

SUBJECT: AN ORDINANCE TO ACCEPT AND APPROPRIATE CYBER INSURANCE PROCEEDS OF \$500,000, AND APPROPRIATE \$947,893 FROM THE UNASSIGNED AREAWIDE FUND BALANCE TO FUND 445, PROJECT 55025, 2018 CYBER ATTACK, TO REIMBURSE RELATED EXPENSES, AND A RESOLUTION TO APPROVE THE SCOPE OF WORK AND BUDGET.

AGENDA OF: April 6, 2021

ASSEMBLY ACTION:

adopted without objection. KBT 4-20-21

MANAGER RECOMMENDATION: Introduce and set for public hearing.

APPROVED BY MICHAEL BROWN, BOROUGH MANNAGER: *UMB*

Route to:	Department/Individual	Initials	Remarks
	Originator	CH	
	Finance Director	<i>CY</i>	
	Borough Attorney	<i>KB</i>	
	Borough Clerk	<i>BOA for Lkm</i>	

ATTACHEMENTS: Fiscal Note: Yes X No
 Ordinance Serial No. 21-038 (2 pp)
 Resolution Serial No. 21-036 (2 pp)

SUMMARY STATEMENT: The intent of Ordinance 21-038 is to accept and appropriate cyber insurance proceeds from the Borough's property insurance carrier, XL America, for \$500,000. In addition, it is requested that \$947,893 be appropriated from Unassigned Areawide Fund Balance to Project 55025, 2018 Cyber Attack, to reimburse emergency expenses. All remediation vendors have been paid for services and all insurance proceeds have been received. Resolution 21-036 outlines the final scope of work and budget. Project expenses total \$2,447,893.

BACKGROUND:

On July 17, 2018, the Matanuska-Susitna Borough sustained severe and continuous losses to its Information System from a multi-pronged, multi-vectored advanced persistent malware Cyber Incident that began in May 2018. As a direct result the Borough's computer infrastructure, including computers/laptops, most Borough servers,

networked telephones and email exchange services needed repair and restoration.

On July 31, 2018 the Borough Manager declared a disaster emergency. A state level declaration of emergency was requested in an effort to gain access to public assistance and was subsequently denied. Assembly Resolution 18-062 extended the Borough declaration through October 16, 2018.

Assembly Ordinance 18-094, adopted December 18, 2018 reappropriated \$500,000 from the Major Repair and Renovation Reserve Fund 100, and \$500,000 from the Capital Expenditures Reserve Fund 100, to the Emergency Response Reserve Fund 100, for related project expenses. The total scope and budget for the project was not yet known.

Assembly Ordinance 19-014 was adopted on February 5, 2019, appropriating \$1,000,000 in insurance proceeds from AXIS Insurance. These were the full limits for the cyber insurance policy. At this time remediation was still ongoing and the full scope of work and budget was still unknown.

In April 2019 a subsequent \$500,000 claim was filed with the Borough's property insurance carrier, XL America. The claim settled in February 2021.

During the fiscal year 2021 budget process it was noted that the Emergency Reserve exceeded the amount allowed by code and the \$1,000,000 appropriated by Ordinance 18-094 was moved back into Unassigned Fund Balance.

RECOMMENDATION OF ADMINISTRATION: Approve this legislation.

MATANUSKA-SUSITNA BOROUGH
FISCAL NOTE

Agenda Date: April 6, 2021

Subject: An Ordinance & Resolution of the Matanuska-Susitna Borough Assembly to accept & appropriate \$500,000 in insurance proceeds from XL America and appropriate \$947,893 from Unassigned Areawide Fund Balance to Fund 445, Project 55025.

ORIGINATOR: Cheyenne Heindel

FISCAL ACTION (TO BE COMPLETED BY FINANCE)	FISCAL IMPACT <u>YES</u> NO
AMOUNT REQUESTED <u>1,447,893.00</u>	FUNDING SOURCE <u>Insurance Proceeds + Alw</u>
FROM ACCOUNT #	PROJECT #
TO ACCOUNT : <u>445.000.000 3XX.XXX</u>	PROJECT # <u>55025</u>
VERIFIED BY: <u>[Signature]</u>	CERTIFIED BY:
DATE: <u>3-24-2021</u>	DATE:

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Personnel Services						
Travel						
Contractual						
Supplies						
Equipment						
Land/Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING						

CAPITAL	<u>1,447.9</u>					
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REVENUE						
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FUNDING:

(Thousands of Dollars)

General Fund	<u>947.9</u>					
State/Federal Funds						
Other	<u>500.0</u>					
TOTAL	<u>1,447.9</u>					

POSITIONS:

Full-Time						
Part-Time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

PREPARED BY: _____ PHONE: _____
 DEPARTMENT: Cheyenne Heindel DATE: 3/23/2021
 APPROVED BY: _____ DATE: _____

IM No. 21-069
ORD No. 21-038
RESO No. 21-036