

- **Board of Directors**
Engineering, Operations and Real Property Committee

November 20, 2001 Board Meeting

8-1

Subject

Authorize \$879,000 and delegate authority to award contract(s) to implement Information Technology security-related improvements under Appropriation 15378

Description

Protection of computer systems and electronic data is an increasing concern at Metropolitan and throughout the water industry. Recently, the Association of Metropolitan Water Agencies (AMWA) formed an advisory group to assess the security needs of the water community. The AMWA advisory group cautioned that water systems are vulnerable to cyber and physical threats.

Metropolitan has a number of ongoing efforts to maintain Information Technology (IT) security, protect critical computer systems and safeguard information assets. The efforts span a broad spectrum of activities, such as restricting network and internet activity, scanning for computer viruses, limiting data access to authorized users only and performing IT security assessments.

Last year, the Information Technology Section hired consultants to perform independent security assessments of our IT environment. The consultants recommended that Metropolitan implement security monitoring and vulnerability assessment products to help protect our critical information assets, as well as implement software and hardware to tighten access to systems that control water distribution and treatment. Consequently, staff proposed to implement the recommendations and requested funding in the FY 2001/02 Capital Investment Plan (CIP). The security improvements were reviewed and recommended by the CIP evaluation team. Funding was included in the capital budget for FY 2001/02. A breakdown of the cost estimate to implement the IT security improvements (Approp. 15378) is shown in the Financial Statement ([Attachment 1](#)).

Implementation of these improvements is an integral part of our overall plan to strengthen IT security and an immediate operational need to enable staff to better identify and respond to potential IT security threats. Staff has consulted with Giga, a computer industry advisory group, to obtain expert advice on the best products to use to cost-effectively address Metropolitan's needs.

Although it is likely that additional IT security-related recommendations will emerge from the IT Strategic Plan and other future IT security initiatives, staff feels it is prudent to proceed with these security improvements at this time, particularly given the high priority ranking that these items received from the security consultants. Staff will update the Board when more information is available and request appropriation of additional funding, as necessary, to implement any new recommendations that may emerge in the future.

Policy

Metropolitan Water District Administrative Code § 5108: Capital Project Appropriation

Metropolitan Water District Administrative Code § 8113: Award of Contracts over \$250,000

CEQA

The proposed action is not defined as a project under the California Environmental Quality Act (CEQA) because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to CEQA per Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and authorize \$879,000 and delegate authority to the Chief Executive Officer to award contract(s) over \$250,000 to implement Information Technology security-related improvements (Approp. 15378).

Fiscal Impact: \$879,000 of budgeted capital expenditures under Approp. 15378.

Option #2

Defer implementation of the Information Technology security-related improvements until after the ITSP has been completed (Approp. 15378).

This option defers capital expenditures, but does not enable staff to be more proactive in limiting, identifying, and responding to potential IT security threats during the interim period.

Fiscal Impact: Defers capital expenditure of \$879,000 by approximately six months, but could necessitate additional O&M expenses to deal with IT security breaches that may have been avoided if security monitoring and assessment products were in place.

Staff Recommendation

Option #1

	10/17/2001
Roy L. Wolfe Manager, Corporate Resources	Date
	10/25/2001
Ronald R. Gastelum Chief Executive Officer	Date

Attachment 1 – Financial Statement

BLA #1278

FINANCIAL STATEMENT

A breakdown of Board Action No. 1 for Appropriation No. 15378 to implement the Information Technology (IT) security improvements is as follows:

	Board Action No. 1 (November 2001)
Labor and Additives	\$ 154,000
Materials & Supplies	226,000
Incidental Expenses	42,000
Professional & Technical	315,000
Operating Equipment	10,000
Administrative Charges	32,000
Contract Payments	20,000
Remaining Budget	<u>80,000</u>
Total:	\$ 879,000

FUNDING REQUEST

Program Name:	ITSP Security Program Implementation		
Source of Funds:	Pay-As-You-Go Fund		
Appropriation No.:	15378	Board Action No.:	1
Requested Amount:	\$879,000	Capital Program No.:	01214-C
Total Appropriated Amount:	\$879,000	Capital Program Page No.:	E-26
Total Program Estimate:	\$2,280,000	Project Goal:	C-Customer Service