timely manner. Below are highlights of service improvements that have been completed or are substantially underway.

## Data Center Operations

Several action items related to data center operations, as outlined below, will need to be addressed over the next two years. These scheduled actions not only offer opportunities to

improve services and increase efficiencies on their own, but can also provide synergies with other activities taking place during VITA's Integration and Transformation stages.

- **Richmond Plaza Building (RPB) lease**—VITA's current lease expires in December 2004. Preliminary negotiations will begin this quarter with the building management. Space requirements will be based on projected VITA personnel in the RPB over the next three years. As with all state agency real property leases, negotiations are conducted in accordance with procedures set out by the Department of General Services.
- **Portable Generator Project**—VITA's data center currently has no long-term alternate power source for use in emergency situations, and conditions are not suitable for the permanent installation of a generator. With financial support from a recent Homeland Security grant, a procurement is underway to secure a portable generator that could be moved into position outside the building when needed. The project includes installing the necessary electrical connections within the building and is scheduled to be completed in September 2004.

## Streaming Video / Web Casting Services

VITA is in the process of reviewing bids on an RFP for streaming video services. Once awarded, this new service will provide a variety of Web streaming resources to state government. For example, citizens throughout the state could view events live or information could be archived for later retrieval. It could also be used for training and dissemination of any information, such as the Governor's State of the Commonwealth speech, or a major summit from a Virginia location or university. The procurement process is in the negotiation stage and should conclude in March 2004.

## Capitol Campus Construction

Much renovation and/or reconstruction of state buildings in and adjacent to Capitol Square is either underway, committed, or under consideration. Currently, the Old Virginia State Library and Archives Building is undergoing extensive renovation. Under the provisions of the Public-Private Educational Facilities and Infrastructure Act (also known as PPEA), the Department of General Services is finalizing a contract to renovate two Capitol Square structures, the Finance Building, and the Washington Building. In addition, a PPEA proposal to demolish the existing Eighth and Ninth Street Office Buildings and the Broad Street Building, replacing these structures with a new state office complex, remains under consideration. Under separate contracts, the Capitol building itself will undergo extensive restoration. Plans call for current and committed construction activities to be completed by the end of 2006, with the prospective new Eighth/Ninth Street structure extending somewhat beyond that date.

Many current VITA base service customers, as well as "in-scope" customers of new VITA services, are directly impacted by these plans. Most will be moving twice, once into temporary quarters, then into one of the renovated or new structures. While VITA will be responsible for ensuring that existing services are maintained throughout these moves, the construction activities also offer opportunities for cost savings and efficiencies that extend beyond base service operations into the Integration and Transformation stages.



## Commonwealth Technology Management Policy

The governing policy for technology management in the Commonwealth required updating to reflect the establishment of VITA and the ITIB and the *Code*-defined role of the CIO. Project Management Division (PMD) staff drafted a revision, solicited comments from interested parties, and presented Revision 1 of the Commonwealth Technology Management Policy to the Board IT Project Review Committee on February 4, 2004. The full IT Investment Board approved the revised policy at its March 3, 2004, meeting.

## Strategic Planning and Portfolio Management

The *Code of Virginia* requires a process for the submission of agency IT plans to the CIO for approval. The *Code* also calls on the ITIB to report its recommendations for funding priorities for major IT projects to the Governor and General Assembly every September 1. As the agency IT plan submissions provide input into the recommended major IT projects report, a tight timetable for accomplishing all the necessary intermediate steps is required. The 2004 timetable proposed to the Board is Exhibit F.

### Exhibit F

#### Proposed Recommended Technology Investment Projects Report Timetable

Milestone	Timetable
Complete Approval of Agency IT Strategic Plans	April 2004
Implement Web-based IT Strategic Plan Amendment Process	April 2004
Update Commonwealth IT Strategic Plan Application	April 2004
Issue Annual IT Strategic Planning Guidance	April 2004
Complete Phase I of Portfolio Project (ITIB reporting)	June 2004
Publish IT Strategic Planning and Portfolio Management Standard	July 2004
Deliver "Recommended Technology Investment Projects Report" to ITIB	July 2004
Deliver "Recommended Technology Investment Projects Report" to Governor and General Assembly	Sept 2004
Procure an IT Investment Portfolio Application	Nov 2004
Implement IT Investment Portfolio Application	April 2005

## Commonwealth IT Project Portfolio

The Commonwealth IT Project Portfolio is a dynamic collection of proposed and active major technology projects. Currently projects within the IT Project Portfolio are divided into eight categories to support analytical review and life-cycle management of the portfolio. Exhibit G is a tabular depiction of the project portfolio showing the number of projects in, and dollar value of, each category.

Dividing the IT Project Portfolio into eight categories facilitates tracking projects through the project life cycle and periodic reporting to the IT Investment Board. The projects in the "Approved for Development" category are delineated separately to specifically highlight quarterly actions by the IT Investment Board.

### Exhibit G Commonwealth Major IT Project Portfolio Summary as of March 15, 2004

	No. of Projects	Project Cost (Estimate At Completion)
Identified for Preliminary Planning	30	\$241,375,461
Recommended for Planning	47	\$166,110,994
Approved for Planning (by CIO)	40	\$96,606,874
Recommended for Development Approval (by Secretarial Oversight Committee & CIO)	0	\$0
Approved for Development (by IT Investment Board)	4	\$24,770,197
Active Projects	39	\$968,446,150
Projects Pending Closeout	2	\$67,443,973
Suspended Projects	2	\$2,600,000
<b>Commonwealth Totals</b>	<b>164</b>	<b>\$1,567,353,649</b>

Exhibit H provides summary statistics by category of net changes to the IT Project Portfolio since the January 2004 VITA Quarterly Report.

**Exhibit H**  
**Changes in the IT Project Portfolio**  
**December 16, 2003 – March 15, 2004**

Portfolio Category	Net Change in # of Projects	Net Change in \$\$ Value* (in millions)
Identified for Preliminary Planning	-5	-\$4.27
Recommended for Planning	-42	-\$114.83
Approved for Planning (by CIO)	+39	+\$95.81
Recommended for Development Approval (by Secretariat Oversight Committee & CIO)	None in Category	NA
Approved for Development (by IT Investment Board)	+1	+\$2.08
Active Projects	+6	-\$16.98
Pending Closeout	0	+\$46.74
Suspended	0	+\$0.00

\* Change in Total Dollar Value of Project Cost (Estimated at Completion)

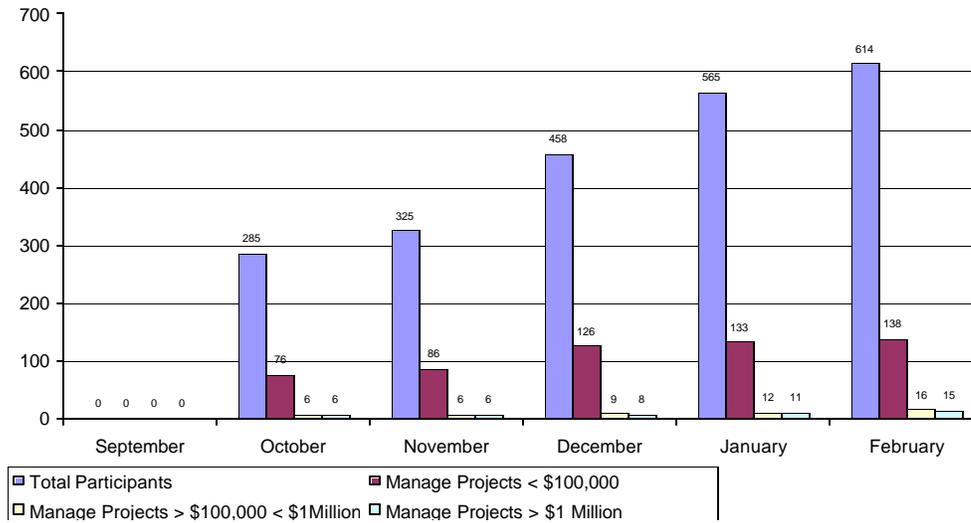
## Program Management

To meet specific *Code* mandates relating to Program Management, VITA staff has:

- Developed and implemented a very cost-effective Project Manager Development Program (PMDP), with over 600 participants registered to date (see <http://www.vita.virginia.gov/ittrain/pmdev/pmdev.cfm>);
- Worked with the ITIB's Project Review Committee to continue to refine a business-based approach to evaluating proposed major IT projects, including use of a "balanced scorecard" (see <http://www.vita.virginia.gov/projects/IntBalScorcdDecCriteria.v4.pdf>);
- Initiated development of an Information Clearinghouse for best practices and lessons learned in project management (see <http://www.vita.virginia.gov/itTrain/pmDev/PrjMgmtClearingHouse.cfm>).

Results to date, in terms of numbers of participants and those meeting qualification requirements for various levels of projects, are shown in Exhibit I.

## Exhibit I PMDP Participants Meeting Qualifications



For the current fiscal year, the following Program Management milestones are listed in Exhibit J.

## Exhibit J Program Management Timetable

Milestone	Timetable
Publish Commonwealth Project Management Standard	July 2004
Develop and Implement Web-based Project Proposal and Charter Submission process	Jan 2005
<b>Continue Development and Implementation of Information Clearing House:</b>	
Deliver best practices and lessons learned capability	Completed
Deliver project manager bulletin board	Completed
Deliver PM news and recognition page	Completed
Deliver major projects information search capability	May 2004
Deliver vendor information search capability	Aug 2004
Deliver new developments page	Aug 2004
Deliver project mentor page	Aug 2004
<b>Project Manger Development Program:</b>	
Provide Commonwealth PM Overview Training	May 6, 11, 2004
Additional classes—scheduled to meet demand	Aug 2004
Implement Project Mentorship Component of PMDP	Sept 2004
Complete Phased Implementation of PM Selection and Training Standard	May 2005

# Project Oversight and Reporting

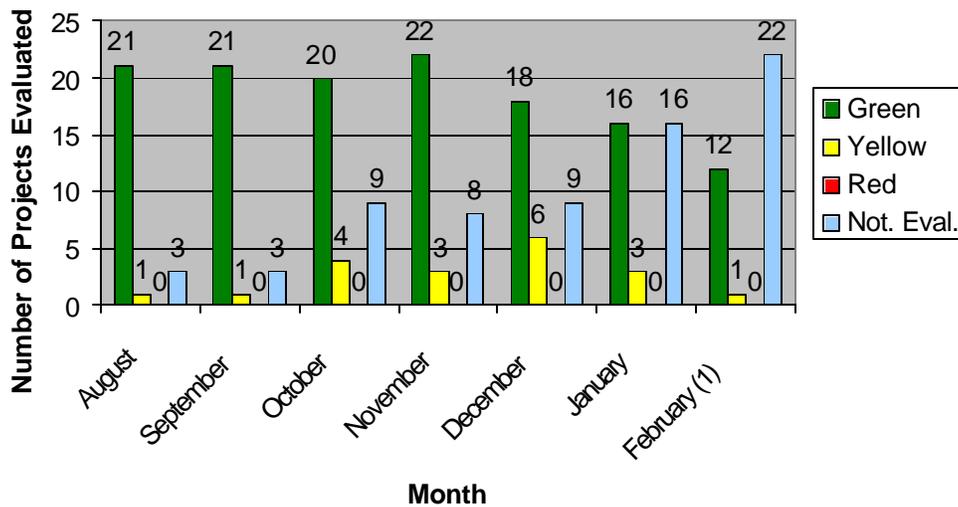
The Commonwealth Major IT Project Status Report Dashboard continues to be the primary management tool for supporting the oversight of major IT projects at all management levels. The Dashboard presents the CIO, sponsoring Secretariats, and proponent agencies with a succinct and timely summary of the status of their major projects.

Each month the overall status of a project is evaluated as either:

- Green: On Track
- Yellow: Warning—consider corrective action or monitor previous corrective action
- Red: Problem—immediate corrective action required
- Blue: Not Evaluated

Exhibit K indicates the status of Dashboard projects for the latest reporting period. Due to lag time in the reporting chain from project manager through agency head to cabinet secretary, later months tend to show higher “Not Evaluated” totals. Several factors contribute to the number of projects shown as Not Evaluated. These factors will be addressed in an upcoming audit of the Dashboard entries to be conducted by the Project Management Division.

**Exhibit K**  
**Major IT Projects Status Dashboard Evaluation Summary**



(1) Current reporting period; February status reports are received throughout March.

Version 2 of the Dashboard, containing a number of requested enhancements, is scheduled for rollout in December 2004. Exhibit L includes the proposed timetable for project oversight and reporting.

## Exhibit L Project Oversight and Reporting Timetable

Milestone	Timetable
Implement Revised Public View of Commonwealth Major IT Project Status Report Dashboard	April 2004
Implement Revised Project Management Division/Supply Chain Management APR Process and Tool	April 2004
Complete Commonwealth Major IT Project Status Report Dashboard Audits	May 2004
Implement Version 2 of the Commonwealth Major IT Project Status Report Dashboard	Dec 2004

## PPEA Opportunities

With the scope of IT infrastructure consolidation that lies ahead, acquiring appropriate outside expertise will be a key component of planning and executing successful Transformation initiatives. The capital-intensive nature of prospective cost-savings and service improvement initiatives also provides incentive to look at the potential gain-sharing aspects of public/private partnerships. The Commonwealth's current fiscal situation creates strong additional impetus to seek alternative capital funding opportunities.

In this context, the Public-Private Educational Facilities and Infrastructure Act of 2002 (referred to as PPEA) is one promising vehicle for approaching future Transformation initiatives. This act allows the Commonwealth's public bodies to consider unsolicited and solicited proposals for innovative approaches to a wide variety of projects, including technology initiatives. Receiving and evaluating PPEA-based proposals and negotiating any resulting agreements is, in itself, a resource-intensive process. To provide the necessary internal focus on PPEA opportunities, VITA is establishing an Enterprise Projects Office within the Project Management Division. This office will serve as the lead staff unit in VITA's review, evaluation, and pursuit of proposals for public/private partnerships under PPEA, drawing on additional resources from both within and outside of the agency.

Given the complexities of any public/private relationship, VITA staff recommends that a knowledgeable, experienced professional partnership advisor be retained. The history of similar projects across the country has shown that retaining such an advisor substantially increases the likelihood of success. Initial milestones for this effort are listed in Exhibit M.

## Exhibit M PPEA Opportunities Timetable

Milestone	Timetable
Establish VITA PPEA Management and Governance Process—Presentation to ITIB	April 2004
Complete Organization and Implementation of New Enterprise Projects Office	April 2004
Award PPEA Consulting Services Contract	April 2004
Complete Initial Internal Review of PPEA proposals submitted to VITA	April 2004
Establish full review committee for PPEA reviews	May 2004
Review and post, if selected, PPEA proposals	June 2004
IT Investment Board PPEA review and update	June 2004



## Proposed Rate Methodology

VITA developed interim rates for new IT services that were approved by JLARC at its December 2003 meeting, with certain conditions. These rates were based upon a fully transformed organization that would recover costs associated with bringing all VITA customers to specified levels of support for staffing, maintenance, licensing, help desk, security and equipment replacement services.

Once the December 2003 approved rates were published, agencies began a comparison of their existing IT expenditures compared to projected expenses based on these rates. While not all comparisons were on an “apples-to-apples” basis, it was evident that the new VITA rates would result in increased costs to a number of agencies beyond their ability to pay, and with the emerging state budgetary situation offering no opportunities for supplemental funding.

Based upon “lessons learned” from the agencies regarding the interim rates for new services, VITA is recommending a change in approach to its interim rate methodology. This change is consistent with the CIO’s direction to concentrate solely on Integration activities over CY 2004.

The guiding principles for the proposed rate structure methodology are as follows:

- Rates must be equitable;
- Rates must be reasonable and competitive;
- Compliance requirements related to Commonwealth IT practices, such as legal licenses for all software, must be met; and
- Total costs of in-scope IT services must be within the scope of agencies ability to pay.

With these principles as a base, and working closely with APA and JLARC for review and approval, VITA is proposing to use a direct bill approach to IT services. Agencies will only pay for services they request—and approve—and VITA will bill the agencies for those direct costs plus an administrative fee. The only other additional cost to the agency will be related to any compliance requirements, which the agency will pay.

The administrative fee will be based upon the necessary essential investments to make the integration happen, primarily additional finance, contract/procurement, audit, security, planning, and human resources staff and related expenses. Also included are Enterprise Service Directors (ESDs) to manage the distributed sites.

Unlike the December 2003 interim rates, the proposed methodology does not include credits for IT equipment transferred to VITA. Credits were being provided under the interim rates because equipment replacement costs were factored into those rates. The proposed rates will not include any replacement costs and, therefore, credits are unnecessary.

While the intent of the Integration stage is to manage all current IT infrastructure in place, immediately available cost savings opportunities (such as consolidation of all servers in a building into one location) will be pursued. VITA's goal is to identify and capture such early cost savings sufficient to at least offset for agencies the minimal administrative fees in the direct bill approach. Any additional savings beyond the offset will be directed to the Virginia Technology Infrastructure Fund for future reinvestment.

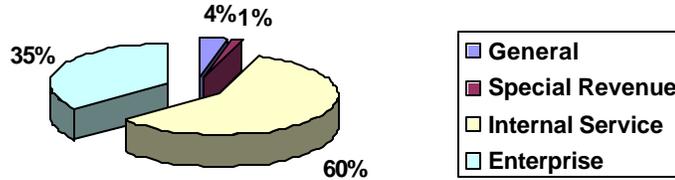
Approved by the IT Investment Board on March 3, the proposed rate methodology will be presented to the APA and JLARC staff for review. Parallel to the direct bill methodology using the interim rate, VITA will be developing a cost allocation methodology to support the phased transition of agency-centric systems to consolidated services and related systems shared among multiple agencies. VITA will then proceed to develop a formal request to JLARC for approval at its May 2004 meeting. To address concerns about any FY 2004 financial impact, the onboarding of medium agencies and prospective early onboarding of VDOT has been moved to July 1, 2004.

## Expenditure Estimates by Fund

- 1. General funds**, which account for about \$7.5 million of VITA's total projected expenditures for FY 2004, provide funding for project management and enterprise-wide strategic planning and policy programs, statewide coordination for geographic information systems and related applications, and VITA start-up initiatives.
- 2. Enterprise funds**, which account for about \$66.1 million of VITA's total projected expenditures for FY 2004, account for operations that are financed and operated in a manner similar to private business enterprises. These funds provide funding for specific purposes and are recovered through external fee-based services purchased by businesses and individuals. Grants to Virginia localities for deployment of enhanced emergency telecommunications systems, for example, are funded by surcharges that appear on cellular telephone bills. Enterprise funds provide funding for Web portal and Web services, grants to Virginia localities and wireless providers for deployment of enhanced emergency telecommunications systems, and operating support to the E-911 program (Public Safety Communications Division).
- 3. Internal service funds** are used by VITA to recover the costs of the services it provides to its customers, based on rates approved by the IT Investment Board and JLARC. These services include telecommunications, computer, and consulting categories. VITA anticipates spending \$111.4 million related to its internal service fund activities.
- 4. Special funds** account for about \$2.5 million of VITA's projected expenditures. They are specific revenue sources that are restricted to finance particular functions and activities of the Commonwealth, including supplemental funds for geographic information systems and related applications and the portable generator wiring project.

Exhibit N illustrates how VITA's projected \$187.5 million in FY 2004 expenditures are divided among the three fund sources

**Exhibit N**  
**FY 2004 Expenditure Estimates by Fund**



## Financial Statements

Financial statements as of January 31, 2004, and projections through June 30, 2004 are provided on the following pages:

- Exhibit O: Combined Balance Sheet for Internal Service Funds (FY 2004)
- Exhibit P: Combined Statement of Revenues, Expenses, and Changes in Net Assets for Internal Service Funds (FY 2004)
- Exhibit Q: Combined Statement of Cash Flows for Internal Service Funds (FY 2004)
- Exhibit R: Combined Statement of Revenues, Expenses, and Changes in Net Assets for Enterprise Funds (FY 2004)
- Exhibit S: Combined Statement of Revenues, Expenses, and Changes in Net Assets for General and Special Revenue Funds through January 31, 2004.

For Internal Service Funds, financial projections indicate improvement over our previously reported budget for the year due to lower than anticipated spending. Additionally, the impact of decisions made to propose a new rate methodology to JLARC and to transition medium agencies in FY 2005 combined to reduce both revenue and expense projections for FY 2004. For all other funds, revenues and expenses are as anticipated.

**Exhibit O**  
**Virginia Information Technologies Agency**  
**Combined Balance Sheet**  
**Internal Service Funds**

	<b>January 31, 2004</b>	<b>Pro Forma June 30, 2004</b>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash with Treasurer of Virginia	\$ 17,809,754	\$ 18,397,000
Petty Cash and Travel Advances	8,000	8,000
Accounts Receivable	18,705,956	17,250,000
Due From Other Funds	-	-
Due from Commonwealth of Virginia	-	-
Prepaid Expenses	3,188,049	3,188,000
<b>Total Current Assets</b>	<b>39,711,759</b>	<b>38,843,000</b>
<b>Noncurrent Assets</b>		
Depreciable Capital Assets, Net	19,011,683	17,221,000
<b>Total Assets</b>	<b>\$ 58,723,442</b>	<b>\$ 56,064,000</b>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 8,470,421	\$ 8,470,000
Notes Payable	5,514,072	5,731,000
Advances from Treasurer of Virginia	-	-
Accrued Compensated Absences	1,601,491	1,602,000
Other Deferred Revenue	10,438	10,000
Due to Federal Government	679,200	1,011,000
Other Liabilities	126,540	127,000
<b>Total Current Liabilities</b>	<b>16,402,162</b>	<b>16,951,000</b>
<b>Noncurrent Liabilities:</b>		
Notes Payable	10,411,143	8,308,000
Accrued Compensated Absences	1,474,163	1,474,000
<b>Total Noncurrent Liabilities</b>	<b>11,885,306</b>	<b>9,782,000</b>
<b>Total Liabilities</b>	<b>28,287,468</b>	<b>26,733,000</b>
<b>Net Assets</b>		
Investment in Capital Assets, Net of Related Debt	7,192,435	6,250,000
Unrestricted	23,243,539	23,081,000
<b>Total Net Assets</b>	<b>30,435,974</b>	<b>29,331,000</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 58,723,442</b>	<b>\$ 56,064,000</b>

**Exhibit P**  
**Virginia Information Technologies Agency**  
**Combined Statement of Revenues, Expenses, & Changes in Net Assets**  
**Internal Service Funds**

	<u>January 31,</u> <u>2004</u>	<u>June 30,</u> <u>2004</u>
<b>Operating Revenues</b>		
Charges for Services	\$ 66,655,212	\$ 114,266,000
Total Operating Revenues	<u>66,655,212</u>	<u>114,266,000</u>
<b>Operating Expenses</b>		
Personal Expenses	16,568,027	28,856,000
Contractual Services	35,385,010	63,250,000
Supplies and Materials	179,610	308,000
Educational Assistance and Transfer Payments	-	-
Rent, Insurance & Other Related Charges	5,222,079	9,024,000
Depreciation	4,467,784	7,759,000
Expendable Equipment/Improvements	543,909	932,000
Total Operating Expenses	<u>62,366,419</u>	<u>110,129,000</u>
<b>Operating Income (Loss)</b>	<u>4,288,793</u>	<u>4,137,000</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest	(297,972)	(511,000)
Reimbursement to Federal Government	-	(331,000)
Revenue from the Sale of Recyclable Materials	910	2,000
Proceed from Insurance Recoveries	9,277	16,000
Sale of Surplus Property	-	-
Loss on Fixed Asset Disposal	-	-
Total Nonoperating Expenses	<u>(287,785)</u>	<u>(824,000)</u>
<b>Income (Loss) Before Transfers</b>	<u>4,001,008</u>	<u>3,313,000</u>
<b>Transfers</b>		
Transfers from Other Funds	-	-
Transfers to the General Fund of the Commonwealth	(25,220)	(442,000)
Transfers from the General Fund of the Commonwealth	-	-
Total Transfers	<u>(25,220)</u>	<u>(442,000)</u>
<b>Increase (Decrease) in Net Assets</b>	3,975,788	2,871,000
<b>Total Net Assets, July 1</b>	<u>26,460,186</u>	<u>26,460,000</u>
<b>Ending Total Net Assets</b>	<u><u>30,435,974</u></u>	<u><u>29,331,000</u></u>

**Exhibit Q**  
**Virginia Information Technologies Agency**  
**Combined Statement of Cash Flows**  
**Internal Service Funds**

	<u>January 31, 2004</u>	<u>Pro Forma June 30, 2004</u>
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$ 63,894,703	\$ 112,961,469
Cash Payments to Suppliers for Goods & Services	(5,640,659)	(9,959,012)
Cash Payments for Contractual Services	(34,727,802)	(62,593,213)
Cash Payments to Employees for Services	(16,571,708)	(28,859,335)
Other	10,187	18,614
	<u>6,964,721</u>	<u>11,568,523</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Cash Transferred to General Fund of the Commonwealth	(25,220)	(442,000)
Cash Payment to the Federal Government	-	-
(Repayment of) Advances from the Treasurer of Virginia	-	-
	<u>(25,220)</u>	<u>(442,000)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Sale of Equipment	-	-
Acquisition of Capital Assets	(551,892)	(1,443,153)
Principal Paid on Notes Payable	(2,340,854)	(4,836,341)
Interest Paid on Notes Payable	(297,972)	(511,000)
	<u>(3,190,718)</u>	<u>(6,790,494)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(3,190,718)</u>	<u>(6,790,494)</u>
Net Increase in Cash	3,748,783	4,336,029
Cash, July 1	<u>14,068,971</u>	<u>14,068,971</u>
Ending Cash	<u>\$ 17,817,754</u>	<u>\$ 18,405,000</u>

**Exhibit R**  
**Virginia Information Technologies Agency**  
**Combined Statement of Revenues, Expenses, & Changes in Net Assets**  
**Enterprise Funds**  
**For Period Ended January 31, 2004**

Operating Revenues	\$38,462,378
Operating Expenses	<u>39,938,912</u>
Operating Income (Loss)	(1,476,534)
Nonoperating Revenues/Expenses	<u>-</u>
Income (Loss) Before Transfers	(1,476,534)
Transfers to the General Fund of the Commonwealth	<u>(10,295,098)</u>
Increase (Decrease) in Net Assets	(11,771,632)
Total Net Assets, July 1	<u>26,837,223</u>
Ending Total Net Assets	<u><u>\$15,065,591</u></u>

NOTE: The Enterprise Funds are E-911 and VIPNet.

# - E-911 transferred \$9,843,000 and VIPNet transferred \$452,000 to the General Fund of the Commonwealth per the Appropriation Act. The remaining \$1.5 million loss relates to the timing of expenses as compared to revenues, and is expected.

**Exhibit S**  
**Virginia Information Technologies Agency**  
**Combined Statement of Revenues, Expenses, and Changes in Net Assets**  
**General and Special Revenue Funds**  
**For Period Ended January 31, 2004**

	<b>General Funds</b>	<b>Special Revenue Funds</b>
Operating Revenues	\$7,519,795	\$1,182,140
Operating Expenses	3,870,929	1,134,863
Operating Income (Loss)	3,648,866	47,277
Nonoperating Revenues/Expenses	-	-
Income (Loss) Before Transfers	3,648,866	47,277
Transfers	-	280,000
Increase (Decrease) in Net Assets	3,648,866	327,277
Total Net Assets, July 1	-	527,575
Ending Total Net Assets	<u>\$3,648,866</u>	<u>\$854,852</u>

NOTE: The General funds are for start-up costs and Strategic Management Services. Special Revenue funds are comprised of VGIN, IFA, E-Gov, GIS, Virginia Technology Infrastructure and Federal funds for the generator wiring project.

## Assumptions Used

Revenue and expense projections are based on a variety of assumptions, as detailed below. Projected FY 2005 and FY 2006 data has not been developed, pending spending estimate information from transitioning agencies and JLARC approval of VITA's revised rate methodology.

### Internal Service Funds

Revenue estimates are based on actual revenues through January 2004 and projected for the remainder of FY 2004. Expense estimates are based upon actual expenses through January 2004 with projections for the remainder of the fiscal year. The most recent monthly data was used to project certain expenses, such as payroll and depreciation. The impact of integration activities on FY 2004 estimates is considered to be less than one percent of revenues or expenses, based upon the proposed interim rate model described in Section 4. These activities have not been included in the projections.

## Other Funds

A legislatively mandated transfer of \$9.8 million out of the E-911 account in Enterprise Funds combined with planned expenditures from fund balances results in an expected net loss.

For general funds, revenues are based upon appropriations. Because the funds must be used in the year appropriated, expenditures will not exceed appropriations at the end of the fiscal year.

At June 30, revenues and expenditures will be close to even for Special Revenue Funds, similar to the results shown for January.

## Cash Flow Projections

Cash flow projections are based upon January 2004 data. VITA is projecting to maintain its positive cash position from FY 2003 through FY 2004.